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CALIFORNIA

Governor's Budget Summary

2002-03

Gray Davis, Governor
State of California

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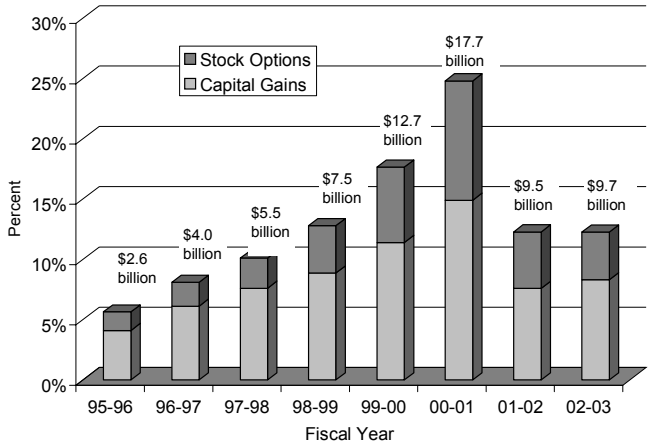
California's Economic Challenge

National economic developments in 2001 included the beginning of a recession, ending the longest economic expansion in our nation's history. But unlike the recession in the early 1990s, California's economy has shown great resilience through this downturn, continuing to outpace the nation in job growth through much of 2001. By the fall, however, signs of the economic slowdown were pronounced, forcing job losses in major sectors of the economy. The international economic climate also slowed, depressing sales of California exports, and the terrorist attacks in September dealt a severe blow to California industries most dependent on tourism.

Figure A

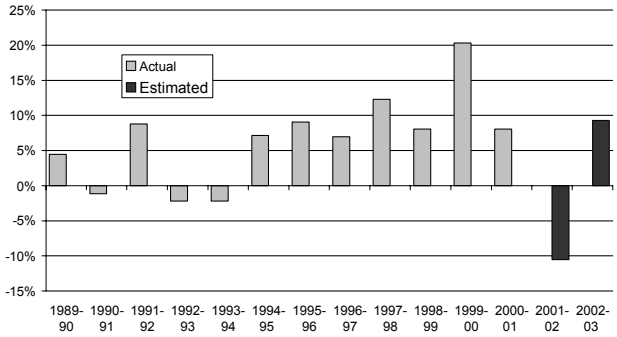
Capital Gains and Stock Options Revenue as a Percent of Total General Fund Revenue



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

Figure B

Major General Fund Revenue Growth 1989-90 to 2002-03



The impact of all of these factors on California's economy and revenue outlook is magnified by the extraordinary rise and fall of the stock market, particularly in the high-technology sector, and the extreme volatility of the income tax revenues from capital gains and stock options.

The volatility of stock market-related income is the most significant financial factor influencing California's budget in 2002-03. Over the last three years, the stock market and, in particular, the technology-driven NASDAQ index soared to unprecedented levels, rewarding investors and employees with huge profits. The resulting capital gains and stock option income created an unprecedented surge in State tax revenues (Figure A). But in 2001, the reverse happened, and the steep decline in the stock market, capital gains, and stock option income, coupled with the impact of September 11, produced the most precipitous decline in revenues since World War II (Figure B).

Recognizing the volatile nature of revenue generated by the stock market, the Administration and Legislature took steps to guard against a sudden reversal in revenue by investing a significant portion of the increased funds in one-time expenditures such as infrastructure and capital improvements instead of on-going program commitments, and by augmenting the Reserve for Economic Uncertainties to its highest level in more than two decades. However, the sharpness of the decline in revenue was beyond all projections and will deplete the Reserve, resulting in a shortfall of $3 billion in the current year. This problem combined with a reduced estimate of capital gains and stock market income for the budget year and the need for a reserve means that the State must close a funding gap exceeding $12 billion by June 30, 2002.

The strength and diversity of California's economy in the last three years made it possible to make major strides in critically important areas – education, public safety, the environment, and expanding health care coverage to California's most vulnerable citizens. And it is the same strength and diversity of California's economy that will enable California's political leaders to address the current fiscal challenge without retreating on gains we've made or destroying vital safety net programs designed to protect Californians in troubled times.

The Governor's Proposed Budget presents a combination of tough decisions necessary to reduce spending in the current year and budget year, and prudent fiscal measures designed to address a sharp revenue shortfall resulting from the effects of a national recession and the terrorist attacks in September. This fiscal recovery plan ensures that the State's most important achievements are not sacrificed as the Governor and the Legislature seek to address what experts predict to be a moderate economic downturn. The expectation of a mid-year recovery for the California economy is very close to what both the University of California, Los Angeles (UCLA) and the Legislative Analyst are expecting based on their year-end forecasts. It is predicated on an outlook for the national economy that is also similar to those of UCLA and the Legislative Analyst, but marginally weaker than the Blue Chip forecast, which is based on a survey of 51 business economists throughout the nation. If the economic recovery is delayed, thereby protracting the rebound in State revenues, additional measures will be necessary to ensure the State's fiscal condition remains strong, stable, and balanced.

As the magnitude of the current fiscal challenge facing the State became more evident in Fall 2001, the Administration took steps to reduce spending in the current year by administratively "freezing" approximately $2.2 billion in General Fund expenditures and transmitting its *Proposed Reduction in 2001-02 Spending* plan to the Legislature in November 2001. The 2002-03 Budget proposes additional spending reductions and other strategies to provide General Fund relief totaling $12.5 billion.

Essential programs providing core services were protected from significant reductions, including K-12 education, public safety, and health coverage for children and low-income families, as were those programs that will provide an immediate stimulus to the state's economy.

The Governor's Proposed Budget for 2002-03 fully funds the Proposition 98 guarantee and provides full growth and cost-of-living adjustments (COLA) for K-12 schools. With the proposed 2002-03 Budget, General Fund spending on K-12 education will increase by $270 million over 2001-02 for a total increase of nearly $8 billion, or 34 percent, since 1999. The Governor's Proposed Budget also fully funds critical reform programs implemented in the last three years to address school accountability, improved student performance, and standards-based professional development for teachers and administrators. The Administration has also committed significant additional resources in the 2002-03 Budget to expand before and after school programs and fully fund textbook acquisition in accordance with the scheduled adoption of state standards for instructional materials.

The Governor's Proposed Budget also maintains the tremendous progress California has made in the last three years to reduce the number of children and low-income families without health insurance in California. Since 1999, California has expanded affordable health care coverage to more than 1.8 million Californians including children, low-income families, persons with AIDS, and aged, blind and disabled adults through the Healthy Families Program and the Medi-Cal program.

This Administration has also demonstrated its continuing commitment to public safety by fully funding the Citizens' Option for Public Safety and Juvenile Crime Prevention programs ($232.6 million), technology grants for local law enforcement ($35.4 million), small county law enforcement grants ($18.5 million), the War on Methamphetamine initiative ($15 million), and high technology crime and identity theft efforts ($14.4 million).

The Budget continues to provide funds for important environmental initiatives including clean water, parks, land and water conservation efforts and the California Bay-Delta program (CalFED). Investments made by California voters in bond measures for these efforts have allowed the State to continue to protect our natural resources and build for the future even as the economy slows down.

Finally, the Governor's Proposed Budget continues to provide California taxpayers with the record level tax relief enacted in the last three years. By the end of fiscal year 2002-03, California taxpayers will have received an additional $4.5 billion in ongoing tax relief: $3.7 billion in vehicle license fee reductions, and $800 million in

targeted tax relief that includes the long-term care and child care credits for families, research and development credit for businesses, and relief from sales tax on fuel and equipment for California farmers.

In spite of the budget shortfall we face, California is stronger today than at any other time in our history. That strength allows California to meet this economic challenge head on. The Governor's Proposed 2002-03 Budget meets the task by continuing to nurture the elements that make our economy strong, reducing spending in response to lower revenues, and protecting the vital services that provide the foundation of California's future.

Bridging the Gap

In the 1990s, the share of California's revenue base derived from the stock market and capital gains increased dramatically. In 2000-01, nearly 25 percent of California's General Fund revenues were generated by the stock options and capital gains, particularly from California's high-technology industries. Although the Administration and lawmakers were careful to focus much of the increase in revenue on one-time expenditures, the reduction in capital gains and stock options from the stock market and the impact of national economic conditions resulted in a projected shortfall of $3 billion in the current year and $9 billion in the budget year. The shortfall in both the current year and budget year, combined with the need for a reserve, created a total budget gap of $12.5 billion.

To address the changing economic and fiscal conditions facing the State in 2001, the Administration proposed significant spending reductions as part of the 2001-02 May Revision and, as actual receipts fell short of the May forecast, further reductions were identified collaboratively with the Legislature and through additional line-item vetoes of $499 million in an effort to build a substantial reserve.

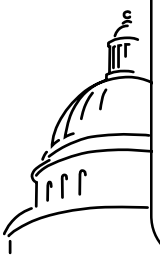
As revenues continued to fall short after enactment of the 2001-02 Budget, the Governor directed State departments to identify options for spending reductions ranging from three to fifteen percent. In addition, the Governor directed departments to freeze hiring and make current-year operating expense and equipment reductions totaling at least $150 million. Finally, as noted below, the Administration identified nearly $3 billion in spending reductions and transfers as part of an unprecedented "November Revision" to the Budget.

Including the November Revision reductions identified above, the Governor's 2002-03 Budget proposes a total of $5.2 billion in expenditure reductions, $586 million in funding shifts, and $5.6 billion in loans, accelerations, and transfers to bridge the funding gap.

Without significant changes, the anticipated reduction in revenue combined with increased expenditures for K-12 education, tax relief, and health care would result in on-going expenditures outpacing annual revenues in the budget year and beyond. To address this imbalance, the Governor's 2002-03 Budget proposes reductions and other measures that will provide General Fund relief beyond the budget year.

Bridging the Gap

	Amount (Millions)
Major Reductions ($5.226 billion)	
November Revision Reductions (Current and budget year impact)	$2,449
Budget Year Reductions	2,677
Reserve for Litigation	100
Fund Shifts ($586 million)	
Shift to Lease-Revenue Bonds	160
Shift to General Obligation Bonds	7
Federal Special Education Grant	112
Shift per November Spending Revision	152
Shift to Other Special Funds	155
Federal Funding Increases ($1.066 billion)	
Medi-Cal offset (FMAP)	400
Child Support System Penalty Relief	181
Federal Funding for Health and Human Services Programs	50
Food Stamps for Post-August 22, 1996 Immigrants	35
Undocumented Felon Incarceration (SCAAP)	50
Security/Bioterrorism Funding	350
Loans/Accelerations/Transfers ($5.624 billion)	
Securitize Tobacco Settlement Funds	2,400
Loan from Traffic Congestion Relief Fund	672
Current year transfers per November Spending Revision	366
Payment Deferral/Benefit Improvement for STRS	508
Payment Deferral/Benefit Improvement for PERS	371
Loans from Various Special Funds	579
Transfer of Excess Balance from Certain Special Funds	201
Federal Tax Conformity	178
Other Revenue Accelerations	349
Total	**$12,502**



Major Expenditure Reductions

In addition to reductions proposed in the Governor's *Proposed Reductions in 2001-02 Spending* plan submitted in November 2001, the following reductions are proposed:

	Amount (Millions)
K through 12 Education The proposed reductions maintain spending at the Proposition 98 spending level and provide funding for full growth and cost-of-living adjustments.	$487
Higher Education The proposed reductions will have minimal effects on the core instructional mission of the colleges and universities. The Budget provides full funding for enrollment increases and provides for no increase in student fees.	451
Health Programs The Budget maintains funding for children in the Healthy Families program and the recent expansion of health coverage for children, seniors, and the working poor.	407
Human Services Programs The proposed reductions limit overall spending growth while protecting critical human services for children, seniors, and the disabled.	742
Youth and Adult Correctional Programs The proposed reductions in corrections State operations are modest in order to ensure public safety.	17
Resources/Environment The Budget reductions reflect proposals to lower activity levels in several programs while maintaining funding for essential environmental monitoring.	35
Housing The Budget reduces funding for certain programs in anticipation of a housing bond, while maintaining funding for critical emergency and farmworker housing programs.	38
Local Government Minimal reductions are made in local government programs.	9
Capital Outlay Projects The Budget defers projects that can be delayed without adversely affecting programs or the economy.	92
Remaining Program Reductions The Budget proposes reductions in various other programs, particularly in State operations, where low priority activities are discontinued or reductions can be made without significantly affecting delivery of services.	399

Fund Shifts

The Governor's Budget includes a shift of funding source for various programs or projects, thereby freeing General Fund resources for other critical needs. Some examples are:

- **Capital Outlay—**a total of $159.8 million to lease-revenue bonds. This includes $135 million for University of California Research Institutes ($40 million in 2001-02 [in addition to the shift proposed in November] and $95 million in 2002-03); $5.5 million for the Department of Justice Redding Laboratory and $6.2 million for the Santa Rosa Laboratory; $3.5 million for three Department of Forestry projects; and $2.7 million for the Youth Authority Adjustment Center project.

- **Seismic Projects—**$7 million to General Obligation Bonds for various seismic projects.

- **Department of Forestry**—$20 million to local reimbursements for State Responsibility Area activities.

- **State Water Resources Control Board—**implementing the "polluter pays" principle for the Board's core regulatory programs by replacing $15 million General Fund with increased fee revenues in the Waste Discharge Permit Fund. This will increase the regulated community's support of the core regulatory program from 34 percent to approximately 50 percent.

- **Department of Toxic Substances Control—**$7.9 million to the Toxic Substances Control Account for cleaning up contaminated sites, overseeing toxic cleanups at military bases, and supporting related administrative costs.

- **Public Utilities Commission—**$2.7 million to the Public Utilities Commission Utilities Reimbursement Account for electrical energy rate stability and conservation activities, pursuant to Chapter 329, Statutes of 1999.

- **Department of Corrections—**$2 million for the Female Offender Treatment Program and $10.6 million for the Preventing Parolee Crime Programs to be funded from federal Workforce Investment Act funding.

- **Department of Education**—$112 million resulting from an increase in the Federal Special Education Grant. The State's special education funding formula utilizes additional federal special education funds as an offset to the amount of General Fund required for the program. This statutory formula was suspended last year to provide additional funds to the program. This Budget proposes to use the federal funds as an offset consistent with the statutory formula.

Federal Funding Increases

Health and Human Services Agency—The Budget proposes a $666 million General Fund reduction in various health and human services programs. Of this amount, the Budget assumes that federal legislation will be enacted to provide California with an additional $400 million in federal funds to offset the cost of Medi-Cal services. The Budget also assumes that California will receive a waiver of federal penalties imposed due to delayed implementation of a statewide automated child support system, for an estimated $181.3 million in General Fund savings. In addition, the Budget anticipates $50 million in savings by maximizing federal funds for individuals eligible for various health and social services programs. An anticipated expansion of the federal Food Stamp Program to cover California Food Assistance Program recipients is expected to result in net General Fund savings of $35 million.

Department of Corrections—The Governor's Budget reflects an additional $50 million for the State Criminal Alien Assistance Program to cover a greater share of the State's cost for the incarceration of undocumented felons. Even with this higher level of reimbursement, less than half of the State's costs will be recovered.

Security/Bioterrorism—An additional financial pressure facing California is the cost of the response to the increased threat of terrorist acts. Both State and local government security costs have increased and will likely continue to increase as threats become better known and responses are developed. As the new threat of international terrorism is an act of war, the Administration has requested that the federal government provide financial assistance for these costs. The Budget reflects the anticipated receipt of $350 million from the federal government to offset current and prospective State and local government expenditures. The California Highway Patrol's (CHP) budget reflects $129 million of these funds, offsetting costs that normally would have been borne by the CHP's usual funding source, the Motor Vehicle Account (MVA). The magnitude of such costs is far beyond the capacity of the MVA; absent federal funds, much of these costs would fall to the General Fund. See the Assuring Public Safety Section for more information about terrorism-related expenditures.

Loans and Accelerations

The Administration has carefully reviewed the opinions and economic forecasts of the business and academic community. Although predictions as to the timing of the economic recovery vary, the view of economists is that the California recession, unlike that of the early 1990s, will be of relatively short duration. Some economists predict recovery starting mid-next year; others predict a later start. But none predict an indefinite recession.

The fundamental task of this Budget is to protect the schools, environment, public safety, and health services for the citizens of this state. Accordingly, it makes sound economic sense to consider measures that avoid draconian budget reductions in essential services, while still taking appropriate steps to reduce growth in spending.

Securitization of Tobacco Settlement Funds—To prevent further reductions to valuable health care programs, the Budget proposes to issue a bond of $2.4 billion secured by a portion of the Tobacco Settlement revenues received by the State. The bond proceeds will be used to help maintain the health safety net for the state's most vulnerable residents. The Tobacco Settlement securitization will operate similar to a lease-revenue bond, in which a revenue stream, in this case a portion Tobacco Settlement revenues, will be committed to service debt payments. Debt service for the securitization will require a payment of $62 million in 2002-03, and annual payments of $190 million for 22 years thereafter.

Loan from the Traffic Congestion Relief Fund—The Budget proposes to improve cash management in the State's transportation funds to facilitate a loan of $672 million to the General Fund from General Fund money deposited into the TCRF in 2000-01. To extend the term of this loan into 2003-04, the Budget also includes a loan of $474 million from the State Highway Account (SHA) fund balance to the TCRF in 2002-03. Of the SHA loan, $360 million is made available by eliminating the need to carry a large SHA cash balance just to cover daily fluctuations in spending. This is accomplished by providing standby short-term borrowing authority for the SHA. The Administration will propose statutory provisions that require all loans to be paid back to the lending fund when needed to meet budgeted expenditures. Much of these loans will be repaid in 2003-04, and no projects will be delayed.

Defer Payment to the State Teachers Retirement System (STRS) and Provide an Enhanced Benefit—The Administration is proposing to defer General Fund contributions to STRS in exchange for providing an enhanced level of teacher retirement benefits. This deferral would not adversely affect teacher retirement benefits. In exchange for deferring the General Fund contribution to STRS, this proposal would increase contributions to STRS' Defined Benefit Supplement accounts (separate tax-deferred accounts). This proposal would result in reduced General Fund expenditures of approximately $96.2 million in 2001-02, $411.7 million in 2002-03, and $440.5 million in 2003-04. Additional General Fund contributions in subsequent years would offset the temporary reduction in General Fund contributions to STRS' Defined Benefit Program.

Defer Payment to the Public Employees Retirement System (CalPERS) and Provide an Enhanced Benefit—The Budget reflects a proposal to defer a significant portion of the State's 2002-03 retirement obligation to CalPERS in exchange

for providing a higher level of purchasing power protection for State and school retirees. Based on the proposal, the State obligation will be reduced by $537.2 million, of which $495.2 million is attributable to State categories and $42 million to the school category. The General Fund reduction for State categories will be $371.4 million in 2002-03, and $123.8 million will be realized in 2003-04 (as a result of the fourth quarter deferral).

The Administration has proposed the STRS and CalPERS actions because of the difficult economic conditions of the state. However, should the May Revision to the Budget show an improvement in the state's economic conditions, or if less-costly alternatives can be developed, such as refinancing the State's long-term debt in recognition of historically low interest rates, the Administration will reconsider these proposals.

Transfers of Excess Fund Balances from Specific Funds—The Budget proposes the transfer of idle cash balances to the General Fund from various other funds, where the balances are not legally restricted.

The transfers from nineteen funds are reflected in the fund conditions in individual departmental budget displays. These proposed transfers total $97 million. The funds and transfer amounts are as follows:

Fund	Amount (Millions)
State School Building Aid Fund	$25.2
Colorado River Management Account	22.0
State Parks and Recreation Fund	19.8
Small Craft Harbor Improvement Fund	4.8
Health Statistics Special Fund	4.2
Other	21.0

Additionally, $63 million of funds are proposed for transfer from various capital outlay funds. This includes $49.6 million of unutilized lease-revenue bond funds that will offset debt service payments, and a sweep of the Architectural Revolving Fund and the Inmate Construction Revolving Account that yields $13.9 million.

Loans from Various Special Funds—The Budget proposes loans totaling $579 million from fifteen special funds to the General Fund. These loans will be repaid with interest at the rate earned by the Pooled Money Investment Account.

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

Fund	Amount (Millions)
Beverage Container Recycling Fund	$218.0
Renewable Resource Trust Fund	150.0
Vehicle Inspection and Repair Fund	70.0
Restitution Fund	20.0
State Corporations Fund	20.0
Pollution Control Financing Authority Fund	20.0
Tax Credit Allocation Fee Account	20.0
Occupancy Compliance Monitoring Account	20.0
Real Estate Commissioner's Fund	9.9
Barbering and Cosmetology Fund	7.0
Other	24.1

Federal Conformity—The federal Economic Growth and Tax Relief Reconciliation Act of 2001 made a number of significant changes, particularly in the tax treatment of retirement plans. The Budget proposes that State tax law conform with these retirement plan changes, as well as revisions in the treatment of qualified tuition plans and increases in the dependent care credit. In addition, this proposal would provide that any federal election for corporations applies for State tax purposes and would accelerate revenues by bringing California's rules for estimated payments in line with federal rules. Conformity in these areas will simplify tax compliance and administration. The combined conformity changes and accelerations will result in a net revenue gain of $178 million in 2002-03 and revenue losses of $59 million in 2003-04 and $75 million in 2004-05.

Continuing Investment in K-12 Education

California's K-12 education system is in a state of great change. In 1999, California launched a series of fundamental reforms that are changing the way we teach our children, prepare our teachers, test our progress and hold schools, administrators and districts accountable. Through programs including the Public Schools Accountability Act, the Academic Performance Index, the High School Exit Exam, the Professional Development Institutes, and more, California has set higher standards and higher expectations than ever before. The results of these reform efforts are just beginning to emerge:

- For the second year in a row, a majority of schools have increased their Academic Performance Index (API) scores, with 89 percent improving in 2000 and 74 percent improving in 2001. Schools continue to move towards attaining the statewide target of an API score of 800; the percentage of schools achieving at least the target score has nearly doubled.

- Reading scores in the lower grades, where most reforms have been focused, have risen. The number of pupils scoring above the 50th percentile has grown by 11 percent in the second grade, 8 percent in the third grade, and 7 percent in the fourth grade.

- Mathematics scores have increased. The number of pupils scoring above the 50th percentile has grown by 15 percent in the second through fourth grades, 10 percent in fifth through eighth grades, and 4 percent in high school.

- Students with limited English proficiency (LEP) are showing improvement in test scores at a significantly greater rate than all other students, especially in the key areas of mathematics and reading:

  - The overall number of students in grades 2 through 11 who scored at or above the 50th percentile on the reading assessment grew by 12 percent between 1998 and 2001, while the number of LEP students in these grades who scored at or above the 50th percentile grew by over 42 percent.

  - On the mathematics assessment, the overall number of students in grades 2 through 11 who scored at or above the 50th percentile grew by an average of 24 percent. The number of LEP students in these grades who scored at or above the 50th percentile, however, grew by more than 50 percent.

Continuing Investment in K-12 Education

- 134,000 K-12 teachers will have been trained in the Professional Development Institutes developed by the University of California, and an additional 46,000 in the Math and Reading Professional Development Program.

- The student to computer ratio has improved from approximately 7:1 to 5:1 since 1998. More than 1,800 schools have received 110,000 new computers. We expect California to be at or near the national average when final current year data become available.

California's budget shortfall in 2002-03 must not derail these reform efforts, and we must not undermine the work of California's teaching force by underfunding schools. Toward that end, the proposed funding levels demonstrate that investment in K-12 education remains the Governor's top priority.

Key Components of the 2002-03 Budget

The 2002-03 Governor's Budget fully funds the Proposition 98 guarantee, and also provides full statutory growth and cost-of-living adjustment (COLA) for K-12 apportionment and categorical programs. In response to the fiscal emergency that limits available resources for new programs, the Governor proposed specific funding reductions in the current year for new programs, expansion of existing programs, and a number of categorical programs. The Governor's Budget focuses all available funding on meeting full growth and COLA in support of core classroom instruction, supplemental instruction, textbook purchases, teacher recruitment, and professional development. Fully funding core program areas is essential to complete the reform efforts and continue the progress made over the last three years.

- The 2002-03 Budget increases total funding, from all sources, for K-12 education by $1.1 billion – an increase of 2.1 percent over the current year and a cumulative increase of $12.9 billion, nearly 32 percent over the 1998 level.

- Per-pupil spending will increase by $136, to a total of $7,058 per pupil, over the current year. This represents a total increase of $1,302 per pupil, or nearly 23 percent, over the 1998-99 per pupil funding level.

- Proposition 98 funding exceeded the minimum guarantee in 1999-00 and 2000-01 by more than $2.2 billion, permanently increasing the calculated base for the guarantee in subsequent years. Including the budget year proposed level of spending, Proposition 98 funding reflects a 30 percent increase over the 1998-99 level.

By committing to full funding for growth and COLA, the Governor's Budget concentrates available funding on core classroom instruction and allows schools to determine how best to meet local needs, whether those needs are to reduce the number of emergency credentialed teachers, provide students with newer standards-aligned textbooks, or augment English Language instruction.

Key Programs in the 2002-03 Budget

In developing the 2002-03 Budget, the Governor focused resources in those key areas needed to ensure continued academic improvement.

Accountability—Intervention and Assistance

A cornerstone of the Administration's education reform program has been holding schools, administrators, and school districts accountable for the academic achievement of California's pupils.

The Governor's 2002-03 Budget provides in excess of $400 million (including federal funds) for assistance to low-performing schools as measured by each school's API. Additional funding for intensive intervention and assistance was approved as part of the 2001 Budget Act, but implementation of the program was delayed and the funding suspended due to fiscal constraints in the current year. The full augmentation of $197 million is included in the Governor's 2002-03 Budget. Priority in funding will be provided to schools with the lowest API scores. Participating schools receive annual grants of up to $400 per pupil to implement an action plan focusing on the following essential components: pupil literacy and achievement; quality of staff; parental involvement; and facilities, curriculum, instructional materials, and support services.

Before and Afterschool Program Expansion

The 2002-03 Budget includes a $75 million augmentation to expand the Before and After School Learning and Safe Neighborhoods Partnerships Program, providing a total of $162.8 million for the program. This program provides homework assistance, tutoring, and English Language instruction before and after regular school hours. In addition to the academic component, this expansion will provide a safe learning environment for 79,000 additional school-age children with working parents who would otherwise have to find affordable child care. This increased amount includes $29.7 million for expansion of grants that were suspended in the current

year and $45.3 million for additional expansion, $30 million of which reflects a shift of savings in other programs as a result of proposed changes to California's child care system.

Instructional Equipment/Materials

A key component of the Administration's continuing priority investment in education is the ongoing commitment to ensure that students and teachers have access to high quality instructional materials. Including the funding proposed in the 2002-03 Budget, the Governor will have committed nearly $3 billion since 1999 to ensure that all students have standards-based instructional materials in four core areas: Mathematics, English Language Arts, Science/ Social Science, and History.

Funding is currently allocated to schools to obtain instructional materials and library resources through several programs, each with its own particular administrative requirements. The Governor is proposing to reform this complex system by combining funding for all of those programs within one $250 million program. The overall intent is to more closely align the allocation of state funding with the planned State textbook adoption cycle. Additionally, funding will increase each year, as specified in proposed legislation. At the end of five years, total funding will be approximately $600 million for instructional materials, and schools will have a much greater level of flexibility in the use of these funds. Specifically, the realigned program in 2002-03 consists of the following:

- **Instructional Materials Program—**$250 million in Proposition 98 funding for schools to purchase standards-aligned textbooks in the core curriculum areas for students in kindergarten and grades 1-12. Once schools have provided standards-aligned textbooks to each pupil, the remaining funds can be used for a variety of instructional materials purposes, including school library and K-4 classroom library materials. These funds will be allocated on a per-pupil enrollment basis.

- **Textbook Enhancements—**$200 million in one-time Proposition 98 Reversion Account funding to purchase instructional materials for K-12 schools that certify they will purchase a basic Reading/Language Arts textbook for each pupil by the beginning of the 2002 school year. These funds will be allocated on a per-pupil enrollment basis.

- **School Library Improvements—**$100 million in one-time Proposition 98 Reversion Account funding for school districts to purchase school library materials and K-4 classroom library materials. These funds will be allocated on a per-pupil enrollment basis.

- **Science Laboratory Equipment—**$75 million in one-time Proposition 98 Reversion Account funding for the purchase of science laboratory equipment and materials to provide standards-based science instruction for grades 7-12. These funds will enhance other efforts by the Administration to develop high standards for science learning, such as the adoption of standards-aligned instructional materials and curriculum frameworks for science instruction.

Teacher Recruitment

The Governor's Budget for 2002-03 includes more than $160 million to continue the intensive teacher recruitment effort begun in 1999.

Over the four years of his Administration, through the proposed 2002-03 Budget, the Governor has led the way in establishing a variety of new programs to recruit qualified individuals into the teaching profession and place them in the schools that need them the most. These programs include $118.7 million for the Teaching As A Priority Block Grant, which provides low-performing schools with funding to offer recruitment incentives to credentialed teachers, and $9.4 million for the Teacher Recruitment Incentive Program, which works to place credentialed teachers in low-performing schools. Both of these programs are fully funded in the 2002-03 Budget.

The Budget also includes $25.6 million for the Alternative Certification Program, which allows college graduates to teach full-time while working to earn a teaching credential, and $7.5 million for the California School Paraprofessional Teacher Training Program, which provides an opportunity for individuals to work as instructional aides while earning a college degree and ultimately a teaching credential. To further assist in recruiting teachers, the Governor signed legislation (Chapter 78, Statutes of 1999) eliminating the initial credential fee for new teachers.

Teacher and Principal Training

The 2002-03 Budget includes $7.5 million for the second year of funding for the Principal Training Program, an Administration-sponsored program signed into law in 2001 designed to provide every principal and vice-principal in the state with training in instructional standards and effective school management techniques. Over a three-year period, beginning in 2001-02, the State will spend $45 million to provide $3,000 per individual to more than 15,000 school administrators. The Administration has secured a grant from the Gates Foundation that will provide the local match of $1,000 for each principal and $500 for each vice-principal.

The Budget includes $98.9 million for California Professional Development Institutes (PDI), which are now fully in place for reading, English language development for English learners, high school English, elementary mathematics, algebra, and high school mathematics. These Institutes are operated by the University of California (UC) at a variety of higher education institutions around the state. In the first year, 861 contract providers served 43,913 participants who work in 4,227 schools located in every county in the state. Through 2002-03, more than 134,000 teachers will have been served in one of the Institutes. These programs, built on the foundation of the highly acclaimed UC Subject Matter Projects, provide standards-based instruction in addition to follow-up assistance throughout the school year.

The Governor's Budget also includes $110 million for the Mathematics and Reading Professional Development Program, the intensive professional development program for teachers of math and reading launched by the Administration in 2001. This represents a $30 million increase over the current-year funding level. This program will provide intensive standards-based training to every teacher by the end of 2005-06 in one or both of these key subject areas, depending on the subjects and grade levels they teach. By the end of 2002-03, the program will have trained 46,000 teachers and 9,000 instructional aides. This new program, based on the curriculum and training methods of the highly successful PDIs, may be conducted by a university or other approved high quality professional development team.

The Governor has also significantly increased funding for several existing professional development and support programs for teachers, providing a total of almost $1.7 billion during this Administration. Among these are the Instructional Time and Staff Development Reform Program ($230 million), which allows schools to provide professional development to teachers outside of regular instructional days; the Beginning Teacher Support and Assessment Program ($88.3 million), which provides mentoring to newly credentialed teachers; and the Peer Assistance and Review Program ($86.9 million), which provides mentoring to veteran teachers.

The Governor also expanded the National Board for Professional Teaching Standards Certification Incentive Program, which provides $10,000 bonuses to teachers who earn certification by this prestigious, nationally-recognized organization. An additional $20,000 per teacher is awarded to recipients who commit to teach in low-performing schools. To date, more than 1,300 teachers have received bonuses, and about 1,500 more teachers are in the Certification program. Total funding included in the Budget for this program is $10 million.

General Obligation School Bonds

In November 1998, voters statewide passed Proposition 1A, which provided $6.7 billion in bond funds for K-12 public school facility needs. Under this Administration, the State has disbursed $5.8 billion in general obligation bond funds for school facilities needs, with the remainder of funds estimated to be awarded by summer of 2002. This highly successful School Facilities Program funded through Proposition 1A has provided funds in the form of per-pupil grants for school districts to acquire school sites, construct new school facilities, or modernize existing school facilities. In November 2000, the Governor supported and California voters approved Proposition 39, which reduced the voter approval requirement for local school facilities bonds from 67 to 55 percent. Since the passage of Proposition 39, 40 of 46 K-12 school bond measures have passed, resulting in $2.4 billion in additional local bond funding for schools.

However, significant school facilities challenges remain. To assist and encourage school districts to plan for the provision of matching funds for facilities in the future, this Administration will support general obligation bond measures to authorize $10 billion in school facilities general obligation bonds to be placed before voters on each of the 2002, 2004, and 2006 statewide election ballots. Each of these proposed bond measures would be crafted to meet both K-12 and higher education needs, with $8 billion in matching funds for K-12 school facilities, and $2 billion in funding for higher education facilities.

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Meeting the Challenge to Higher Education

Accessibility, Affordability, and Accountability

The 1961 Master Plan for Higher Education expresses the State's commitment that every qualified student have the opportunity to enroll in a high-quality and affordable public college or university. This Administration has exceeded the promise of the Master Plan by making major progress and a significant commitment of resources to ensure that our higher education institutions are accessible, affordable, and accountable.

The 2002-03 Budget provides $3.4 billion in General Fund resources for the University of California (UC), an increase of 33.7 percent over the last four years; $2.7 billion for the California State University (CSU), an increase of 30.3 percent over the last four years; and $2.9 billion for the California Community Colleges (CCC), an increase of 29.2 percent since 1998-99. Of the funding proposed for 2002-03 for all three segments, $260.6 million provides full funding for enrollment increases, thereby allowing the UC, the CSU, and the CCC to admit all eligible applicants.

Improving Accessibility

Since the late 1990s, higher education enrollment in California has increased dramatically as predicted in the Tidal Wave II forecasts prepared by the California Postsecondary Education Commission. Since 1998-99, total enrollment at the UC has increased by 17.1 percent; at the CSU by 16.1 percent; and at the CCC by 13.8 percent. Total enrollment in the three higher education segments now exceeds 1.6 million full-time equivalent students—the largest public higher education program in the nation.

To honor the commitment to access articulated in the Master Plan, the Governor not only fully funded enrollment at the UC, the CSU, and the CCC during his tenure, but took further steps to expand opportunities for higher education and to accommodate enrollment growth as discussed below.

Broadening Admissions—At the suggestion of the Governor in 1999-00, the UC has provided an alternative admissions path for high school graduates who traditionally have not qualified for admittance to the UC system. This new path provides for admission of the top four percent of graduating seniors in each California high school. This policy has extended higher educational opportunities to more than 2,100 additional students from communities with traditionally low college-going rates, including students living in rural areas of California.

UC Merced—Another major accomplishment of this Administration is the development of a 10th UC campus in Merced County to help accommodate the expected enrollment increases in future years and, more importantly, provide increased access to Central Valley residents and economic potential to that region The Governor has requested that the campus be ready to serve its first students Fall 2004.

Year-Round Instruction—To accommodate enrollment demands within existing facilities, the Governor has provided funding to the UC and CSU for the implementation of year-round instruction. These funds support the full cost of existing summer enrollment and equalize student fees for summer sessions with fees charged during other sessions. The 2002-03 Budget provides $76.3 million for year round instruction at selected UC and CSU campuses, with expansion of this program to UC Davis and CSU Chico in the budget year. Student participation in this program, which initially included three UC campuses and all or part of 10 CSU campuses, has exceeded the expectations of both UC and CSU.

Community College Transfers—The partnership between the State and each of the higher education segments comprises an agreement for State funding commitments within available resources in exchange for the segments fulfilling certain accountability goals (see Demanding Accountability discussion below). Both the UC and CSU have dedicated resources under their partnership agreements to increase the number of CCC transfers to their institutions. In addition, the CCC has made progress in increasing the number of its students who transfer to a baccalaureate institution. As a result of these efforts, the number of CCC transfers to UC and CSU has increased by six percent per year.

General Obligation Bonds for Facilities—In November 1998, voters statewide passed Proposition 1A, which provided $6.7 billion in bond funds for K-12 public school facilities needs and $2.5 billion for higher education facilities needs. Under the leadership of this Administration, the State has fully allocated Proposition 1A higher education funds for new or renovated space to accommodate enrollment growth; vital seismic, fire and life safety projects; and correction of code deficiencies. These bond funds have gone a long way toward meeting the higher education facilities needs of California; however, significant facilities challenges remain.

The Department of Finance estimates that the five-year infrastructure need for the UC, CSU, and the CCC exceeds $5 billion. This Administration will support a single general obligation bond authorization to allow $10 billion in K-12 education and higher education facilities general obligation bonds to be placed before the voters on each of the 2002, 2004, and 2006 statewide election ballots. Each of these proposed bond measures would be crafted to meet both K-12 and higher education needs, with $8 billion in matching funds for K-12 school facilities and $2 billion in funding for higher education facilities.

Continuing Affordability

This Administration remains committed to ensuring that financial need is not an impediment for eligible students to attend a college or university in California.

No Fee Increases—California continues to provide quality higher education at fee levels that are among the lowest in the nation. The 2002-03 Budget proposes no increase. The fees charged by the UC and the CSU are 5 percent lower now than the levels charged in 1998-99. The fees charged by the CCC are 9 percent lower now than the levels charged in 1998-99.

Expansion of the Cal Grant Program—In August 2000, the Legislature passed and the Governor signed one of the most significant higher education measures since the 1961 enactment of the Master Plan for Higher Education. Chapter 403, Statutes of 2000, expanded the existing Cal Grant program to guarantee that college students who meet specified academic and financial need criteria are entitled to receive financial assistance to attend college. Through this measure, which received national recognition, California has demonstrated a strong commitment to ensuring access to affordable higher education.

The Cal Grant program provides various levels of grant awards depending on a student's academic achievement, family or student income, and type of institution attended. The maximum award is currently $9,708 for those students who attend private universities. In addition to regular Cal Grant awards for undergraduate students, a Cal Grant T award is available to graduate students who are working toward a teaching credential. The 2002-03 Budget provides a total of $694.3 million for all types of Cal Grants, an increase of $354.6 million, or 104.4 percent, over the $339.7 million budgeted in 1998-99.

Demanding Accountability

At the inception of this Administration, the Governor called upon the UC, the CSU, and the CCC to shift their focus and view of all the schools in California as one system of education for all our residents and our State. This call recognized that enormous resources and talent are available in our institutions of higher education and must be made available to help elementary and secondary students succeed, be ready for college, and be equipped to graduate from college.

Partnership Agreement with UC and CSU—The Partnership Agreement with the UC and the CSU ties annual available funding from the State to progress by the segments in achieving their accountability goals. These goals include:

- Admitting all eligible applicants.
- Increasing the number of Community College transfers by six percent a year.
- Increasing teaching workload.
- Reducing the average length of time to degree for undergraduates and.
- Improving professional development provided to K-12 teachers.

Both UC and CSU have made tremendous progress in each of these areas of accountability. Over the last four years through the 2002-03 Budget, over $1.4 billion in funding has been provided to the UC and the CSU under the Partnership Agreement.

Partnership for Excellence with the CCC—Similarly, the Partnership for Excellence with the CCC contains accountability measures to be met in exchange for the State's continuing funding commitment. During the four years of this Administration through the 2002-03 Budget, $1 billion has been budgeted for the Partnership for Excellence. The CCCs' Partnership accountability goals include increasing the number of students who transfer from a community college to a baccalaureate institution; increasing the number of degrees and certificates awarded; increasing the overall rate of successful course completions; providing increased workforce development; and increasing the number of students who improve their basic skills. Based on data, from 1998-99 to 2000-01:

- The number of transfers to four-year colleges and universities has increased by 7 percent, allowing nearly 3,000 more students to transfer.
- Successful course completions within vocational education have increased nearly 10 percent from 1997-98 to 1999-00. As a result, nearly 50,000 additional students were able to obtain specialized skills necessary to fill the workforce needs of California's diverse and competitive business environment.
- Basic skills improvement has increased by over 11 percent from 1997-98 to 1999-00 to enable 7,000 more students to achieve academic improvement that will help make these students productive Californians.

K-12/Higher Education Collaboratives

The UC and the CSU share responsibility for enhancing the academic preparation and performance of K-12 teachers and students desiring to continue their education after graduation. Over the course of this Administration, both the UC and CSU have participated in numerous collaboratives with K-12 teachers and students. Some of the key initiatives are highlighted below:

Professional Development for Teachers in Core Subjects—The UC operates Subject Matter Projects in six subject areas designed to enhance the academic content knowledge, teaching effectiveness, and student achievement of K-12 teachers. In 2000-01, this concept was expanded to provide professional development for teachers in K-12 schools.

Chapter 77, Statutes of 2000, established the California Professional Development Institutes for reading, English language development for English learners, high school English, elementary mathematics, algebra, and high school mathematics. In the first year, 861 contract providers served 43,913 participants who work in 4,227 schools located in every county in the state.

In 2001-02, the Governor established the Mathematics and Reading Professional Development Program to provide all of the State's teachers with training in either one or both of these key topics, depending on which subjects and grade levels they teach. All of these teachers should receive training under this program by the end of 2005-06.

In addition, the CSU operates the Faculty-to-Faculty Alliance in which CSU professors and California high school teachers in mathematics and English work to improve the achievement in those subject areas; and the Learning Assistance Program, which recruits CSU students to tutor high school students in English and mathematics.

Professional Development in Education Technology—The CSU also acts as a partner with UC, K-12 school districts, county offices of education, and independent colleges to operate the Education Technology Development Program. Modeled after the Professional Development Institutes discussed above, this Program trains teachers on the use of technology in the classroom.

UC's budget also includes $500,000 for UC to administer the Governor's Teachers Scholars Program, including participant recruitment and scholarship fundraising. This program, enacted by Chapter 2, Statutes of 1999, of the First Extraordinary Session, recruits highly talented students who wish to become teachers in schools with a high percentage of low-income or English language learners to attend a rigorous teacher preparation program that culminates in the award of a Master's degree. Up to 400 participants will receive scholarships, funded through private donations that cover university fees and mandatory campus-based fees.

Governor's Principal Leadership Institutes—Chapter 2, Statutes of 1999, of the First Extraordinary Session, provided $1 million for master's degree programs to help meet the demand for highly trained school-based management personnel.

Increasing Access to Advanced Placement (AP) Courses—The Governor designated the UC as the lead agency for developing on-line AP courses to help students who attend schools that offer no or very few AP courses. Completion of AP courses can make a significant difference in helping students to gain admission to the college or university of their choice. In Fall 2001, the program served 180 schools with enrollment of 2,100 students, an increase of 1,136 students over Spring 2001.

Promoting Cutting-Edge Research

The 2001-02 Budget included the initial installment of a commitment to provide the UC with $75 million a year for four years to develop three world-class centers for cutting edge research in science and technology. The Administration provided funding for a fourth institute in 2001-02. State funds are matched on a two-to-one basis from non-State funds. Including funding proposed in the 2002-03 Budget, a total of $265 million has been budgeted for these institutes ($84.8 million General Fund, $180.2 million lease revenue bonds).

With the establishment of these institutes, California will maintain its premier standing in science and technology and economic competitiveness, while fostering new educational environments for students who will become our next generation of scientists and technological leaders.

The following four Institutes are already underway:

- The California NanoSystems Institute, at UCLA in collaboration with UC Santa Barbara.
- The California Institute for Telecommunications and Information Technology, at UC San Diego in collaboration with UC Irvine.

- The California Institute for Bioengineering, Biotechnology and Quantitative Biomedicine, at UC San Francisco in collaboration with UC Berkeley and UC Santa Cruz.

- The Center for Information Technology Research in the Interest of Society at UC Berkeley, in collaboration with UC Davis, UC Merced, and UC Santa Cruz.

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Assuring Public Safety

California Responds To Terrorism

The events of September 11, 2001, have created urgent new needs for emergency response capabilities and protective measures to ensure the security of the public and critical infrastructure. At all levels of government, response plans are being developed as new intelligence becomes available and as public safety and health agencies assess potential threats.

In the aftermath of September 11, the Governor acted quickly to ensure California's vital infrastructure resources were secured, our supply of drinking water safe, and our health officials prepared. This Administration provided care and resources for the survivors of California's victims and for those that answered the call and traveled to Ground Zero.

This Administration also created the California Anti-Terrorism Information Center—the first of its kind in the country—to ensure that state and local law enforcement officials are sharing intelligence information among themselves and with federal officials to detect, prevent, and respond to possible acts of terrorism.

In addition, California's scientists, researchers, and inventors are working intensively to develop innovative solutions to combat threats of terrorism, whether through advanced screening devices or stopping tanker trucks from becoming rolling weapons of mass destruction.

The Administration has directed State agencies to assess threats on an ongoing basis and develop appropriate responses. Some of the needs and potential funding sources to respond to the threat of terrorism have been identified, while others are still being developed.

The Governor has joined leaders in other states in requesting financial assistance to meet growing domestic security expenses. The Budget anticipates the receipt of up to $350 million in federal funds to offset anti-terrorism costs, applying $183 million of these funds during 2001-02 and 2002-03 as follows:

- $129.1 million for the California Highway Patrol ($39.5 million in 2001-02, $89.6 million in 2002-03).
- $24 million for Caltrans in 2001-02.

- $9.9 million for the Military Department ($3.9 million in 2001-02 and $6.0 million in 2002-03).

- $20 million for other State agencies.

The remainder of the funds will be used for other high priority State and local needs. Some of the additional needs for which federal funding would be appropriate include, but are not limited to the following:

- Local law enforcement's protective and investigative functions and additional local fire, EMT, and emergency response capabilities.

- Expanded risk assessment and protection of significant State assets (including the activities described below).

- The California Anti-Terrorism Information Center at the Department of Justice.

- Expanded capacity to detect and respond to bioterrorism at both the State and local level.

Protection and Interdiction

- **California Highway Patrol (CHP)**

  - **Additional Staffing During Alerts—**On September 11 and for the following five days, the Administration placed the CHP on twelve-hour shifts to provide increased disaster response capacity and protect sensitive public facilities. Following further alerts from federal agencies, the CHP again responded with extended shifts for 11 days in October and 5 days in November. These alerts are expected to continue in the future as intelligence is developed about specific or general threats. The Budget proposes $34.9 million for overtime costs in 2001-02 and $32.5 million in 2002-03.

  - **Additional Air Surveillance—**The Budget includes $4.6 million for 2001-02 and $5.7 million in 2002-03 to increase CHP air surveillance hours. The cost of adding five helicopters and crews to increase air coverage to 24 hours a day, seven days per week, is $21.0 million in 2002-03.

  - **Additional Staff for Protection of Key Facilities—**Since the September 11 terrorist attack, the CHP has redirected 101 officers on an ongoing basis to patrol key public and private facilities. Facilities receiving additional protec-

tion include major bridges, nuclear power plants, health labs, and other major public facilities. The Budget proposes $9.6 million for new officers to restore road patrols.

- **Additional Staff for Truck Inspections—**The Budget proposes $16.1 million for 168 officers and support staff to continue to provide 24-hour staffing at 18 key weigh stations. In addition to their usual duties, CHP has increased inspection of all trucks, cargo, and vehicle operations.

- **Emergency Command Operations and Task Forces—**The Budget reflects $2.2 million and 24 personnel years for CHP officers participating in numerous task forces and liaison activities with other federal and state agencies. The Budget also includes $2.5 million for protective equipment for patrol officers.

- **Military Department**

  - **Bridge Security Mission—**The Governor directed the California National Guard to provide security protection at the Golden Gate, San Francisco-Oakland Bay, Vincent Thomas, and Coronado Bridges in response to the aftermath of the terrorist activity on September 11, 2001. Currently, there are 93 soldiers assigned to this duty. It is anticipated that $3.9 million in 2001-02 and $6 million in 2002-03 in federal funding will be received to cover the costs of this mission.

- **Department of Justice**

  - **California Anti-Terrorism Information Center—**In 2001-02, the Department of Justice will spend $1.85 million to implement the California Anti-Terrorism Information Center ($1.5 million redirected from existing resources and $351,000 of federal funds received from the Office of Criminal Justice Planning). The Center supports anti-terrorism law enforcement activities by providing a state-level criminal intelligence database and by coordinating efforts and information with federal law enforcement. The database will track and analyze potential terrorist-related activity and consolidate information on a statewide level. It is expected that the Center will be funded from federal funds in 2002-03.

- **Department of Parks and Recreation**

  - **Protection of Dams—**The Department will spend $260,000 to provide increased security for dams where it operates a recreational program.

- **Department of Transportation (Caltrans)**
  - **Bridge Security—**The Budget reflects $24.2 million in 2001-02 for the cost of new surveillance systems, fencing, and other security improvements for the State's major bridges.
- **Local Government—**Local jurisdictions are incurring costs for police protection of public and private buildings, airport security, increased security for public events, hazard and weapon detection equipment, protective clothing and equipment, additional emergency response and security equipment, capital improvements for public buildings, and increased public health activities. It is anticipated that a portion of the federal funding likely to be received will be available to assist local governments with these costs.

Disaster Response and Preparation

- **Office of Emergency Services (OES)**
  - **Initial Response to September 11 Events—**OES dispatched staff to assist the State of New York in search and recovery operations. OES headquarters operations were on alert status following the events.
  - **Ongoing Planning and Preparation—**The State Strategic Committee on Terrorism and OES staff have engaged in a series of planning activities focusing on local training and response preparation needs.
- **Department of Food and Agriculture**
  - **Risk Assessment—**State staff and consultants are currently assessing the risks to the state's agricultural resources and food production industry, and implementing security and response plans.
- **Emergency Medical Services Authority (EMSA)**
  - **Support for Disaster Response—**Staff assisted OES and the State of New York immediately following September 11. The EMSA is continuing its disaster planning efforts and stores emergency medical equipment for use in response to any disaster.

Public Health Preparations for Bioterrorism

- **Department of Health Services**

  - **Support for Local Public Health Departments and Ongoing Public Health Responsibilities—**The Governor provided $5 million in 2001-02 for grants to local public health agencies to increase their ability to detect and respond to bioterrorism and chemical attacks. The Department maintains broad, ongoing responsibility for communicable disease prevention and the safety of food, drinking water, drugs, and radiological devices, including related activities that respond to biological and chemical threats.

  - **Lab Security and Operations—**The Department's two laboratories have analyzed a large number of suspected substances since September 11. To protect this essential capacity to detect biohazards quickly, the Department has provided additional security for the laboratories.

  - **Public Health Response to Bioterrorism Activities—**The Department is expending $2.6 million on four focus areas that will further public safety: preparedness planning and readiness assessment, surveillance and epidemiology capacity, improved laboratory capacity for biological and chemical agents, and health alert network training.

  - **Enhanced Rapid Health Electronic Alert, Communication, and Training System (RHEACTS)—**The Department has sought supplemental funding from the federal government to provide support to 19 local health jurisdictions for bioterrorism planning and preparedness, and to expand a secure web site and call system to better serve state and local public health departments by improving their alert, communications, and training systems. In addition, the Department has also sought additional resources for local health jurisdictions to build local infrastructure that will provide surveillance capabilities and alert and communications systems for hospitals, clinics, and pharmacies.

- **Various State Agencies**

  - **Mail Handling—**Several departments handle large volumes of mail and are undertaking efforts to protect employees from exposure to biochemical hazards. The California Highway Patrol's information on protective measures has been accessed on the CHP's website by over 20,000 people and has been distributed in hard-copy to over 7,500 public and private entities.

Continuing Public Safety and Protection

Although the events of September 11 and the responses to them have necessitated an urgent and concentrated focus of attention and resources to protect against future potential terrorist threats, public safety is a primary ongoing responsibility of all levels of government.

Significant expansion of funding for public safety has been provided over the course of this Administration. Significant State and local funding for public safety is discussed below.

State-level Law Enforcement

- **Department of Justice—**Consistent with the Administration's commitment to public safety, the Budget maintains funding for the Department's various law enforcement programs to allow them to continue to fulfill their public safety mission. Specifically, to continue to address critical areas such as sex offender enforcement, forensic services, and narcotics enforcement, the Budget includes the following:

  - $22.2 million for the Bureau of Investigation ($16.1 million General Fund), including $10.9 million for Sexual Predator Apprehension Teams to monitor, investigate, and apprehend serious and high-risk sex offenders who fail to comply with sex offender registration requirements or violate conditions of probation or parole.

  - $59.2 million for the Bureau of Narcotic Enforcement ($38.1 million General Fund). Of this amount, $14 million for the California Methamphetamine Strategy which targets all facets of methamphetamine production and trafficking. This systematic approach places emphasis on preventing chemicals from being sold to criminals, in addition to preventing the financing of these purchases.

  - $51.2 million for the Bureau of Forensic Services ($37.5 million General Fund) to perform forensic analysis—including the continual enhancement of the DNA Data Bank Program—and to provide forensic services for other State agencies and local government.

In addition, the Budget proposes additional funding for the following to assist in the protection and safety of both peace officers and the public:

- $1 million for the initial implementation of an Armed Prohibited Persons Database to identify individuals who illegally possess a firearm.

- $596,000 to create a hate crime intelligence database to provide timely criminal intelligence information via a state-level, automated database to assist local law enforcement with the analysis of hate crime data.

- **California Highway Patrol (CHP)—**The Highway Patrol is the State's largest law enforcement agency. The Budget includes $1.2 billion for 7,230 officers and 3,205 support staff. Despite financial pressure on the Motor Vehicle Account, the CHP's principal funding source, the Budget maintains recent increases in CHP capacity, as follows:

  - $28 million was added for 241 officers for road patrol in the previous two budgets.

  - $3.5 million was added for 20 officers dedicated to enforcing safety rules for farm labor vehicles in the last two budgets.

Local Law Enforcement

This Administration has provided significant resources to local governments for public safety purposes, including, but not limited to, funding for front-line law enforcement personnel, juvenile crime prevention programs, and high-technology grants for local law enforcement, as well as funding to fight high technology crime and identity theft and to reduce methamphetamine offenses. (See State-Local Assistance section for more details.)

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Maintaining the Health Care Safety Net

Expanded Health Care Coverage for California's Uninsured Families

The Administration has continued its commitment to enroll uninsured Californians into State-sponsored health insurance programs by funding caseload associated with recent expansions within the Healthy Family Program (HFP) and the Medi-Cal program. These caseload expansions now cover 1.3 million previously uninsured beneficiaries (see Figure A).

HEALTHY FAMILIES PROGRAM

The Administration is continuing its commitment to provide health care coverage to all eligible uninsured children. In January of 1999, 50,000 children were enrolled in the HFP. This Administration launched an aggressive outreach campaign, expanded eligibility, and dramatically simplified the application process. As a result of these efforts, enrollment is expected to reach 559,000 children by June 30, 2002, and projected to reach 644,000 children by June 30, 2003 (see Figure B). Despite the economic downturn, the Administration has committed to include funding to provide coverage for all eligible children in California, so no child will ever be placed on a waiting list for coverage under this program.

Figure A

Expanding Health Care Coverage To 1.3 Million Californians

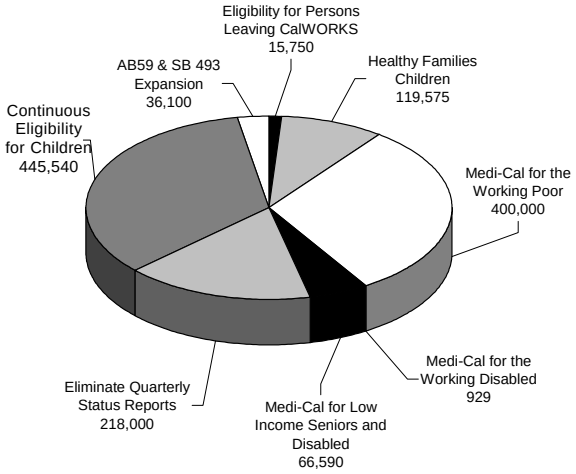
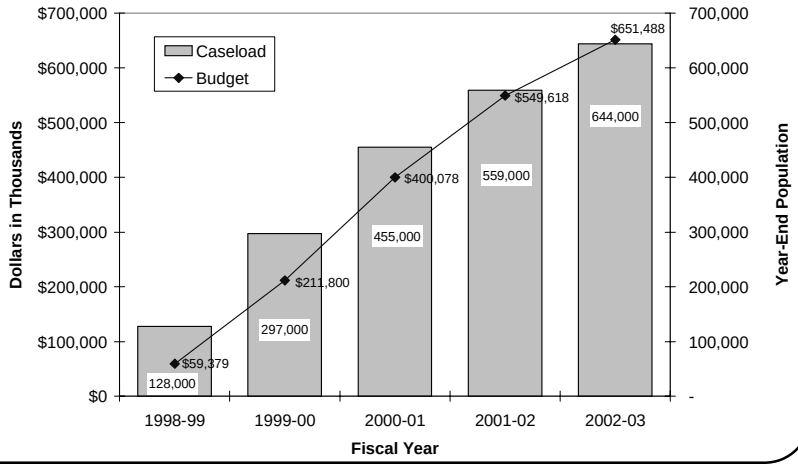


Figure B

Healthy Families Program Expansion



HFP expenditures grew from $290.5 million ($96 million State funding) in 1999-00 to $795.1 million ($289.1 million State funding) in 2002-03, an increase of $193.1 million State funding, or 201 percent. During the same period, year-end caseload is estimated to grow from 296,500 children to 644,000 children by the end of June 30, 2003. This Administration has provided total cumulative four-year funding of $2.4 billion ($839.8 million State funding) for the HFP.

Due to the recent economic downturn, the Administration is proposing to delay HFP Parent Expansion until July 2003. Because of this delay, the Budget reflects Tobacco Settlement Fund savings of $54.3 million in 2001-02 and $160.5 million in 2002-03. This funding has been redirected to ensure adequate funding for all children eligible for the HFP or Medi-Cal program. The Administration will continue to pursue approval of the waiver for the Parent Expansion from the federal government.

MEDI-CAL

Because of the delay in the proposed HFP Parent Expansion, the Administration reduced funding for Medi-Cal/HFP outreach activities. The Budget proposes to reduce a total of $20.7 million in media campaigns and other outreach activities for adults. However, the Administration proposes to retain the $6 million augmentation for school-based outreach to children.

In addition, the Budget proposes to implement two bills signed into law that will further expand access to health care for California's uninsured children through Express Lane eligibility, as follows:

- Chapter 894, Statutes of 2001 (AB 59), will facilitate enrollment into the HFP and the Medi-Cal program for uninsured school children who are receiving free school lunches under the National School Lunch Program. This new expansion will result in approximately 21,200 additional children in 2002-03 and nearly 35,000 additional children in 2003-04 receiving health coverage.

- Chapter 897, Statutes of 2001 (SB 493), will expand the ability of families receiving food stamps to enroll in the HFP and the Medi-Cal program by requiring counties to send HFP and Medi-Cal enrollment information to families receiving food stamps upon annual eligibility redetermination. It is expected that this expansion will result in an additional 14,900 parents and children receiving health coverage in 2002-03.

The 2002-03 Budget provides an augmentation of $42.1 million ($21 million General Fund) to support these expansions.

Moreover, despite the economic downturn, the Administration has maintained recent Medi-Cal program expansions that continue to provide access to health care for more uninsured Californians. Medi-Cal eligibility has been expanded to provide no-cost benefits to:

- Low-income families with incomes at or below 100 percent of the federal poverty level (FPL).
- Aged, blind, and disabled persons with incomes below 133 percent of the FPL.
- Working disabled individuals up to 250 percent of the FPL.

Beginning January 2001, the Administration simplified the complex eligibility process by:

- Eliminating quarterly status reports.
- Establishing continuous eligibility for children.
- Establishing eligibility for persons leaving California Work Opportunity and Responsibility to Kids (CalWORKs) until their annual Medi-Cal redetermination date.

Provider Rates—The 2000 Budget Act included provider rate increases totaling approximately $800 million ($403 million General Fund). These rate increases included:

- Increases ranging from 20 percent to 39 percent for physician services provided under the California Children's Services, Early and Periodic Screening, Diagnosis, and Treatment, and Neonatal Intensive Care Programs.
- Increases ranging from 4.5 percent to 10.1 percent for providers of long-term care services.
- Increases ranging from 6.8 percent to 130 percent for physician, dental, home health, medical, and other services.

Given the State's current budget shortfall, it is necessary to partially rescind the 2000-01 rate increases enacted for the latter group of providers above to reflect a savings of $155.1 million ($77.6 million General Fund). These reductions will be allocated in such a manner as to leave intact the rate increases for providers of children's services and long-term care services. The Administration views these

reductions as temporary, and intends to restore funding for provider rates when the State's fiscal condition improves.

Additionally, the Budget proposes to require co-payments from Medi-Cal recipients to the extent permitted by federal law. These payments, ranging from $1 to $3 (or up to $5 for emergency room services), will be deducted from provider reimbursements. Net savings are expected to reach $61.2 million ($30.6 million General Fund). With this change, California's co-payment requirements will be closely comparable with those of the most populous states.

The DHS will convene a work group to determine the appropriate mechanism to achieve these savings while ensuring that provider rates are no lower than the 1999-00 reimbursement levels. Any necessary adjustments to the Budget will be submitted as part of the May Revision.

Hospital Outpatient Services—This Administration also proposes $510.1 million ($255.1 million General Fund) to provide a one-time payment to hospitals to address previous years' reimbursement levels and to increase hospital outpatient reimbursement rates effective July 1, 2001, pursuant to the settlement of the Orthopaedic Hospital lawsuit. Of this amount, the 2001 Budget Act included $160.1 million ($80.1 million General Fund) to increase reimbursement rates by 30 percent for outpatient services. In addition to the 30 percent increase, the provider rates for outpatient services will increase annually by an additional 3.33 percent for the next three years.

However, at this time, the federal government has yet to approve federal financial participation for the retroactive payment of $350 million ($175 million General Fund). The Administration proposes to proceed with providing the 30 percent rate increase by delinking it from the delayed retroactive payment in order to provide this critically needed funding to hospitals.

Emergency Medical Services

Trauma Support—The 2001 Budget Act included a one-time augmentation of $30 million for the Emergency Medical Services Authority (EMSA) to enhance California's trauma care system. In the November 2001 *Proposed Reduction in 2001-02 Spending* plan, the Administration suspended the entire $30 million augmentation for trauma care due to the dramatic decline in General Fund revenues. However, during the 2002-03 Budget development process, spending reductions were made in other areas to accommodate the restoration of the majority of these funds in the current year. As a result, the Administration will be releasing $25 million to trauma centers in 2001-02. The Administration continues to propose

to revert the remaining $5 million for local trauma system planning. This funding was provided for one-time planning activities, and Local Emergency Medical Service Agencies may apply to EMSA for federally-funded grants for trauma planning.

Public Health Improvements

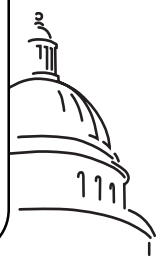
Targeting Tobacco Settlement Revenues for Health Care—The 1998 Master Tobacco Settlement requires tobacco companies to make payments to the states totaling an estimated $206 billion nationally through 2025. California is projected to receive an estimated $25 billion over 25 years. In 2002-03, the State expects to receive approximately $474 million. In addition, $64 million of unspent funds appropriated in 2001-02 are available in 2002-03. Tobacco Settlement revenues are deposited into the Tobacco Settlement Fund (TSF) upon receipt. Proceeds in the TSF are used exclusively to support health care programs. For 2002-03, the following health care programs will be funded from the TSF (see Figure C):

Figure C

Tobacco Settlement Fund
(Dollars in Thousands)

Revenues	$474,400
Prior Year Carryover	63,905
Total Resources	$538,305
Expenditures:	
Healthy Families Children	$247,156
Access for Infants and Mothers (AIM)	1,636
Medi-Cal Expansion:	
Section 1931(b) of Title XIX of the Social Security Act	127,097
Breast and Cervical Cancer Treatment	16,803
State-Only Breast and Cervical Cancer Treatment	11,113
Prostate Cancer Treatment	20,000
Expanded Access to Primary Care Clinics	17,500
Youth Anti-Tobacco	35,000
Securitization Payment	62,000
Total Expenditures	**$538,305**
Ending Balance	**$0**

- **Healthy Families Program (HFP) ($247.1 million)—** Health care to uninsured children whose family income is between 100 and 250 percent of the FPL.
- **Access for Infants and Mothers (AIM) Program ($1.6 million)—**Health care for infants within the program between the ages of two months and one year with family incomes that are between 200 and 250 percent of the FPL.
- **Medi-Cal Expansion ($127.1 million)—** A portion of the Medi-Cal eligibility and benefit expansions under Section 1931 (b) of Title XIX of the Social Security Act that will benefit two-parent working families with net family incomes up to 100 percent of the FPL.
- **Youth Anti-Tobacco ($35 million)—**Grants to local nonprofit organizations to reduce smoking among teens and college-aged youth. This amount reflects a $15 million increase over the 2001 Budget Act funding level. Combined with



Proposition 99 funds under the Department of Education and the Department of Health Services, the State will spend a total of $149.5 million in 2002-03 on anti-smoking and tobacco cessation efforts.

- **Breast and Cervical Cancer Treatment ($27.9 million)—**Breast and cervical cancer treatment to individuals with incomes up to 200 percent of the FPL.

- **Prostate Cancer Treatment ($20 million)—**Prostate cancer treatment to men with incomes up to 200 percent of the FPL.

- **Expanded Access to Primary Care ($17.5 million)—**Grants to local community health clinics to provide health care to children with family incomes up to 200 percent of the FPL who are ineligible for either Medi-Cal or the HFP.

Tobacco Settlement Securitization Payment—To prevent further reductions to valuable health care programs, the Budget proposes to issue a $2.4 billion bond backed by Tobacco Settlement Fund revenues. The bond proceeds will be placed in the General Fund to maintain the health care safety net for the state's most vulnerable residents. The Tobacco Settlement Fund securitization will operate similar to a lease revenue bond, in which a revenue stream, in this case a portion of Tobacco Settlement revenues, will be committed to service debt payments. These debt service payments will equal $62 million for 2002-03, and $190 million for 22 years thereafter.

Child Health and Disability Prevention Program—To provide more comprehensive, full-scope health care to children and maximize the use of available federal funds, the Budget proposes to shift the Child Health and Disability Prevention (CHDP) program caseload to Medi-Cal and the HFP. The CHDP program provides health assessments for early detection and prevention of disease and disabilities to children with family incomes up to 200 percent of the FPL. Since taking office, this Administration has expanded Medi-Cal and the HFP to provide comprehensive health care to an additional 1.1 million children. Most children who receive CHDP benefits are now eligible to receive comprehensive health care coverage from one of these two programs.

The CHDP program is currently funded with 90 percent State funding, while the Medi-Cal program receives a 50 percent federal match and the HFP receives a 65 percent federal match. Shifting CHDP-eligible children into either Medi-Cal or the HFP will allow the State to maximize the receipt of federal funds, producing savings of $69.5 million ($6.2 million General Fund and $63.3 million Tobacco Settlement Fund).

The Budget restores $10 million General Fund to the Expanded Access to Primary Care (EAPC) program in both 2001-02 and 2002-03 originally proposed for reduction in the November 2001 *Proposed Reduction in 2001-02 Spending* plan. The Budget also includes an additional $17.5 million Tobacco Settlement Fund for the EAPC program to continue to provide health assessments to children with family incomes up to 200 percent of the FPL who are ineligible for either Medi-Cal or the HFP.

The Director of the Department of Health Services (DHS) will convene a stakeholder work group to solicit input on a comprehensive plan to implement this proposal that will maximize the number of CHDP children who will enroll in either Medi-Cal or the HFP. The outcome from this effort will be presented as part of the May Revision.

Childhood Lead Poisoning Prevention Program—To better protect California's children from the adverse effects of lead exposure and to help improve educational outcomes among these children, the Budget provides an increase of $7.2 million and 8 positions (7.6 personnel years), to implement a comprehensive programmatic restructuring plan and to continue existing workload formerly performed by limited-term positions. The restructuring plan will provide for the reorganization, redesign, and implementation of a new, improved Childhood Lead program.

The benefits to children of this restructuring plan are numerous:

- More lead-exposed children will be identified, treated, and the source of their lead poisoning eliminated. With prevention of the long-term consequences of lead poisoning, these children will be able to more fully realize their educational potential. Costs for special education and other long-term support services will be reduced or prevented entirely.

- Sources of lead in the environment will be properly identified and managed, thus preventing future lead exposure and poisoning.

- The program will improve compliance with the Childhood Lead Poisoning Prevention Act of 1991 and other State and federal mandates.

This will be accomplished through the following activities:

- **Universal Reporting of Blood Lead Testing Results—**The DHS will now require laboratories to report all lead blood tests to the State.

- **Accountability Measures—**The DHS will implement a performance-based approach that includes specific outcome measures and performance targets at the State and local levels.

- **Increased Enforcement Provisions—**Proposed additional statutory enforcement tools will ensure that State and local jurisdictions have the means to reduce lead contamination in the homes of lead-exposed children and in other settings.

- **Improved Case Management Services Performed by Local Health Jurisdictions—**Improved case management will ensure that children with elevated lead levels are treated and that local sources of lead contamination are better identified and removed.

- **Increase in Childhood Lead Poisoning Prevention Fees Paid By Gasoline and Paint Manufacturers—**The Budget assumes that Childhood Lead Poisoning Prevention Fees will be increased to the limit currently authorized under program regulations.

Strengthening Long-Term Care

Despite the recent economic downturn, the Administration is maintaining its effort to protect California's elderly population. The Budget continues to pursue the goals of helping California's seniors remain at home and enhancing the quality of care in nursing facilities.

The DHS' Licensing and Certification (L&C) Program is responsible for the licensure and certification of California's nursing facilities to ensure quality patient care. The Budget includes $28.1 million ($12.3 million General Fund) to fulfill the goal of providing quality care to seniors, an increase of $5.3 million ($2.7 million General Fund) over the 2001 Budget Act.

The increase of $5.3 million ($2.7 million General Fund) and 55.5 positions will allow L&C to begin implementation of Chapter 684, Statutes of 2001 (AB 1075). This legislation requires a revised reimbursement methodology to be in place by August 1, 2004, and regulations, effective August 1, 2003, establishing revised staffing standards for nursing homes. These activities are aimed at increasing the quality of nursing home care, as well as ensuring beneficiary access to the appropriate level of care.

The new reimbursement methodology will be partially based on the acuity level of residents in each facility, allowing facilities to be reimbursed at a level that more closely matches actual costs.

Current law requires that facilities provide 3.2 hours of care per day to each patient. The new staffing standards will consist of a ratio of caregivers to patients, ensuring that sufficient medical staff is available at all times to meet the needs of nursing

home residents. Sufficient staffing is a major factor in providing the appropriate care to patients.

The Budget continues $1.4 million ($535,000 General Fund) provided in 2001-02 to further the goals of the Aging with Dignity Initiative to maintain the Centralized Complaint Unit (CCU), allowing the DHS to address nursing home complaints in a consistent and expedient manner.

Prior to the establishment of the CCU in 2001-02, nursing home complaints were directed to individual Medi-Cal field offices throughout the state. The prioritization of each complaint was addressed by the field offices. This sometimes resulted in inconsistent investigations and disciplinary actions. All complaints are now directed to the CCU for prioritization and assignment.

The Budget also includes $21.4 million ($9.1 million General Fund) in continued funding for the following activities, first undertaken in 2000-01:

- **Unannounced Inspections of Nursing Homes—**$10.9 million ($3.9 million General Fund) to increase the frequency and unpredictability of nursing home inspections.

- **Intensive Review of Poor-Performing Nursing Homes—**$4.1 million ($2.5 million General Fund) to expand a successful pilot program to provide increased review of nursing homes that fail to meet quality standards.

- **Rapid Response to Nursing Home Complaints—**$3.9 million ($2.2 million General Fund) to guarantee response within 48 hours to non-emergency complaints regarding patient care.

- **Fiscal Solvency Review Advisory Board—**$500,000 General Fund for the Fiscal Solvency Review Advisory Board. The Board protects nursing home patients from unnecessary transfers and disruptive closures by recommending appropriate fiscal standards for nursing homes to prevent bankruptcies and interruptions in care.

- **Quality Awards Program for Exemplary Nursing Homes—**$2 million (Federal Citation Penalties Account) remains from an original augmentation of $10 million ($8 million General Fund) to establish the Quality Awards Program. Due to the recent economic downturn, an $8 million General Fund reduction is proposed in the Budget. However, $2 million remains available to provide grants to facilities to fund innovative proposals that will further enhance patient care.

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Expanding Child Care Opportunities

Safe, affordable child care is the most critical element in any successful welfare to work program and among the most important ways State government can assist working families struggling to make ends meet. Culminating nearly two years of study of California's current child care system, the Administration proposes a comprehensive reform of the system as reflected in the Governor's Budget for the Department of Education (SDE) and the Department of Social Services (DSS). The policy objectives for this reform proposal include the following:

- Increasing affordable child care access for over 100,000 children of low-income working families who are now on waiting lists, through more subsidized slots and Before and Afterschool programs.
- Ensuring more equitable access for the neediest families, both CalWORKS and non-CalWORKS families alike.
- Promoting greater cost-sharing for families, particularly those with higher incomes, through a graduated fee schedule that increases over time and generates cost savings that allow other families in greater need to access child care.
- Utilizing existing resources more efficiently to serve more families and curb future program costs.

These objectives are accomplished primarily by modifying current eligibility rules, reimbursement rate limits, and family fees to align more closely with the practices of other large states, while recognizing the higher cost of living in some regions of California. The proposed changes are designed to promote greater cost efficiency within existing resources, which will allow more families to access child care. The Administration has committed that funds saved through these reforms will be used to expand access to safe, affordable child care.

The Governor's Budget reflects significant increases for child care over the current year, as amended by the November 2001 *Proposed Reduction in 2001-02 Spending* plan, including an augmentation of $75 million to Before and Afterschool programs. Expanding Before and Afterschool programs will create an additional 79,000 spaces for school-aged children of working parents, many of whom are currently on waiting lists for subsidized care. Additionally, the Budget proposes $9.8 million in one-time federal funds to be expended over a three-year period for an initiative to provide outreach, training, and incentives to license-exempt providers to increase the quality of non-licensed child care. The focus would include use of the State's Pre-kindergarten guidelines, other early childhood development principles, and health and

Expanding Child Care Opportunities

safety issues including expanded Trustline clearances. This initiative recognizes the current preference in some cultures for use of extended family members and neighbors that has made license-exempt care an integral part of the child care system.

The Administration's proposal offers subsidized care opportunities for an additional 122,000 children of low-income working parents, the largest expansion of services in this State's history. While an estimated 20,000 currently served children may lose services, they are either over age twelve or are in families, for example, which exceed $32,000 to $35,000 in annual income (family size of 4), depending upon the county in which they work and receive care. Still, many of those children could be served through the expanded opportunities offered through the Before and Afterschool Program expansion. Additionally, the Administration's proposal makes a significant investment in quality and safety for the thousands of families choosing license-exempt care.

Need for Reform

The need for subsidized child care was greatly increased with the passage of the State's CalWORKs program in Chapter 270, Statutes of 1997 (AB 1542), which established California's response to federal welfare reform. In an effort to ensure cash assistance recipients were provided with the services necessary to transition to the workforce, Chapter 270 also established a three-staged child care assistance program exclusively for the aided population. Although the statute guarantees child care subsidies for the duration of cash aid and for a two-year transitional period thereafter, it provides no guarantee of continued subsidy beyond the two-year transition period. Continuing the subsidy for all of these families in Stage 3 indefinitely without reform will increase the General Fund costs by $133 million for a total of $388 million in the budget year alone, growing to more than $650 million in 2004-05 and beyond. The federal government does not contribute additional funds to support child care beyond the two-year transition period specifically for this population, so the increased cost would be borne by the General Fund.

Moreover, these costs do not address the needs of the estimated 200,000 to 300,000 children of other low income families currently on waiting lists for subsidized care in the State's traditional child care programs. Absent reforms in the current child care system, there remains an inequity in access to child care that encourages families to seek public assistance in order to access child care subsidies.

Policy Review

As a result of cost and equity concerns, the Administration directed the State and Consumer Services Agency to perform a comprehensive review of child care policy almost two years ago with the objective of identifying policy options for reform. The initial effort was hampered by a lack of available data on the current populations receiving subsidies. As a result, the Administration deferred a reform discussion with the Legislature and continued the status quo by incurring additional costs to extend services for families who exhausted their two-year transitional child care benefit. However, the Administration directed, through provisions in the Budget Act of 2000, that a sampling of caseload be undertaken to determine the characteristics of the population and profiles of care necessary to model the effects of various policy choices to resolve the concerns.

The 2001-02 Governor's Budget continued to advocate a serious reform discussion, with the assumption that the policy review effort would be completed by early Spring. Despite delays in the completion of the survey, a report was released in May 2001. That report identified policy options that could accomplish the Administration's objectives. Moreover, it documented that California, in comparison to other states' eligibility, subsidy, and co-payment policies, provides the most generous package of any other large state. For instance:

- No other state reimburses costs charged by the 93rd percentile of the market.
- No other state offers subsidies to those earning 75 percent of the state's median income.
- No other state provides subsidies for 13-year-old children.
- No other state exempts approximately 80 percent of families receiving services from a share of costs. Every state charges a fee to most every family receiving subsidized services.

Proposed Reforms

The Administration's proposal includes the following specific changes beginning July 1, 2002:

Eligibility Changes

- Reduction in income eligibility from 75 percent of the state median income (SMI) to 66 percent for the four highest cost counties in the Bay area; to 63 percent of SMI for other high cost counties; and 60 percent for remaining counties. (Income limits would be reduced for a family of 4 from about $40,000 statewide to about $35,300 in highest cost counties and to about $32,000 in remaining counties**).** This recognizes higher cost-of-living and consequent need for child care at relatively higher income levels.

- Elimination of services for 13-year old children and families grandfathered by Chapter 270 whose incomes exceed current eligibility levels. As mentioned earlier, no other state provides subsidies for 13-year old children, and higher income families are less needy than those on waiting lists.

- Simplification of annual family income limit adjustments, including adjustments for different family sizes. Current limits for family sizes are based on annual federal income sampling for a family size of four with limits for other family sizes derived through an algorithm. Median incomes are not tied to the cost of necessities, and the annual sampling is subject to irregular increases and decreases from year to year. The algorithm's adjustments for different family sizes are irregular and have little correlation to family costs, as well. Annual adjustments to eligibility would be based on the change in California Consumer Price Index, and the algorithm would be replaced by a constant increment utilized by the federal government in calculating poverty levels, which is updated annually.

Reimbursement Limit Changes

- Reduction in reimbursement limits from approximately the 93rd percentile of the regional market to the nationwide standard of the 75th percentile of the regional market. This change would allow full reimbursement, net of family co-payments, to all but the highest priced providers in each county, which fully ensures parental choice in line with federal standards.

- Simplification and standardization of market rate limits by eliminating categories or deriving separate rates for infrequently used pricing practices from the most

common practices. Currently, over 60 rates are published for each county or sub-county region, many of them based on very low sample sizes, which results in anomalies and may allow some providers to charge excessively. For example, a day of part-time care can be priced more expensively than full-time care in some regions for particular age groups. Standardized methods will provide more statistically reliable market rate limits to be calculated.

Family Fee Changes

- Implementation of a three-step, graduated fee schedule that applies to all families with certain exceptions, beginning with small amounts at the lowest incomes and increasing as family income increases:
  - The first step is intended for the first five years of a family's need when children typically require full-day or more expensive care.
  - The second step begins after five years of care in order to transition a family's payments toward the full cost of care. The second stage applies for two years.
  - A third step applies after seven cumulative years of care if the family still requires assistance. Fees at that level are set with a goal of providing a significant subsidy, proportional to the family's income as a percentage of the full state median income. In other words, a family at 60 percent of the median income would pay approximately 60 percent of the full cost of licensed child care.
- Shifting family fee collections to direct care providers. Shifting collections to direct care providers who must collect fees for non-subsidized children would reduce administrative costs for Alternative Payment Program agencies that administer vouchers. However, rather than capturing these savings, they are retained for improved waiting list management, accountability and compliance efforts as addressed below.

Waiting List Priorities

- Modification of current waiting list priorities. Rather than a strict lowest-income-first approach, families in the lowest tiers of income working full time with children under 5 would have first priority after children at risk of abuse or neglect. The Administration recognizes both the hardships of working full time and raising pre-school age children as well as the need for quality child care for infants, toddlers, and preschool age children as the brain develops. This change will

ensure subsidies to the neediest of families, regardless of their prior public assistance status, by leveling the playing field for both working poor and former CalWORKs families when the CalWORKs entitlement period ends.

Compliance, Accountability, and Administrative Efficiency

- Additional measures are proposed to increase accountability, compliance, and efficiency to ensure subsidies are reserved for the neediest families. For instance, providers would be authorized to collect taxpayer identification or social security numbers to enable access to the Employment Development Department's eligibility verification system and other data bases which would facilitate administrative efficiency and improve compliance.

- Phase-out of the existing Extended Day or Latchkey program over a three-year period with redirection of the $30 million currently devoted to that program to the Before and Afterschool Learning and Safe Neighborhoods Partnership Program. The Before and Afterschool program leverages local participation, focuses on low-income areas, and is much less administratively burdensome than the current Latchkey program. It is estimated that reinvesting those dollars will serve a net minimum of 15,000 additional children annually. Existing Latchkey programs would have first call on the redistributed funds and may begin to develop the local collaboration efforts now to successfully transition to the newer program by 2005-06.

Estimated Savings

Implementing the changes discussed above in the budget year is estimated to save approximately $400 million in the five primary child care programs:

- CalWORKs Stage 1, which is administered through the Department of Social Services (DSS).

- CalWORKs Stage 2 and Stage 3 Setaside, administered by the Department of Education (SDE).

- The primary general subsidy programs of General Child Care and the Alternative Payment Program, both administered by the SDE.

The Administration proposes to reinvest all of the estimated annual savings to accomplish the goal of increasing the number of slots so that more families may receive assistance. As mentioned earlier, this reform proposal creates opportunities for an additional 122,000 children. This total reflects increases for the Before and

Afterschool Program, net caseload changes in Stages 1 and 2, and new slots created through reinvestment of savings from reforms only for the five major programs for which data was collected. Considering there are several other programs that would also be affected, including Migrant Child Care, additional opportunities will be available within those other programs as well. (See K-12 Education section for a more complete description of caseload changes and how the savings are reinvested.)

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Improving California's Workforce Development System

California's continuing economic competitiveness is increasingly dependent upon an educated and skilled workforce. Workers, however, too often find it confusing to access job training, job placement, and educational services for career ladder development in the complex labyrinth of existing State programs. Employers find it difficult to locate and attract qualified workers for high-skilled, high-paying jobs as well as for entry-level jobs.

The State's $4.6 billion ($2 billion General Fund) workforce development system is comprised of a patchwork of 34 job training programs administered by 13 different State entities (see Figure A). Services ranging from core employment services to apprenticeship training and vocational education are provided to over 4 million California residents annually. Key to sustained economic growth in California is providing a workforce development system that measures success not by how many people obtain services, but by how many people obtained jobs, or better-paying jobs by upgrading their skills. Therefore, the current workforce development system must be reformed to achieve the following goals:

- Promote access and accountability
- Eliminate program duplication
- Achieve cost-efficiencies

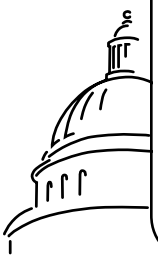
The current economic condition of the state in which job growth has slipped and unemployment has risen makes improvements to the existing workforce development system an imperative for policymakers. The Administration outlines a four-pronged reform of California's workforce development system as discussed below, and looks forward to working with the Legislature to craft legislation to implement these improvements.

- **Streamline the existing job training system to provide better access to services for those out of work and those seeking skills for career ladder development—**The State's current workforce development efforts are referred to as a "system" but they are mostly a collection of programs that provide core employment services and economic development activities, job training for special populations, and vocational and adult education. Many of these programs were enacted to address the job training needs for specific communities, without regard to the need for a fully integrated workforce development system. While much good has been accomplished, the result has also been a complex array of programs that are duplicative and difficult to access.

Figure A

Job Training Programs in California
(Dollars in Thousands)

Department	Program	2002-03 Budget General Fund	2002-03 Budget Other Funds
Core Employment Services and Economic Development			
Employment Development	Mainstream Job Service	$1,182	$104,180
Employment Training Panel	Training and Economic Development Program	$0	$76,033
Industrial Relations	Apprenticeship Training	$0	$3,136
Community Colleges	Apprenticeship Training	$12,729	$0
Education	Apprenticeship Program	$15,852	$0
Employment Services for Special Populations			
Aging	Senior Community Service Employment	$2,024	$7,605
Community Services and Development	Community Services	$1,000	$53,382
Employment Development	Special Veterans Services	$0	$19,541
Employment Development	Trade Adjustment Act and North American Free Trade Agreement Training Programs	$0	$12,030
Employment Development	Workforce Investment Act	$0	$611,314
Employment Development	Wagner Peyser Grant Special Projects	$0	$8,922
Employment Development	Federal Welfare-to-Work Grant	$0	$58,392
Employment Development	Faith-Based Initiative	$4,000	$0
Social Services	Food Stamp Employment and Training	$0	$41,052
Social Services	CalWORKs Employment Services	$200,385	$1,083,826
Social Services	Refugee Assistance Services	$0	$19,733
Conservation Corps	Training and Work Program	$53,504	$30,322
Youth Authority	Job Placement Services	$674	$0
Corrections	Preventing Parolee Crime (Job Training Component)	$0	$7,613
Rehabilitation	One-Stop Center Vocational Rehabilitation Services	$167,355	$297,534
Transportation	Maintenance Program Youth Job Skills Program	$0	$2,532
Transportation	On-the-Job Supportive Services	$0	$1,331
Vocational and Adult Education			
Community Colleges	Post-Secondary Vocational Education	$374,874	$0
Community Colleges	Economic Development Program	$40,187	$0
Community Colleges	Partnership for Excellence (Vocational Component)	$43,871	$0
Education	Secondary Vocational Education	$660,755	$0
Education	Adult Education (Vocational Component)	$59,296	$7,411
Education	Agriculture Vocational Education	$4,232	$0
Education	Partnership Academies	$23,050	$0
Education	Regional Occupational Programs and Centers	$375,679	$0
Education	Workforce Investment Act Match - Vocational Education	$7,022	$0
Education	Perkins Vocational Training and Education Act	$0	$130,445
Secretary of Education	School to Career	$2,000	$0
	Total	**$2,049,671**	**$2,576,334**
	Grand Total	**$4,626,005**	



The Administration proposes the following actions to facilitate access to services and achieve a common purpose among the existing job training programs:

- Consolidation of all existing job training programs that provide core employment services, economic development, and job training services to special populations under the auspices of a proposed new Labor Agency. The Labor Agency would consist of the Employment Development Department (EDD) and the Department of Industrial Relations (DIR) and their associated boards and commissions, the Workforce Investment Board (WIB), and the Agricultural Labor Relations Board.

  The benefits to workforce development of establishing a new Labor Agency include the following:

  - Stronger ties between the EDD's job training programs, DIR's apprenticeship programs, and the WIB's workforce development efforts will maximize billions of dollars in existing job training funds and coordinate resources to better meet the growing need for workforce education, development, and retraining.

  - Coordination between the existing labor research units in the EDD and DIR will result in more comprehensive information and data on California's workforce and economy to guide workforce development program planning.

  Coordination of activities among these existing State entities under a single Labor Agency is consistent with the Administration's objective of having a workforce development system of component programs that share in a common purpose.

- Consolidation of all existing apprenticeship programs under the DIR. Currently, the DIR, Department of Education (SDE), and the California Community Colleges (CCC) administer separate apprenticeship training programs to promote, expand, and develop on-the-job training and apprenticeship programs with both public and private employers. Consolidation of these programs could result in administrative efficiencies, better coordination of apprenticeship training needs in the state, and easier access to these programs by employers and workers.

- Consolidation of all vocational and adult education programs under the CCC. Currently, CCC, SDE, and the Secretary for Education, administer 11 separate vocational and adult education programs. These programs provide the academic knowledge and skills needed to prepare for further

education and careers in current or emerging employment sectors, and serve adults by providing citizenship training and education to improve, among other things, literacy skills and employability. Consolidation of these programs could result in administrative efficiencies, better coordination of vocational and adult educational needs in the state, and easier access to these programs by workers. Additionally, with this consolidation, the CCC may establish appropriate regional partnerships with various business and industry sectors to address workforce development needs.

- **Block grant all existing job training funds, to the extent permitted by federal law, to consolidate the focus of resources to the various workforce development needs**—For example:

  - To facilitate the services that would be provided by the State entities under the proposed Labor Agency discussed above, existing funds for core employment services, economic development, and job training services for special populations should be consolidated into a block grant to address workforce development needs and the manner in which services are provided more comprehensively. Currently, funding for these programs totals $2.9 billion ($458.7 million General Fund): $213.1 million ($29.8 million General Fund) for core employment services and economic development, including $31.7 million ($28.6 million General Fund) for apprenticeship programs and $2.7 billion ($428.9 million General Fund) for job training services for special populations.

  - To more effectively respond to the vocational and adult education needs of workers and employers pursuant to the proposed consolidation of these programs discussed above, existing vocational and adult education funds should be consolidated into a block grant. Currently, funding for these programs totals $1.7 billion ($1.6 billion General Fund): $458.9 million General Fund for CCC programs, $1.3 billion ($1.1 billion General Fund) for SDE's programs; and $2 million General Fund for the Secretary for Education's programs.

- **Apply rigorous standards of accountability to State and local job training programs.** The Administration believes that state and local job training programs should be held to the same rigorous standards of accountability that were enacted pursuant to K-12 education reform in 1999-00.

  California established a performance-based accountability system for job training in 1996, the Job Training Report Card. The objective of the Report Card is to provide a common measure of performance of State and federally-funded workforce development programs for several reasons:

- To inform policymakers on the facilitation of system, program, and instructional improvement needed as they make State policy and fiscal decisions.
- To advise service providers seeking continuous program improvement.
- To assist consumers in making informed decisions on accessing services and programs.

Specific outcome measures include, but are not limited to, the following:

- Program completion.
- Job placement and duration of job retention after placement.
- Wage gain.
- Academic achievement.
- Return on public investment in job training programs.

Successful implementation of the Report Card accountability system has been hampered by lack of funding; inadequate participation due to confidentiality concerns; and overly complex presentation of program information.

The ability to measure job training program performance is essential to improving the overall performance of California's workforce development system at the state and local levels. The Administration intends to redirect existing workforce development funds to bolster the accountability system begun in 1996 so policymakers and consumers can identify successful programs and allocate resources appropriately to programs with successful outcomes.

- **Shift the focus of California's existing workforce development system from short-term job training to economic development—**As discussed earlier, the State's existing workforce development system is comprised of a patchwork of programs that each provides services to a single constituency of displaced, unemployed, or unskilled workers. This has resulted in the inefficient expenditure of job training resources and an inappropriate focus of many of these programs to effectively respond to the long-term workforce development needs of workers and employers throughout the State.

The Administration believes a workforce development system that focuses on long-term economic development should incorporate the following key elements:

- The system should be comprised of programs that provide opportunities to acquire basic skills and enter and move up the workforce.
- Career opportunities should reflect the needs of larger regional markets rather than the needs of a single small community.
- Job training programs should be responsive to labor market and industry demands and growth opportunities, rather than provided in isolation of these considerations.
- Primary consideration for the expenditure of job training funds should be based on the coordinated use of resources and given to working partnerships among employers, CCC or other training organizations, local workforce investment boards, social services agencies and other community organizations, and government.

Achieving Energy Independence

In 1996, California deregulated the State's electricity markets. Through a variety of factors, including a lack of investment in new generation capacity and the failure of federal regulators to police the market, the electricity market broke down, leading to a dramatic run up in spot market prices in late 2000 and 2001. The failure of the market required the State to intervene to keep electricity flowing to California's citizens and businesses and led one of the State's investor-owned utilities to file for bankruptcy and another to the brink of insolvency.

The Administration acted quickly to secure a reliable supply of power through conservation, generation capacity, and pressure on the Federal Energy Regulatory Commission (FERC) to implement price caps.

- California had not built a major power plant in the State in the 13 years prior to this Administration. The Administration took action to change this situation by encouraging investment in power plants and expediting the process of authorizing power plant sites. Consequently, during the past year of this Administration, more than 18 new power plants totaling 3,961 megawatts (mW) have come on line. An additional 280 mW of peaker facilities have also become available as a result of Administration efforts.

- California also has embarked on the most massive conservation effort ever undertaken by providing $770.8 million for conservation programs that resulted in reducing peak demand by 3,106 mW in the summer of 2001. These programs include: (1) improved building and appliance energy efficiency standards, (2) loans, grants, and technical assistance to schools, colleges, local governments, and the private sector for the installation of more efficient lighting, insulation, and machinery, and (3) rebates to energy customers for the installation of energy efficient appliances.

- The Administration has further committed to increasing California's total renewable energy production from today's 12 percent to 17 percent by 2006. The Administration ensured this when it extended the Public Interest Energy Research Program (PIER) and Renewable Energy Program through 2012. Combined, these programs commit $197.5 million annually to the development of clean, efficient, and more affordable energy sources.

- The Administration's "20/20" Program committed $279 million in incentives to energy customers to reduce their energy consumption. As a result of this and other Administration conservation programs, peak demand was reduced by a staggering 14 percent, 11 percent, and 9 percent in June, July, and August 2001, respectively.

- The Administration provided the leadership to bring pressure on FERC to do its job and rein in an out-of-control energy market. Ultimately, FERC ordered price caps and required generators to make their power available to California. The FERC orders have brought at least temporary stability to the market place. However, these FERC orders would not have happened had it not been for the Administration's tireless efforts to document the dysfunctional workings and excesses of the energy market, and to investigate the true reasons for the power plant shut downs that constrained energy supplies and helped drive up costs.

Having stabilized the market, the Administration is working, through conservation and the creation of new generation capacity, to ensure that electricity will continue to flow to citizens and businesses at reasonable rates. Efforts continue to finance the State Department of Water Resources' (DWR) energy purchases so that the General Fund can be repaid for the funds advanced. Efforts to renegotiate long-term power contracts are underway so as to garner greater value for the ratepayers from these agreements.

Assuming that California is able to assure a reliable supply of electricity in the short term through conservation and additional generation capacity, significant issues remain:

- Who will be responsible for purchasing the "net short" energy after December 31, 2002, when DWR's existing authority expires?

- Has the market been restructured appropriately to ensure that sufficient generation capacity will be forthcoming to assure California's energy independence?

- How can the State ensure that the outstanding conservation efforts of California citizens and businesses continue in 2002 and future years?

The Administration proposes to work collaboratively with the Legislature to address these issues. Specifically, the Administration proposes to work with the legislative leadership to address these issues and ensure California's energy independence.

Purchasing the Net Short

In January 2001, pursuant to the Governor's Emergency Proclamation, the DWR began purchasing electricity for the customers of Pacific Gas and Electric Company and Southern California Edison. Generators refused to sell to these utilities because of concerns about their ability to pay for power purchased. In February, DWR began purchasing power (the "net short") for the customers of San Diego Gas and Electric Company.

Pursuant to authorization provided by the Legislature in AB 1X (Chapter 4, First Extraordinary Session, Statutes of 2001), DWR entered into long-term contracts for power. The contracts, along with a number of other factors, have resulted in a significant decline in the price of power in the market.

Under the provisions of AB 1X, DWR is authorized to purchase power only until the end of the 2002 calendar year. However, it is not clear whether the investor-owned utilities (IOUs) on whose behalf DWR has been buying power will be sufficiently credit worthy to take back responsibility for buying power at that point. The Administration believes that DWR should stay in the business of buying power only as long as is absolutely necessary. However, contingencies must be developed to ensure a smooth transition of this responsibility back to the IOUs.

Market Structure

California's energy market remains in a state of transition. The recent bankruptcy filing on the part of Enron, as well as credit rating downgrades for other suppliers, contributes to ongoing instability and uncertainty in the market.

Underlying this instability are fundamental questions concerning the structure of the market itself: Will California's partially deregulated market send the right signals to suppliers and generators to ensure a stable supply? What part can conservation play in meeting the State's power needs? What role should the new Power Authority play in meeting those needs and helping to stabilize the market?

Though the State has succeeded in ensuring a stable supply of power in the short term, the risk is that we have not adequately restructured the market to avoid a repeat of the market dysfunction just experienced. The long lead-times associated with many energy projects demand a combination of planning and market signals that will enable California to avoid the sort of boom and bust cycle that created last year's crisis.

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Protecting Consumers

This Administration has undertaken a number of initiatives to protect California consumers from various types of consumer-related crime and fraud, invasion of privacy, breach of security, and predatory lending practices; and has reformed managed health care. The Administration continues to demonstrate its commitment to protect California consumers by providing resources in the areas discussed below.

Consumer Privacy and Identity Protection

Office of Criminal Justice Planning

Identity Theft—The Budget continues to provide $3.3 million to the five state task forces funded through the Office of Criminal Justice Planning's High Technology Theft Apprehension and Prosecution Program. This funding is used to train law enforcement officers and agents on identity theft, develop protocols for handling identity theft crimes, and enhance interagency coordination efforts.

Department of Consumer Affairs

Office of Privacy Protection—The Budget includes $1.1 million for the Office of Privacy Protection, which serves as a clearinghouse for privacy related consumer complaints, education, and information. The Office coordinates with local, state, and federal law enforcement efforts related to identity theft and privacy-related criminal investigations, and operates telephone and website resource and referral services.

Department of Justice

Telemarketers' "Do Not Call" List—Pursuant to the enactment of Chapter 695, Statutes of 2001, the Department of Justice will begin to create and maintain a "Do Not Call" list of telephone subscribers who do not wish to receive unsolicited and unwanted calls from telephone solicitors. Specifically, this program will allow California consumers to remove their phone numbers from call lists, providing protection to those consumers who may be vulnerable to unscrupulous sales calls and ensuring privacy for California's citizens.

Predatory Financial Practices

Predatory investment, financing, and lending practices damage investors and borrowers, many of whom are targeted because they are uninformed. These practices also adversely affect the ability of California businesses to raise capital by diverting investors' money from legitimate investments or by siphoning off borrowers' money through inflated fees or unnecessary financing. Chapter 731, Statutes of 2001, prohibits predatory lending practices and gives the departments that regulate lending activities effective enforcement powers.

Department of Corporations

Statewide Outreach on Predatory Practices (STOPP)—The Budget proposes $10 million and 17.3 positions for the Department of Corporations to increase public awareness and call-center assistance, and for additional investigation and enforcement. The Department will conduct a statewide media campaign that helps seniors, minorities, and other potentially vulnerable populations protect themselves from predatory financing, lending, and investments. This augmentation will also support a one-stop contact center to improve the Department's communication with both the public and regulated businesses on these issues. Finally, STOPP will increase investigation and enforcement activities with respect to mortgage bankers, finance lenders, and securities firms to respond to predatory activities identified through the outreach and education campaign.

Department of Financial Institutions

Compliance Monitoring—The Budget proposes $310,000 and three positions to allow the Department of Financial Institutions to monitor the compliance of banks, credit unions, and other lenders with the provisions prohibiting predatory lending under Chapter 731. Through comprehensive on-site examinations, the Department will identify illegal activities and take appropriate enforcement action.

Department of Real Estate

The Budget includes $224,000 and three positions for the Department of Real Estate to investigate and take enforcement actions against predatory lending activities of real estate licensees under Chapter 731.

Department of Justice

The Budget includes $606,000 for the Department of Justice to prevent predatory lending fraud, and ensure California consumers are protected against consumer fraud and deceptive and unfair business practices. Specifically, the Department will investigate and prosecute lenders in the sub-prime lending market who use abusive and unlawful tactics to induce high-risk borrowers or low income consumers to take out high cost loans on their homes. These tactics include false advertising of low interest rate loans, incorporating optional insurance fees into the loan without the consumer's knowledge, and misrepresenting high loan fees that are included in the loan.

Managed Health Care Reform

Department of Managed Health Care

Since its creation as one of this administration's major health care reforms of 2000, the Department of Managed Health Care has spent $98.2 million on consumer protection activities. On an average annual basis, this is a 111 percent increase over funding for managed health care oversight when it was a program within the Department of Corporations. Including new funding proposed for 2002-03, major changes since 1999-00 include addition of the Office of Patient Advocate and the health maintenance organization (HMO) report card ($2 million), creation of the independent medical review process ($3.7 million), expanded enforcement staffing ($1.1 million), and expansion of financial monitoring of HMOs ($834,000).

HMO Report Card—The Budget includes an augmentation of $500,000 for the annual HMO Report Card published by the Office of Patient Advocate. The Office will expand reporting to medical group performance, add cultural/linguistic indicators and more language interaction, analyze HMO complaint data, and study the feasibility of including information on the quality of care provided under the Medi-Cal and Healthy Families programs.

Financial Exams—The Budget proposes $234,000 to increase the frequency of routine exams for specialized health care plans from five to three years, in order to identify financially troubled firms more quickly and take corrective action.

The Department of Managed Health Care has responsibility for implementing a number of significant health care reform bills enacted in recent years, including the following:

- **Independent Review of Coverage—**Chapter 533, Statutes of 1999 (AB 55), guarantees California patients the right to an external review of a plan's health care coverage decision by an independent group of medical experts.

- **Limited Right to Sue for Damages—**Chapter 536, Statutes of 1999 (SB 21), gives patients the right to hold health care service plans accountable by seeking punitive damages in a court of law if and when a plan causes substantial harm to the patient and after using the independent review provided by Chapter 533.

- **Second Opinion—**Chapter 531, Statutes of 1999 (AB 12), requires health care service plans to provide a second medical opinion upon request by the patient.

- **Cancer Screening—**Chapter 543, Statutes of 1999 (SB 205), affirms the importance of cancer screening tests for the purpose of early detection, and directs health care service plans and disability insurers to cover medically accepted cancer screening tests for any contract or policy issued, amended, or renewed on or after January 1, 2000.

- **Mental Health Parity—**Chapter 534, Statutes of 1999 (AB 88), requires health care service plan contracts to cover the diagnosis and medically necessary treatment of severe mental illnesses at any age and serious emotional disturbances of a child.

- **Mental Health Treatment Continuity of Care—**Chapter 531, Statutes of 2001 (AB 1503), directs all HMOs and health insurance plans to file a written policy with the Department of Managed Health Care describing how the plan would facilitate continuity of care for a new enrollee with an acute or chronic mental health condition who lost their provider when their employer changed HMOs. Chapter 531 requires the plans to allow enrollees to continue their treatment with their former provider during a reasonable transition period.

- **Hospice Care—**Chapter 528, Statutes of 1999 (AB 892), adds hospice care to the basic health care services required to be provided by health care service plans.

- **Off-Label Use of Drugs—**Chapter 852, Statutes of 2000 (SB 2046), prohibits plans and insurers from excluding coverage for an off-label use of a drug for a chronic and seriously debilitating condition.

State-Local Assistance

Both the U.S. and California economies slowed in 2001. Due to its dependence on the personal income tax and its highly volatile capital gains component, the State faces significant fiscal challenges. However, local revenue sources such as sales and property taxes are less volatile. Consequently, cities and counties have not experienced as drastic a change in revenues as the State.

In spite of the current fiscal environment, the Governor's Budget continues the Administration's efforts to support high priority programs of mutual concern to the State and local governments, such as public safety, health and human services, housing, transportation, and resources, as discussed below. Most notably, this Budget includes full reimbursement to local governments for the vehicle license fee offset program, totaling $3.7 billion.

Since 1999-00, this Administration has made a substantial fiscal commitment to local governments. The general order of magnitude of this State assistance to local governments is also discussed below.

Public Safety

- **Citizens' Option for Public Safety (COPS) and Juvenile Crime Prevention Programs—**The Budget provides $232.6 million in 2002-03 to fund the COPS program ($116.3 million) and local juvenile crime prevention programs ($116.3 million). COPS supports front-line local law enforcement, sheriffs' departments for jail construction and operations, and district attorneys for prosecution. Through the program, local governments receive a minimum grant of $100,000 for front-line law enforcement services; all other funds are allocated on a per-capita basis. The juvenile crime prevention programs use various strategies to provide a swift and graduated response for at-risk youth and juvenile offenders, including intensive case management, early intervention, and substance abuse treatment. With the 2002-03 funding, $807.8 million has been provided for COPS and Juvenile Justice Crime Prevention Programs over the course of this Administration.

- **Technology Grants for Local Law Enforcement**—The Budget includes $35.4 million for local law enforcement agencies to purchase high-technology equipment for crime prevention and suppression. Local agencies receive a minimum of $30,000 and an additional per-capita amount. These funds help local law enforcement agencies address crime prevention and suppression problems through the use of equipment such as mobile computers, radios, and video imaging equipment. With this funding, $145.8 million has been provided for technology grants over the course of this Administration.

- **Fighting High Technology Crime and Identity Theft**—The Budget contains $13.5 million for the High Technology Theft Apprehension and Prosecution Program, which is comprised of five task forces that use specialized techniques to apprehend and prosecute high technology crimes, such as electronic fraud and software piracy. Of this amount, $3.3 million is included for identity theft activities, including the training of law enforcement officers, the development of protocols for handling these crimes, and enhanced interagency investigation efforts. The remainder of this funding is used to employ additional local law enforcement officers and agents, expand high technology investigative and forensic training, and provide for forensic equipment purchases. With this funding, $33.6 million has been provided for the High Technology Theft Apprehension and Prosecution Program over the course of this Administration.

- **War on Methamphetamine**—The Budget includes $15 million for disbursement to High Intensity Drug Trafficking Areas (HIDTAs) throughout the State. The HIDTAs will purchase specialized equipment to enhance their methamphetamine suppression activities and hire more investigators, agents, and prosecutors specializing in methamphetamine offenses. With this funding, $45 million has been provided for the War on Methamphetamine over the course of this Administration.

- **Booking Fees—**As a county relief measure, Chapter 466, Statutes of 1990, allowed counties to impose a fee on cities and special districts, for the purpose of reimbursing county expenses incurred by such entities from booking a person arrested into the county jail. Chapter 79, Statutes of 1999, allowed cities to be reimbursed by the State for the booking fees cities pay to counties. For 2002-03, the Budget includes $38 million to reflect full reimbursement to cities and districts. With this funding, $151 million has been provided for reimbursement of booking fees over the course of this Administration.

- **Rural and Small County Law Enforcement—**Chapter 205, Statutes of 2001, provided $18.5 million for $500,000 grants to county sheriffs of 37 small and rural counties. For 2002-03, this funding is proposed to continue. With this funding, $37 million has been provided for rural and small county law enforcement over the course of this Administration.

The Budget also includes ongoing assistance totaling $100.3 million for other public safety programs that benefit local governments, including peace officer training, gang violence suppression, and various prosecution programs. With this funding, $349.6 million has been provided for these programs over the course of this Administration.

Additionally, the Administration provided $121 million ($39 million General Fund, $82 million bond funds) for local forensic lab improvement grants in 2000-01 and 2001-02.

Trial Court Funding

Since 1997-98, the State's share of trial court funding costs has increased from 42 percent to approximately 79 percent. This shift in funding responsibility for trial court operations increases the amount of general-purpose revenue counties have available for other activities. For 2002-03, the shift is worth over $400 million to the counties. Including 2002-03 funding, $4.5 billion General Fund has been provided for trial court funding over the course of this Administration.

Health Services Programs

The Governor's Budget has continued to make health programs a priority despite the significant fiscal challenges that resulted from the slowing economy. For 2002-03, Healthy Families and Medi-Cal program enhancements will provide services to more medically needy individuals, and ongoing local assistance will support a wide variety of public health, mental health, and substance abuse treatment programs, thereby reducing counties' obligation to fund these activities.

- **Healthy Families and Medi-Cal Programs—**For 2002-03, enrollment growth, proposed eligibility expansions, and program simplification are expected to significantly increase participation in these programs. These enhancements, most of which began in 2001-02, are estimated to allow an additional 1.3 million Californians to receive publicly sponsored health care coverage by June 30, 2003, reducing demand for county-funded health care services. The Budget provides $801.6 million ($285.8 million General Fund, $97.6 million Tobacco Settlement Fund) for the expansion of these two health care programs. With this funding, over $1.2 billion has been provided to expand access to health care for children and adults over the last two years by this Administration. Additionally, over the course of this Administration, approximately $2.4 billion in total funds has been provided to expand the Healthy Families Program.

- **Community Health Programs—**The Budget also provides $2.5 billion (all funds) in ongoing local assistance in 2002-03 for various community health programs, including the following:

  - $1.5 billion for community mental health services. With this funding, $5.1 billion has been provided for community-based inpatient and outpatient mental health services over the course of this Administration.

- $65.6 million for Integrated Services for Homeless Adults. With this funding, this Administration has provided $151.2 million for integrated services including supportive housing, mental health treatment services, job training and placement, substance abuse treatment services, and case management, for those adults who are, or are likely to become, homeless or incarcerated.

- $43 million for Children's/Adult Systems of Care. Including the proposed Budget for 2002-03, this Administration has provided $173 million for integrated services to children and adults over the last four years.

- $3.6 million for Supportive Housing. With this funding, $51.8 million has been provided for supportive housing for the mentally ill over the course of this Administration.

- $506.3 million for local substance abuse prevention and treatment services. Including the proposed Budget for 2002-03, this Administration has provided $2 billion for community- and school-based substance abuse prevention and treatment programs over the last four years.

Human Services Programs

The State provides substantial assistance to local governments for child welfare services, adult protective services, and automated welfare systems. The Governor's Budget includes $588.4 million General Fund in ongoing local assistance funding in 2002-03 as follows:

- $462.2 million for basic Child Welfare Services (CWS) to provide a continuum of services through various programs to children who are abused or neglected. These funds support, among other things, emergency workload relief and child welfare system improvements. With this funding, $1.6 billion General Fund has been provided for these purposes over the course of this Administration.

- $65.8 million for Adult Protective Services (APS), including services provided through the County Services Block Grant, to investigate abuse, neglect, or exploitation of elderly or dependent adults. Services include a 24-hour emergency response system, emergency shelter, food, transportation, and in-home protective care. With this funding, nearly $255 million General Fund has been provided for protective services to elderly and dependent adults over the course of this Administration.

- $60.4 million General Fund for the Statewide Automated Welfare System (SAWS). The SAWS automates welfare eligibility processes and administrative functions performed by counties for the CalWORKs, Medi-Cal, Food Stamp,

Foster Care, Refugee, and County Medical Services programs. With this funding, $175.1 million General Fund has been provided for this purpose over the course of this Administration.

Alternative Federal Penalty—Because California did not implement a statewide, automated child support system by the federal deadline, the State has been subject to significant annual federal fiscal penalties beginning in 1998-99. Cumulative federal penalties through 2001-02 are $372.3 million. Although these penalties could have been passed on to counties, the State has taken responsibility for the payments. In partnership with the counties, the State has made a good faith effort to meet the federal automation requirements through use of consortia systems, and currently is on schedule with its procurement of a statewide system.

The Budget anticipates that federal legislation will be enacted to provide relief from the federal penalty in 2002-03, resulting in an estimated General Fund savings of $181.3 million.

Transportation

Since 1999-00, the Administration has provided over $5.2 billion in State funding and over $4.4 billion in federal funds to support local transportation needs. The 2002-03 Budget provides funding for ongoing programs of benefit to local communities, as follows:

- $5 million for a new Freeway Service Patrol grant program to local transportation agencies to reduce traffic congestion, in addition to the base program of $21.2 million. Since 1999-00, the Administration has supported over $87.4 million for the program.

Transportation Initiative—The Administration sponsored an eight-year commitment for increased funding for transportation that began in 2000-01 with $2 billion from the General Fund. Over its eight-year life, this transportation initiative will provide over $8 billion in funding to benefit communities in the following ways:

- $1.3 billion to local governments for local street and road maintenance. The 2002-03 Budget reflects $162 million to cities and counties for local streets and roads. Since 2000-01, over $706 million has been budgeted for this purpose.

- $1.8 billion for transportation projects and operations, of which nearly three-quarters are selected by local agencies.

- $4.9 billion for the Traffic Congestion Relief Program that funds 142 projects selected with local input and, in many cases, matches local funds. The 2002-03 Budget reflects $783 million for the Traffic Congestion Relief Program to fund projects. Since 2000-01, over $1.4 billion has been budgeted for these projects.

Traditional Transportation Funding—Funding for these programs comes primarily from fuel taxes:

- $332 million from the State Highway Account for projects delivered and selected by local agencies, bridge repair and replacement, railroad grade crossing improvements, and matching funds. Since 1999-00, the Administration has supported over $1.7 billion for these programs.

- $115.5 million for special transportation programs to provide operating funds to local transit agencies. These funds can be used for road purposes in small counties. Since 1999-00, the Administration has supported over $502.6 million for this program.

- $125 million for the Proposition 116 Bond Program for projects designated in the bond act. Since 1999-00, the Administration has supported over $460 million for these projects.

- $32 million for grants and loans for bicycle transportation, pedestrian safety, airports, and Bay Area ferry planning. Since 1999-00, the Administration has supported over $108 million for these and similar programs.

- $3.2 million in planning grants and other transit-related activities. Since 1999-00, the Administration has supported over $159 million for mass transportation programs and activities.

- $286 million for capital outlay projects selected by local agencies. These funds will result in a federal match estimated at $637 million, for a total of $923 million for high priority local projects. Since 1999-00, the Administration has supported over $3.6 billion in expenditures for similar projects.

Resources and Environmental Protection

The Budget provides ongoing assistance in 2002-03, as follows:

- $96 million for the Water Resources Control Board Service Revolving Fund. With this funding, $598 million has been provided over the course of this Administration for wastewater treatment facility loans.

- $28 million for used oil recycling programs and reduction of waste tire stockpiles. With this funding, $137 million has been provided over the course of this Administration for used oil recycling programs, the reduction of waste tire stockpiles, and the development of markets for recycled products.

- $10.1 million for assistance to local air pollution control boards, including enforcement and compliance activities to improve air quality. With this funding, $48 million has been provided for assistance to local air pollution control districts, including the enforcement and compliance activities to improve air quality, over the course of this Administration.

Other Resources funding provided to local governments since 1999-00 includes:

- $2.1 billion for the Safe Neighborhood Parks, Clean Water, Clean Air and Coastal Protection Bond Act of 2000.

- $1.9 billion for the Safe Drinking Water, Clean Water, Watershed Protection and Flood Protection Act of 2000.

- $215.1 million for flood control project subventions.

Additionally, the Administration is supporting the California Clean Water, Clean Air, Safe Neighborhood, Parks, and Coastal Protection Bond Act on the March 2002 ballot to provide additional assistance to local entities.

Infrastructure Bank

The Budget provides ongoing assistance in 2002-03 of $150 million for loans to local government agencies from the California Infrastructure and Economic Development Bank within the Technology, Trade, and Commerce Agency for a variety of economic development projects, such as water treatment plants and public safety facilities. With the planned 2002-03 expenditures, $350 million in loans will have been provided over the course of this Administration.

Housing and Community Development

Programs to assist in the creation, rehabilitation, and purchase of affordable housing are primarily delivered by non-profit developers at the local level. The Administration has supported $500 million in housing program expenditures from the General Fund that benefited local communities throughout the State, including:

- $177 million for multifamily housing loans.

- $82 million for homeownership assistance.
- $25 million for creation of housing in downtowns.
- $83 million for farmworker housing.

Since 1999-00, funding provided directly to local governments has included:

- $12 million for the Central Valley Infrastructure grants.
- $10 million for economic development grants.
- $5 million for housing building code enforcement grants.

Public Libraries

The Budget provides ongoing assistance in 2002-03 as follows:

- $41.8 million for local public libraries to provide basic library services under the Public Library Foundation Program. With this funding, over $200 million has been provided over the course of this Administration.
- $12.1 million to reimburse handling costs for public library lending purposes. With this funding, $44.3 million has been provided for public library reimbursements over the course of this Administration.
- $6.9 million for programs that promote resource sharing among public libraries throughout California and through regional library networks. With this funding, $29.3 million has been provided for this purpose over the course of this Administration.
- $5.5 million for programs that provide literacy and pre-literacy services for adults and children and for the recruitment and training of tutors. With this funding, $24.6 million has been provided for library literacy programs over the course of this Administration.

Other library funding provided since 1999-00 includes:

- $350 million from the California Library Construction Bond Act.

- $57 million for various other programs that benefit local libraries, including local projects ($1.8 million), civil liberties education grants ($4 million), California Newspaper Project ($0.9 million), federal programs ($48.8 million), and various other grants ($1.5 million).

Other Funding

The State provided local governments with one-time discretionary funding of $150 million in 1999-00 and $212 million in 2000-01.

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Improving California's Infrastructure

Like a building's foundation, California's immense infrastructure is the supporting base for many essential government programs and services. Therefore, the Administration is committed to expanding and improving state infrastructure, which includes the following:

- 192 primary and satellite campuses of higher education comprising over 10,000 buildings and 138 million square feet of facility space;
- 8,500 public K-12 school sites;
- 23 million square feet of leased and owned office space;
- 33 prisons and 38 correctional conservation camps;
- 11 crime laboratories and one DNA laboratory;
- 21 agricultural inspection stations;
- 2 public health laboratory facilities comprising 276,000 square feet;
- 4 mental health hospitals comprising over 4 million square feet of facilities and 2,300 acres;
- 238 forest fire stations and 28 air attack and helitack bases;
- 266 park units covering over 1.4 million acres and 3,000 miles of trails;
- 530 miles of levees and flood control channels;
- 138 Highway Patrol offices;
- 209 Department of Motor Vehicle offices; and
- 50,000 lane miles of highway and 9 toll bridges.

To ensure that California's infrastructure needs are met during this time of economic uncertainty, the Administration supports the use of general obligation and lease-revenue bonds to finance capital improvements. The use of bonds, particularly during a period of historically low interest rates, will enable the completion of projects that would have otherwise been postponed due to revenue shortfalls, and stimulate the economy by creating jobs and spurring demand for materials and services.

Economic Stimulus Package

The Administration is sponsoring legislation in the current year that will authorize and fund an Economic Stimulus Package. This package will appropriate $678.3 million in lease-revenue bonds to accelerate new public works projects that will stimulate the economy and create more than 13,000 new jobs. The proposal primarily consists of accelerating the construction of higher education facility projects, because the planning and design phases are substantially complete and the projects are ready to proceed to construction. The package includes $279 million for University of California, $191 million for California State University, $170 million for the California Community Colleges, and $38 million for various other projects.

General Obligation Bonds

In addition to the Economic Stimulus Package, the Administration supports general obligation bond measures of $10 billion for placement before the voters in each of 2002, 2004, and 2006 election cycles for K-12 education and higher education building needs.

The Education general obligation bond measures would provide a total of $30 billion to finance the construction and modernization of K-12 and higher education facilities. Currently, there are $3.3 billion in unfunded K-12 needs awaiting approval of this bond measure, of which $2.2 billion represents projects that are ready to proceed immediately. These funds will be used by local districts to accommodate growth and to modernize older facilities.

For higher education capital outlay projects, the Administration supports a funding level of $1 billion annually, to be split among the University of California, the California State University, and the California Community Colleges, to construct new instructional and research facilities and to correct health and safety deficiencies in existing facilities.

The Administration also supports the $2.6 billion Clean Air, Clean Water, Safe Neighborhood Parks, and Coastal Protection Bond measure, which will be placed on the March 5, 2002, ballot for voter approval. This bond will fund the acquisition, development, improvement, restoration, and protection of park, coastal, cultural, and historical resources. Specifically, the funding would be used as follows:

- $225 million to acquire additional property and develop new and existing parks in the state park system.

- $832.5 million for local grants administered by the Department of Parks and Recreation (DPR), including the following:
  - $350 million for grants distributed to cities and districts based on population.
  - $200 million for grants to local governments for park and recreation facilities pursuant to the Roberti-Z'berg-Harris Urban Open-Space and Recreational Program Act.
  - $22.5 million for grants issued based on specified criteria.
  - $260 million for grants for urban and special needs park programs.
- $1.275 billion for state agencies other than DPR for acquisition and development of land, air, and water resources.
- $267.5 million for state agencies for acquisition, restoration, preservation, and interpretation of historical and cultural resources, including $35 million to a large, urban city park in northern California and $2.5 million to the County of Los Angeles for the El Pueblo Cultural and Performing Arts Center.

AB 1473

Assembly Bill 1473, (Chapter 606, Statutes of 1999) requires the Governor to submit a five-year infrastructure plan in conjunction with the annual Governor's Budget beginning January 2002. As such, state agencies and departments have begun identifying their program needs based on a multi-year view of their missions and objectives, and developing plans to address related capital outlay needs. However, given the slowdown in the State's economy and General Fund revenue shortfalls, committing funds for a comprehensive, statewide infrastructure plan is impractical, especially when those shortfalls have necessitated many reductions in the very programs upon which departments based their infrastructure plans. The planning work, thus far undertaken, needs to undergo significant revisions to reflect the changes in department programs necessitated by current economic conditions. Consequently, the Administration proposes to delay submission of the infrastructure plan envisioned by AB 1473. The Governor will request the Commission on Building for the 21st Century to review their recommendations and come back to the Administration with a plan that recognizes the State's current economic circumstances. Departments will revise projections of their long-term needs and modify their infrastructure plans accordingly.

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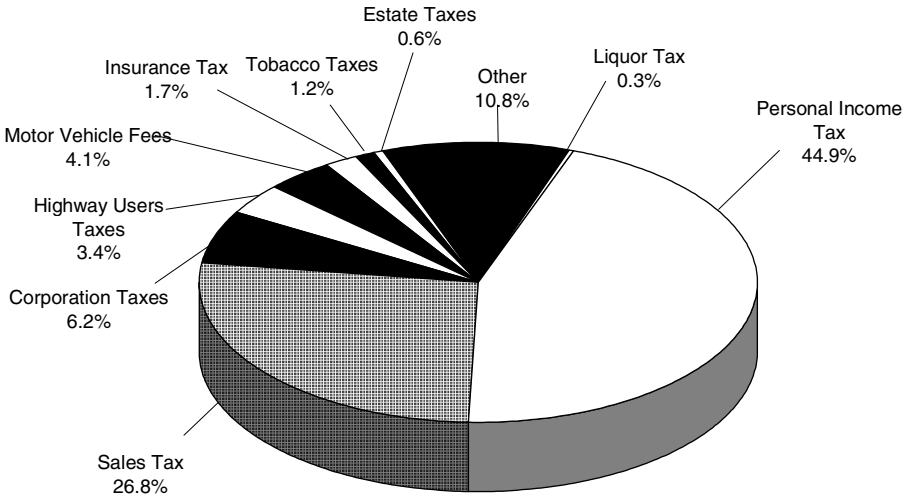
Summary Charts

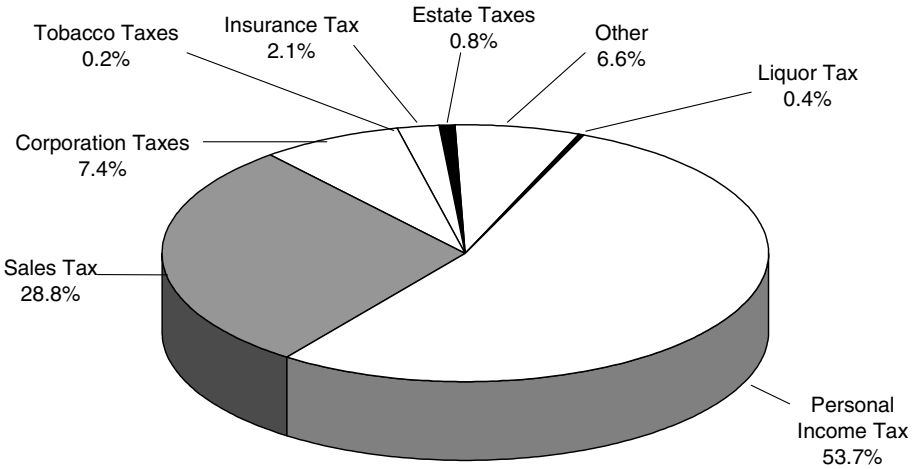
Summary Charts

Revenues
2002-03 Fiscal Year

Total Revenues and Transfers

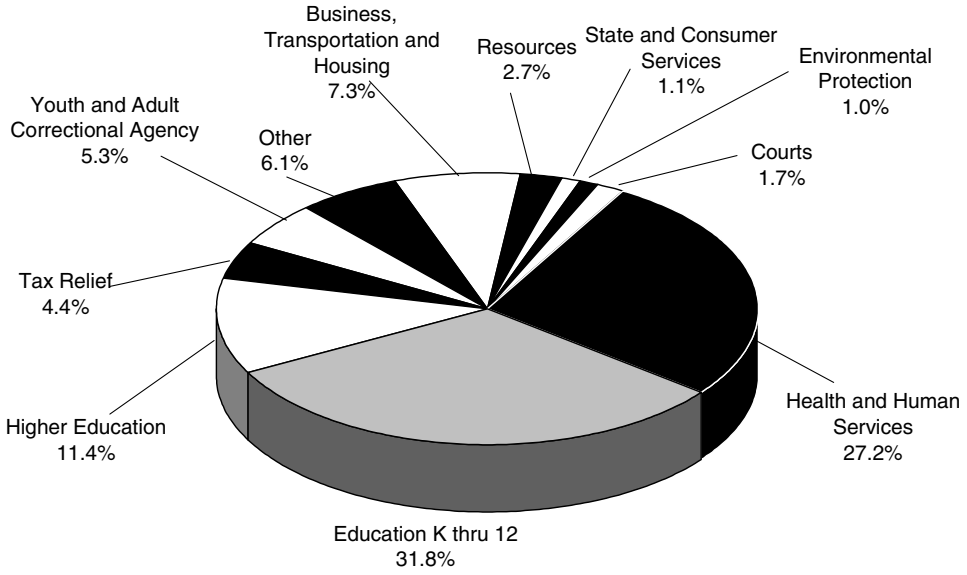


General Fund Revenues and Transfers

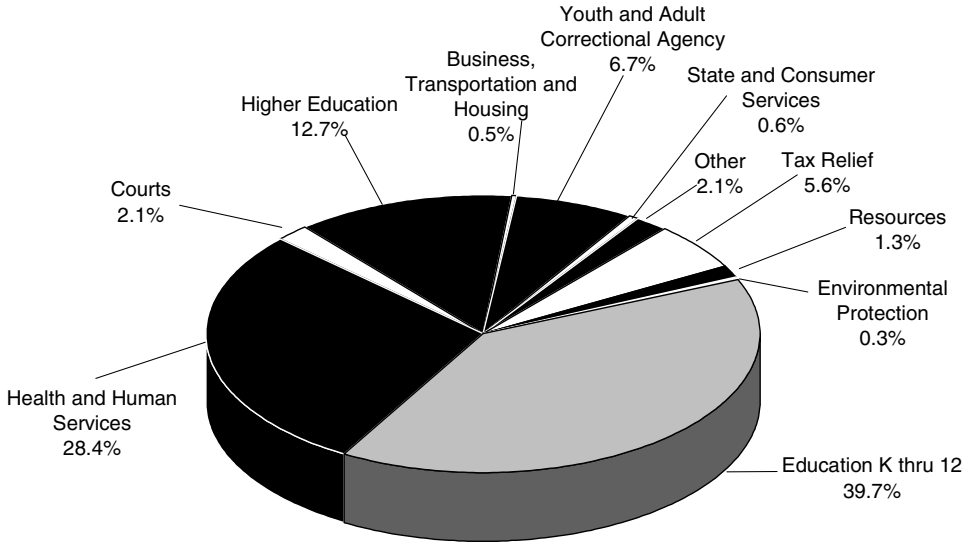


Expenditures
2002-03 Fiscal Year

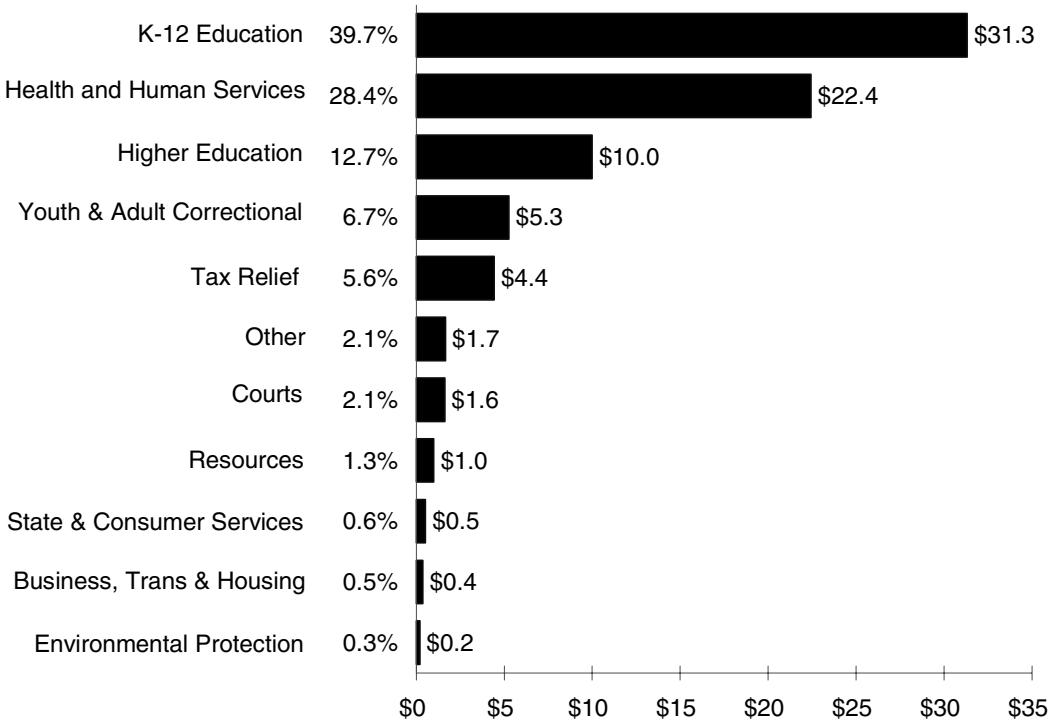
Total Expenditures
(Including Selected Bond Funds)



General Fund Expenditures



2002-03 General Fund Expenditures
(Dollars in Billions)



2002-03 Expenditures By Fund

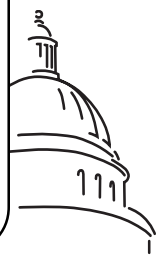
(Dollars in Millions)

Function	General Fund	Special Funds	Bond Funds	Total
Education (K-12)	$31,316	$63	$472	$31,851
Health and Human Services	22,441	4,787	--	27,228
Higher Education	9,985	745	648	11,378
Business, Transportation and Housing	378	6,781	189	7,348
Technology, Trade, and Commerce	72	9	--	81
Courts	1,622	79	--	1,701
Tax Relief	4,423	--	--	4,423
Local Government Subventions	461	2,353	--	2,814
Youth and Adult Corrections	5,274	20	--	5,294
Resources	993	1,106	628	2,727
Environmental Protection	203	636	141	980
State and Consumer Services	513	539	33	1,085
Other	1,125	1,995	2	3,122
Total	**$78,806**	**$19,113**	**$2,113**	**$100,032**

2002-03 Revenue Sources

(Dollars in millions)

	General Fund	Special Fund
Personal Income Tax	$42,605	--
Sales Tax	22,850	$2,531
Corporation Tax	5,869	--
Highway Users Taxes	--	3,244
Motor Vehicle Fees	16	3,915
Insurance Tax	1,656	--
Estate Taxes	615	--
Liquor Tax	282	--
Tobacco Taxes	122	997
Other	5,290	4,841
Total	**$79,305**	**$15,528**

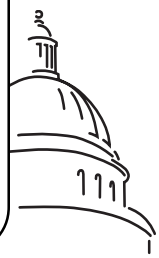


2002-03
General Fund Expenditures by Agency
(Dollars in Millions)

	2001-02	2002-03
Legislative, Judicial, Executive	$2,659	$2,627
State and Consumer Services	715	513
Business, Transportation & Housing	678	378
Technology, Trade, and Commerce	69	72
Resources	1,558	993
Environmental Protection	423	203
Health and Human Services	21,722	22,441
Youth and Adult Correctional	5,372	5,274
K-12 Education	31,046	31,316
Higher Education	9,934	9,985
General Government	1,125	580
Tax Relief	3,079	4,424
Total	**$78,380**	**$78,806**

2002-03 Governor's Budget
General Fund
Budget Summary
(Dollars in Millions)

	2001-02	2002-03
Prior Year Balance	$2,782	$1,485
Revenues and Transfers	$77,083	$79,305
Total Resources Available	**$79,865**	**$80,790**
Expenditures	$78,380	$78,806
Fund Balance	**$1,485**	**$1,984**
Budget Reserves:		
Reserve for Liquidation of Encumbrances	$1,473	$1,473
Special Fund for Economic Uncertainties	$12	$511



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Economic Outlook

The national and California economies slowed in 2001, burdened by declining capital spending, a cooling stock market, struggling foreign economies, and the September 11 terrorist attacks. The national economy slipped into recession in March, closing the books on the record-long economic expansion. Federal Reserve interest rate cuts, tax cuts, and increased military spending have kept the recession mild. With additional doses of fiscal and monetary policy in 2002, the national economy should begin to recover by midyear.

California fared better than most of the nation. For example, percentage job growth was much higher in the state than in the nation. Still, only about half as many new jobs were created in 2001 as in 2000. As a result, unemployment ended the year higher than it began. Like the national economy, the state economy should begin to rebound by midyear.

California fell short of the nation by one measure in 2001—personal income growth. However, it was the stock market rather than the slowing economy that was responsible. In less than a decade, California personal income and, in turn, state tax revenues have become much more sensitive to swings in the stock market.

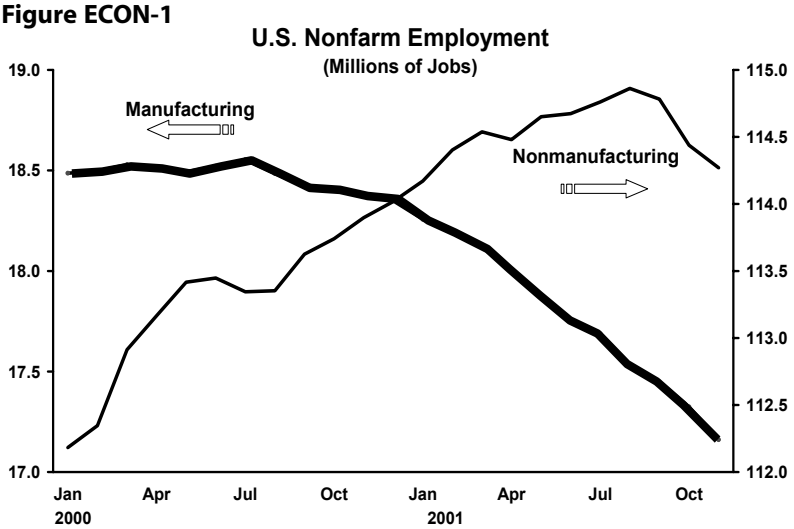
The Nation—All Good Things Come to an End

The national economic expansion had already slowed considerably as it entered 2001. Hopes that economic growth would settle into a more moderate, but sustainable pace were dashed as the economy decelerated throughout the year. Output grew only slightly in the second quarter, fell modestly in the third quarter, and appears to have fallen more sharply in the fourth quarter. So far, the recession has been mild relative to national recessions in the 1970s and 1980s.

A number of developments combined to end the long expansion. Capital investment plunged in the second quarter of 2001 when businesses discovered that they had more than enough new equipment and software after investing heavily leading up to Y2K. Also, many dot-coms, intense users of high-tech equipment and software, had failed as investors soured on them. As demand for high-tech equipment and software fell, the profits of equipment manufacturers and software producers plummeted along with their (in many cases) inflated share prices. Contagion pushed down the share prices of other high-tech companies, and soon the NASDAQ bubble was burst. At the same time, major foreign markets for American goods were slowing, in step with the U.S. economy. Struggling economies, declining equity prices, and deteriorating labor markets took a toll on consumer confidence. The September 11 attacks accelerated the economy's decline and may well have sealed the fate of the expansion.

The recession's toll on the labor market is clear. Unemployment began 2001 at 4.2 percent; by November, it was up to 5.7 percent. New claims for unemployment insurance benefits trended upward during the first eight months of the year, and jumped to over 500,000 after the September 11 attacks before falling back somewhat as year-end neared. Manufacturing employment continued a decline that began in July 2000, with job losses totaling about 1.4 million. Non-manufacturing employment, on the other hand, continued to grow until August 2001 before dropping about 600,000 (Figure ECON-1). While the recession remained concentrated in manufacturing, it had clearly spread to other industries by year end.

Figure ECON-1



Unlike the early-1990s recession, which was sometimes referred to as the "English-speaking recession," most of the other major world economies are sharing in the misery this time. In the third quarter of 2001, the economy contracted in Japan, Germany, and Canada and expanded only modestly in the United Kingdom, France, and Italy. Thus, the United States cannot count on much help from abroad as it tries to recover. Any increase in domestic demand is likely to contribute to a larger trade deficit and lower domestic output growth than would be the case if other economies were growing.

On the positive side, consumers continued to spend despite steep losses in household stock market wealth and the attacks of September 11. Enticed by factory incentives, consumers pushed light vehicle sales to a record level of more than 21 million units at an annual rate in October, followed by a robust rate of 18 million units in November. Personal consumption expenditures reached record levels in October in part because of the strong auto sales (Figure ECON-2). In the face of a deteriorating economy, consumers have not pulled back as much as in earlier recessions.

The Federal Reserve was no less persistent, cutting short-term interest rates 11 times in 2001, trying to keep the expansion alive. In all, the central bank lowered the federal funds rate from 6.5 percent at the beginning of the year to 1.75 percent in December. The full economic impact of the cuts will not appear until the middle of 2002. (It can

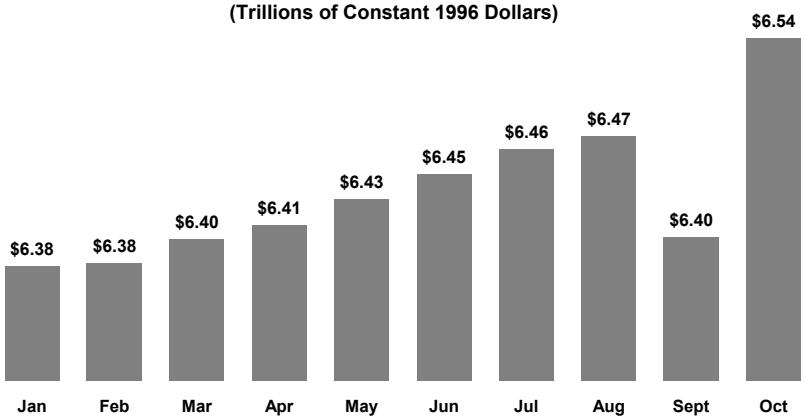
take time for a change in monetary policy to influence the economy because consumers and businesses have to evaluate how the changed financial environment affects them.)

Tax cuts and spending increases also stimulated the economy in 2001, and more are planned for 2002. The IRS mailed approximately $40 billion in tax rebates to households during the third quarter, providing a timely boost to consumers. Congress approved emergency spending of $40 billion for recovery efforts, national security, and assistance to airlines in the wake of the September 11 attacks. The House of Representatives approved a three-year $218 billion economic stimulus package at year end, but the Senate adjourned without taking a vote on it. This package included a cut in marginal tax rates for households, accelerated depreciation for business, and increased assistance to unemployed workers. Congress could reconsider the package when it reconvenes in January if economic conditions have deteriorated. Separate from the stimulus plan is a $42 billion increase in military spending—the biggest increase in two decades.

Declining oil and gasoline prices boosted consumer purchasing power near the end of 2001. Much like a tax cut, lower energy prices allow households and businesses to increase their purchases of other goods and services.

Figure ECON-2

2001 Real Personal Consumption Expenditures
(Trillions of Constant 1996 Dollars)



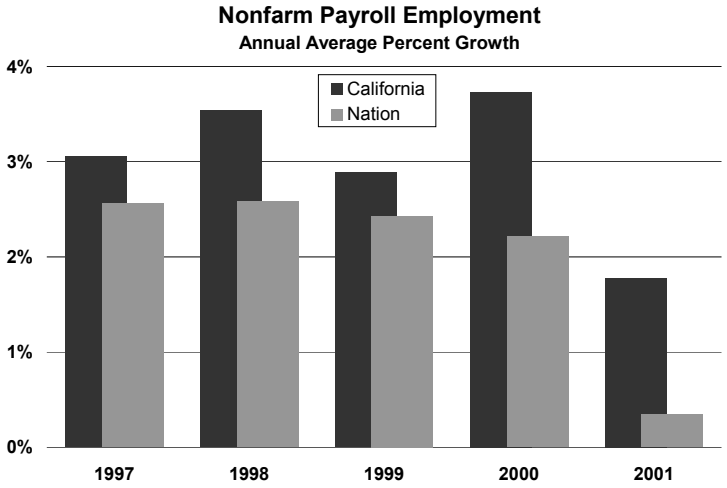
As the expansionary effects of monetary and fiscal policy and lower energy prices work their way through the economy, and businesses continue to trim undesired inventory, the downturn should slow. Barring another confidence-shattering event, some of the jobs lost in businesses directly affected by the September 11 attacks—airlines, restaurants, and lodging—should be restored as consumers regain confidence in public safety.

The main risks to the outlook are consumers losing confidence before the economy begins to turn around and a protraction of the high-tech recession. If consumers lose faith, the recession will be deeper and longer. An extended high-tech recession might not delay the recovery, but it would take some steam out of it.

Barring these risks, the downturn should end by midyear 2002. The recovery may be tepid at first, particularly if capital spending is late in

rebounding. However, by the fourth quarter of 2002, economic growth should be quite strong. Unemployment will continue to rise after the economy has begun to recover, especially if the recovery is slow initially. Employers usually wait to expand payrolls until they are quite certain that a recovery is under way. The national forecast is summarized in Figure ECON-7 at the end of this section.

Figure ECON-3

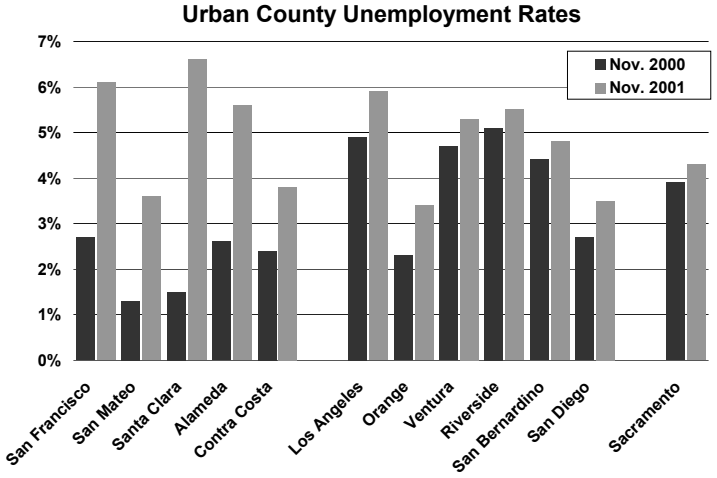


California—
A Challenging Year Ahead

California's economy slowed in 2001, but fared better than most other state economies. Job growth slipped to 1.8 percent in the state while falling to 0.3 percent in the nation (Figure ECON-3). Cutbacks by manufacturers of electronic components, builders, firms providing computer programming and related services, and companies providing personnel supply services, along with slower job growth in retailing, accounted for over half of the drop in job growth in the state. Steady gains in local education moderated the decline in overall jobs. State unemployment rose from 4.6 percent in January 2001 to 6.0 percent in November, a smaller jump than in the nation.

The State's job losses were concentrated in the San Francisco Bay Area, home to most of the state's dot-coms and high-tech firms. Unemployment in

Figure ECON-4



Santa Clara County jumped from 1.5 percent in November 2000 to 6.6 in November 2001. The increase in San Francisco County was also large: 2.7 percent to 6.1 percent. Unemployment also rose in Southern California and Sacramento County but much more moderately (Figure ECON-4).

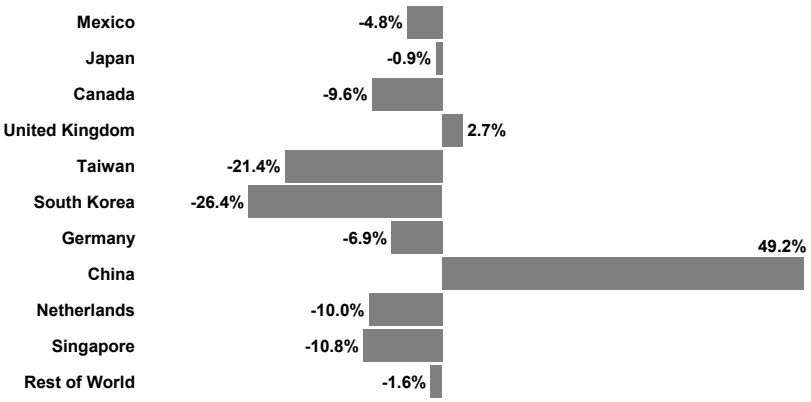
Exports of California-made merchandise fell in the first three quarters of 2001 as the economies of many of the state's major trading partners slowed. The Canadian, Mexican, Japanese, German, Taiwanese, and Dutch economies contracted in the third quarter of 2001, for example. All except Japan were growing a year earlier—Canada, Mexico, and Taiwan very quickly. Only China continued to grow strongly as a major market for California exports (Figure ECON-5).

The September 11 terrorist attacks dealt a severe blow to California tourism. Airlines, restaurants, lodging, and shopping have been most adversely affected. Big-city markets, which rely more on out-of-state and foreign visitors, have fared worse than suburban and rural tourism. The industry bounced back somewhat by the end of the year but was still operating below year-ago levels.

Construction slowed in the state during 2001. Permits issued for new housing units in the first 11 months were slightly below the year-ago level, and the dollar valuation of private nonresidential building permitted was down almost 9 percent. Industrial permits were sharply lower.

Figure ECON-5

Growth in Exports to Top California Markets
First Three Quarters: 2001 Compared with 2000



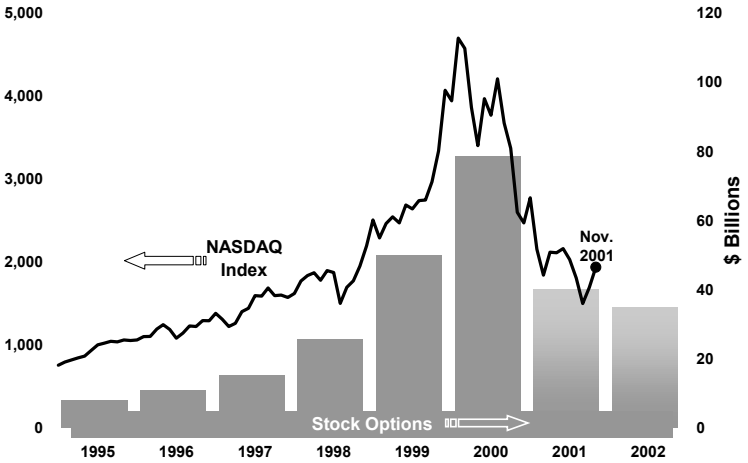
As in the rest of the nation, monetary and fiscal policy, lower energy prices, and earlier inventory paring will buoy the California economy in the first half of 2002. Improved confidence in public safety should boost the state's tourism industry. As with the rest of the nation, the main risks to the outlook are a sharp retrenchment by consumers and a deepening and extension of the high-tech recession. With its significant high-tech sector, California is more at risk to the latter than the nation. Barring these problems, a rebound should start about midyear. On an annual average basis, job growth is forecast at 0.3 percent, although gains on a year-end 2001-02 basis may be closer to 1 percent. The California forecast is summarized in Figure ECON-7 at the end of this section.

California Income and the Stock Market

After growing almost 10 percent in 2000, California personal income advanced only 1.4 percent in 2001. This was a much sharper swing than occurred in job growth. More than a slowing economy was at work: bonuses and stock option income, which are part of total wage and salary income and, thus, personal income, fell sharply in 2001 after growing very strongly in 2000. (Realized capital gains on stocks also fell sharply and cut into State tax revenues. Capital gains, however, are not part of income in the official economic statistics and, thus, are not considered here. For a discussion of the effects of falling capital gains on tax revenues, see the Revenue Estimates section.)

Figure ECON-6

The NASDAQ and California Stock Option Income



The big increase in bonuses and stock option income in 2000 was the last of a five-year string of strong gains. Bonuses and stock option income grew from $8 billion, or 2 percent of total wages and salary income, in 1995 to $79 billion, or 12 percent of total wage and salary income, in 2000 (Figure ECON-6).

Two developments fueled this fast growth: soaring stock prices and the rapid adoption by companies—especially high-tech companies and dot-coms—of stock options as part of employee compensation. Employees like stock options because of the possibility that the options could become very valuable if the company is successful or is judged by stock analysts to have great potential. Companies like stock options because they motivate employees to work extremely hard, tie employees to the company for a number of years until their options become exercisable, and improve profitability in the short run by reducing the need for cash wage payments.

In fact, some employees did reap handsome gains as high-tech and dot-com stocks soared in value in the second half of the 1990s. The tech-heavy NASDAQ Composite stock index appreciated over 900 percent. But stock prices peaked in early 2000, and the plunge that followed wiped out much of the prior two years' gains. The tech and dot-com stocks were hit particularly hard; the NASDAQ lost nearly 70 percent of its value between February 2000 and September 2001. Many employee stock options became

worthless, especially recently awarded ones, and estimated stock option income fell to $41 billion in 2001.

The rapid rise in bonuses and stock option income between 1995 and 2000 and their collapse in 2001 account for much of the volatility in total wages and salaries during this time. In 1998, the increase in bonuses and stock option income accounted for 25 percent of the increase in total wages and salaries; in 1999, it was 51 percent; and in 2000, 39 percent. Even more eye-opening, the decline of bonus and option income in 2001 more than offset the increase in wage and salary income from all other sources.

It is unlikely that bonus and stock option income will create so much volatility in both total personal income and state tax revenues in the coming years. The bubble in tech and dot-com stocks was a critical ingredient in the recent experience, and for one bubble to be closely followed by another is unlikely. It should be clear now that it is possible for tech companies and dot-coms to lose money and even fail. A more rational assessment of the prospects of tech companies and dot-coms is likely going forward.

Figure ECON-7

Selected Economic Data for 2001, 2002, and 2003

		Forecast	
United States	**2001**	**2002**	**2003**
Real gross domestic product (1996 dollar, percent change)	1.1	0.5	4.4
Personal consumption expenditures	2.8	1.2	4.0
Gross private domestic investment	-7.3	-2.5	7.3
Government purchases of goods and services	3.4	3.0	2.0
GDP deflator (1996=100, percent change)	2.3	1.6	2.0
GDP (current dollar, percent change)	3.4	2.1	6.6
Federal funds rate (percent)	3.93	2.41	4.53
Personal income (percent change)	5.0	2.6	5.6
Corporate profits before taxes (percent change)	-16.4	-3.5	14.3
Nonfarm wage and salary employment (millions)	132.2	131.5	132.9
(percent change)	0.3	-0.5	1.1
Unemployment rate (percent)	4.8	6.2	5.7
Housing starts (millions)	1.59	1.57	1.51
(percent change)	0.9	-1.1	-3.8
New car sales (millions)	8.3	7.3	8.0
(percent change)	-6.0	-12.3	9.0
Consumer price index (1982-84=100)	177.2	180.5	184.4
(percent change)	2.9	1.8	2.2
California			
Civilian labor force (thousands)	17,363	17,500	17,828
(percent change)	1.6	0.8	1.9
Civilian employment (thousands)	16,463	16,410	16,770
(percent change)	1.3	-0.3	2.2
Unemployment (thousands)	900	1,089	1,058
(percent change)	6.7	21.1	-2.9
Unemployment rate (percent)	5.2	6.2	5.9
Nonfarm wage and salary employment (thousands)	14,770	14,812	15,168
(percent change)	1.8	0.3	2.4
Personal income (billions)	$1,110.3	$1,139.3	$1,224.7
(percent change)	1.4	2.6	7.5
Housing units authorized (thousands)	142	145	149
(percent change)	-5.0	2.4	2.6
Corporate profits before taxes (billions)	$89.5	$88.6	$97.6
(percent change)	-9.9	-1.0	10.1
New auto registrations (thousands)	1,762	1,614	1,628
(percent change)	0.7	-8.4	0.9
Total taxable sales (billions)	$432.8	$436.4	$469.1
(percent change)	-2.0	0.8	7.5
Consumer price index (1982-84=100)	182.0	185.1	188.5
(percent change)	4.1	1.7	1.8

Note: Percentage changes calculated from unrounded data.

Revenue Estimates

As the economy slowed over the last year, the decline in the State's revenues was even more pronounced than what was expected at the time the 2001 May Revision was prepared. Since enactment of the 2001 Budget Act (Chapter 106, Statutes 2001), the General Fund revenue forecast for major taxes and licenses has decreased by $5.4 billion for the past and current years combined. Revenue growth should resume in 2002-03 and be up $6.3 billion, or 9.3 percent, from 2001-02, reaching $74 billion. However, this is still $1.6 billion below the 2000-01 level.

By 2002-03, tax relief from vehicle license fee reductions, phase-out of the estate tax, and measures enacted under this Administration will reach $5.1 billion. For the period 1999-00 through 2002-03, these measures will have provided $14.4 billion in taxpayer benefits. The budget challenge presented this year has been met without scaling back any of these significant savings to taxpayers.

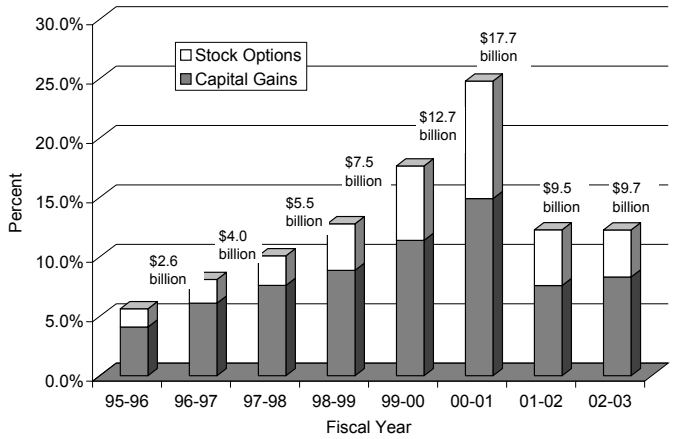
Just as the State's remarkable revenue growth in recent years was driven by stock-market related gains, the current fall-off largely reflects the market's decline. Figure REV-1 shows the portion of General Fund revenues from market-related income.

As can be seen in Figures REV-2, REV-3, and REV-4, revenues began to weaken beginning early in 2001. Year-over-year losses in personal income tax withholding are believed to be attributable primarily to the loss of stock option income, which plunged with the slowing economy and the market's retreat. Taxpayers are also anticipating less non-wage income—primarily capital gains—which has eroded estimated payment receipts. Similarly, consumers have cut back, resulting in a deterioration in purchases of taxable goods. This softness in revenues is expected to be short-lived, and growth is expected to resume by mid-2002.

The Budget and the forecast also reflect the following three proposals:

Figure REV-1

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



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

Figure REV-2

Personal Income Tax Withholding
Monthly Year-Over-Year Change

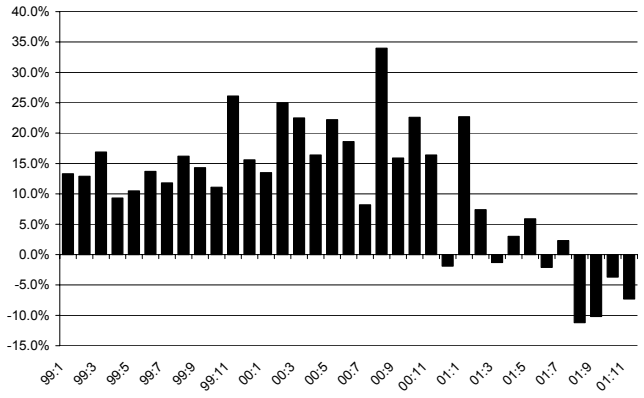


Figure REV-3

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

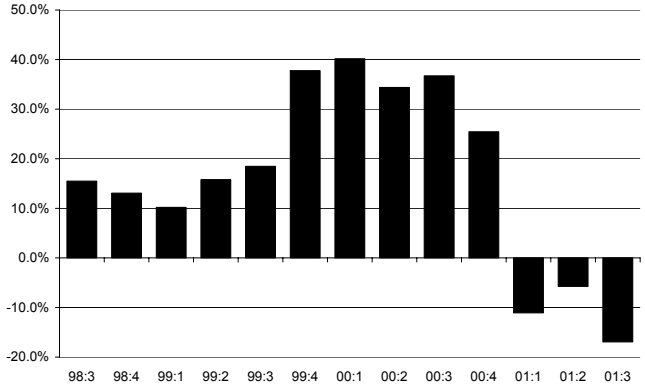
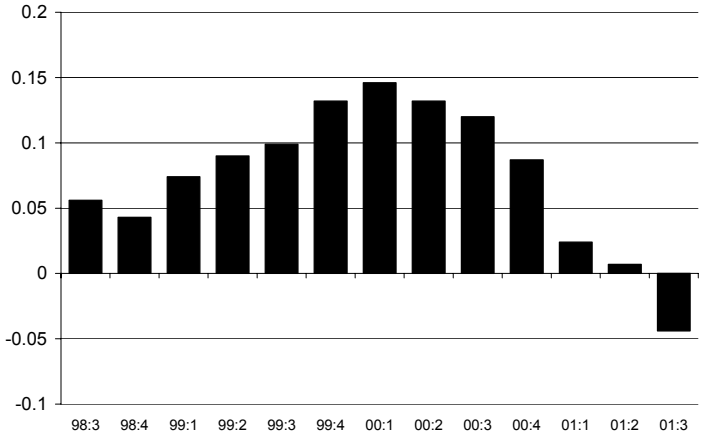


Figure REV-4

Taxable Sales
Quarterly Year-Over-Year Percent Change



- **Moving the State's tax law into closer conformity with federal law—**This proposal would adopt a number of critical pension and individual retirement account changes made in the federal Economic Growth and Tax Relief Reconciliation Act of 2001, as well as provisions dealing with the treatment of qualified tuition plans and increases in the dependent care credit. Other changes will conform California's rules for estimated payments to federal rules, and provide that any federal election for corporations applies for State tax purposes. This proposal would increase revenues by $178 million in 2002-03 and reduce revenues by $59 million in 2003-04 and $75 million in 2004-05.

- **Clarifying the State sales tax exemption for diesel fuel used in farming and food processing—**To assist farmers, Chapter 156, Statutes of 2001, provided a sales tax exemption for diesel fuel, which included the transportation of farm products to the marketplace. As indicated in the signing message for Chapter 156, technical corrections are needed to clarify that this exemption is intended to apply only to delivery to the first destination from the farm.

Figure REV-5

General Fund Revenue
(Dollars in Millions)

	2000-01 Preliminary	2001-02 Forecast	2002-03 Forecast
Personal income tax	$44,614	$38,455	$42,605
Sales and use tax	21,277	21,165	22,850
Bank and corporation tax	6,899	5,261	5,869
All other	-1,362	12,202	7,981
Total revenues and transfers	**$71,428**	**$77,083**	**$79,305**
Annual percent change	**-0.7%**	**7.9%**	**2.9%**

- **Reducing the interest rate paid on corporate and estate tax overpayments—**Currently, the interest rate the State pays on corporate and estate tax overpayments is significantly higher than market rates. This proposal would reduce the rate to the lesser of the three-month treasury bill rate or 5 percent, which is similar to what is done for sales tax overpayments. This change will save the State $25.4 million in interest expense.

Figure REV-5 provides a summary of the revenue forecast for 2001-02 and 2002-03, as well as a preliminary report of actual receipts for 2000-01.

Impact of 2001 Tax Reduction

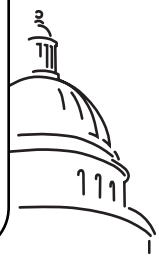
Last year, several targeted tax relief measures were enacted including sales tax exemptions for liquid petroleum gas, diesel fuel used in agriculture, farm and forestry equipment, and race horse breeding stock; a tax credit for solar energy systems; extension of the employer child care credit; and senior citizens homeowners and renters relief. This package of bills will provide taxpayers with approximately $135 million in tax savings in 2001-02 and $146 million in 2002-03. Figure REV-6 provides additional detail on these measures.

Revenues in Total

Overall, General Fund revenues and transfers represent almost 84 percent of total revenues. The remaining 16 percent are special funds dedicated to specific programs. The three largest revenue sources (personal income, sales, and corporation taxes) account for about 75 percent of total revenues.

Personal Income Tax: $42.605 billion

The personal income tax, the State's largest revenue source, is expected to contribute 54 percent of all General Fund revenues in 2002-03. Personal income tax revenues are forecast to decline by 13.8 percent for 2001-02 and then increase by 10.8 percent for 2002-03. The estimate incorporates



the effect of legislation enacted subsequent to the Budget Act of 2001 (Chapter 106, Statutes 2001), as well as the impact of proposed audit and collection activity and the Administration's conformity initiative.

The California personal income tax is closely modeled after the federal income tax law. California's tax is imposed on net taxable income—that is, gross income less exclusions and deductions. The tax is progressive, with rates ranging from 1.0 percent to 9.3 percent. Personal, dependent, and other credits are allowed against the gross tax liability.

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

The personal income tax is adjusted annually by the change in the California Consumer Price Index to prevent taxpayers from being pushed into higher tax brackets by inflation only, without a real increase in income.

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

In tax year 1999, for example, the top 9.6 percent of State taxpayers—those with adjusted gross incomes of over $100,000—reported 48.6 percent of the total income and paid 75.1 percent of the personal income tax. In contrast, lower income taxpayers—those with adjusted gross incomes of less than $20,000—reported 6.1 percent of the

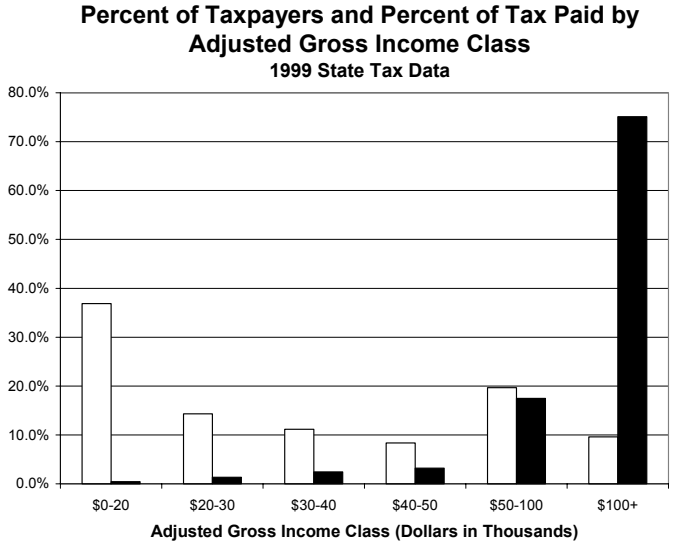
Figure REV-6

2001-02 Tax Relief Measures
Summary of Fiscal Impact
(Dollars in Millions)

		Fiscal Impact		
Chapter/Bill Number	**Description**	***2001-02***	***2002-03***	***2003-04***
Chapter 156/AB 427	Sales tax exemption for liquefied petroleum gas	-$6.9	-$8.3	-$8.3
Chapter 156/AB 428	State sales tax exemption for farm and forestry equipment	-20.1	-24.5	-24.5
Chapter 156/AB 429	State sales tax exemption for diesel fuel used in agriculture	-11.4	-1.1	-1.1
Chapter 156/AB 430	State sales tax exemption for race horse breeding stock	-1.3	-1.6	-1.6
Chapter 12/X2 SB 17	Solar energy systems tax credit	-20.0	-35.0	-45.0
Chapters 156 & 197/AB 440 & 426	Senior citizens homeowners and renters relief	-75.0	-75.0	-75.0
Chapter 650/AB 866	Extension of employer child care credit	--	-0.5	-5.0
	2001-02 Total	**-$134.7**	**-$146.0**	**-$160.5**

total income and paid only 0.5 percent of the personal income tax in 1999, yet represented 36.9 percent of all California taxpayers. Data for 2000 will be available in the spring. The progressivity of California's tax system is demonstrated in Figure REV-7, which displays the percent of total returns and tax paid by adjusted gross income class.

Figure REV-7



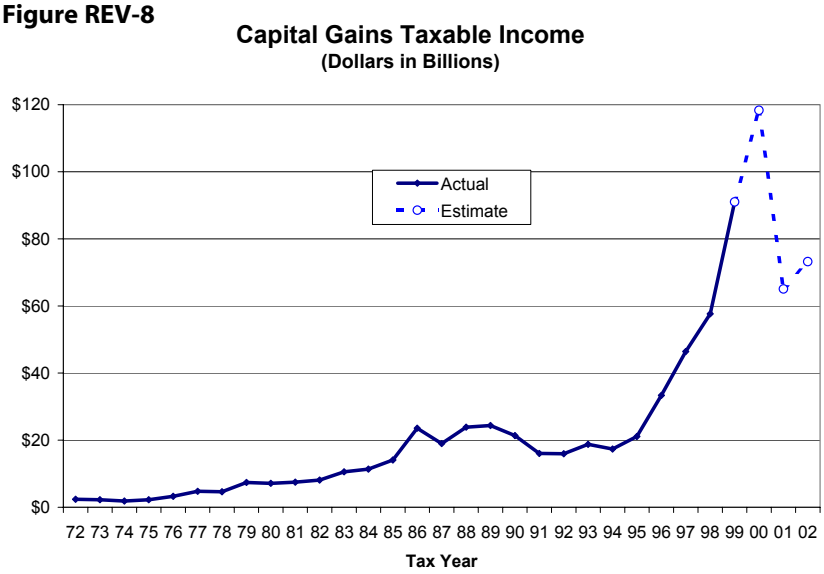
The volatility of the stock market and thus capital gains also complicates personal income tax revenue forecasting. Not only are stock and real estate market gains inherently difficult to predict, but holders of capital assets are usually very high-income taxpayers who are subject to the maximum tax rate and can time the realization of gains and the payment of tax to their advantage. Gains from stocks and securities comprise the majority of capital gains realizations, and taxes from this component of income had an increasing influence on personal income tax revenues in the latter half of the 1990s when year after year, the stock market reached record breaking levels.

Preliminary data indicate that capital gains realized in 2000 were again strong, increasing 30 percent from 1999, and to roughly seven times the level of 1994. Although the stock market peaked in the spring of 2000, it is likely that the phenomenal growth over the past several years had pushed prices sufficiently high for many investors to still reap significant gains in 2000. Given that the market continued to slide during 2001, however, this forecast assumes a 45 percent decline in capital gains from the level achieved in 2000. The weakness seen in estimated payments for the 2001 tax year supports a decline of this magnitude. Accrued estimated payments for the first three quarters of 2001 were 11.5 percent below the first three quarters of 2000. In contrast, the first three quarters of 2000 were 36.8 percent above the same period in 1999.

Capital gains in 2002 are assumed to increase by 12.5 percent, which is the long-run average growth rate prior to the stock market rise that began in 1995. This is also consistent with the economic forecast for a moderate market rebound in 2002. The level of capital gains from 1972 through the forecast period is shown in Figure REV-8.

Stock options, which are also related to stock market performance, also add volatility to personal income tax

Figure REV-8



revenues. During the market's high growth years, stock options became an increasingly common component of wage packages, especially with Internet-related businesses, and the growth in this component was reflected in the strength of withholding receipts. Receipts for January through November 2000 were 19.3 percent over the comparable 1999 level. For 2001, withholding for the same period is up only 0.8 percent, and receipts for the August through November period posted monthly year-over-year declines. The stock option component of this forecast is estimated to decline by roughly 50 percent in 2001, with a more moderate decline of 13 percent in 2002.

Combined, stock options and capital gains are forecast to decline by approximately 47 percent in 2001 and increase by slightly less than 3 percent in 2002. Aside from the assumptions regarding stock market performance, the other key factor underlying this forecast is the expectation that the general economy will begin to rebound in 2002.

Revenues forecasted for 2001-02 and 2002-03, as compared with preliminary 2000-01 collections, are as follows:

Personal Income Tax Revenue
(Dollars in Millions)

2000-01 (Preliminary)	44,614
2001-02 (Forecast)	38,455
2002-03 (Forecast)	42,605

SALES TAX: $22.850 BILLION

Sales and use taxes—the State's second-largest revenue source—are expected to contribute 29 percent of all General Fund revenues in 2002-03. Sales and use taxes are imposed on the retail sale or use of tangible personal property in California. Most retail sales and leases are subject to the tax. However, exemptions are provided for certain necessities such as food for home consumption, prescription drugs, and electricity, making the tax more progressive than it would be otherwise. Additional exemptions provide targeted tax relief for a variety of sales ranging from custom computer programs to goods used in space flight.

A summary of the sales and use tax rates currently imposed at the State and local levels is presented in Figure REV-9. Combined State and local tax rates currently imposed in each county are summarized in Figure REV-10.

Taxable sales in 2000 grew 11.9 percent over 1999, following year-over-year increases of 5.2 percent and 10.0 percent in 1998 and 1999, respectively. Preliminary data received for the first three quarters of 2001 suggest that taxable sales have slowed significantly: sales for 2001 are expected to be down by 2.0 percent compared to 2000.

Taxable sales are expected to resume growing during 2002, but at a slow pace—up only 0.8 percent—due to a continued sluggish economy during the first half of the year. In 2003, the rate of increase is expected to accelerate sharply to 7.5 percent, consistent with economic growth. The 2002 forecast predicts continued declines in transportation and fuel sales, with modest growth in manufacturing, services, and other retail components. In 2003, broadly based gains are expected in taxable sales across many sectors of the economy. However, the largest percentage increases are expected in the building and transportation components.

Figure REV-9

State and Local Sales and Use Tax Rates

State Rates		
General Fund	4.75% or 5.00%	Pursuant to Sections 6051.3 and 6051.4 of the Revenue and Taxation Code, this rate is 5%, but may be temporarily reduced by 0.25% if General Fund reserves exceed specified levels. During 2001, the rate was 4.75% and during 2002, this rate is 5.00%.
Local Revenue Fund	0.50%	Dedicated to local governments to fund health and welfare programs transferred to counties as part of state-local realignment.
Local Uniform Rates[1]		
Bradley-Burns	1.00%	Imposed by city and county ordinance for general purpose use.[2]
Transportation Rate	0.25%	Dedicated for county transportation purposes.
Local Public Safety Fund	0.50%	Dedicated to counties for public safety purposes. This rate was imposed temporarily by statute in 1993 and made permanent by the voters later that year through passage of Proposition 172.
Local Add-on Rates[3]		
Transactions and Use Taxes	up to 1.50%	May be levied in 0.25% increments up to a combined maximum of 1.5% in any county.[4] Any ordinance authorizing a transactions and use tax requires approval by the county Board of Supervisors or special purpose authority created by the county Board of Supervisors plus two-thirds of the voters.

[1] These locally-imposed taxes are collected by the State for each city and county and are not included in the State's revenue totals.

[2] The city tax constitutes a credit against the county tax. The combined rate is never more than 1 percent in any area.

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

[4] The three exceptions to the 1.5 percent maximum are San Mateo County and San Francisco City and County, which may exceed the limit by 0.5 percent and 0.25 percent, respectively, and San Diego County, which is subject to a 1 percent maximum. Fresno, Nevada, Solano, and Stanislaus may levy transactions and use taxes in increments of 0.125 percent. To date, 33 counties and countywide special districts levy transactions and use taxes. Seven cities also impose transactions and use taxes on less than a countywide basis.

Figure REV-10

Combined State and Local Sales and Use Tax Rates by County

(Rates in Effect on January 1, 2002)

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

[1/] 7.50% for sales in the City of Placerville (City of Placerville Public Safety Transactions and Use Tax).
[2/] 8.175% for sales in the City of Clovis (City of Clovis Public Safety Transactions and Use Tax)
[3/] 8.25% for sales in the City of Calexico (Calexico Heffernan Memorial Hospital District).
[4/] 7.75% for sales in the City of Clearlake (City of Clearlake Public Safety Transactions and Use Tax).
[5/] 8.75% for sales in the City of Avalon (Avalon Municipal Hospital and Clinic Transactions and Use Tax)
[6/] 7.875% for sales in the Town of Truckee (Town of Truckee Road Maintenance Transactions and Use Tax)
[7/] 7.75% for sales in the City of Woodland (City of Woodland General Revenue Transactions and Use Tax)

Figure REV-11

Taxable Sales Growth in California

	2000 Actual	2001 Forecast	2002 Forecast	2003 Forecast
Transportation	14.4%	-4.0%	-2.2%	11.3%
Fuel	24.3%	-0.2%	-7.2%	3.7%
Building Materials	11.7%	-3.0%	0.9%	8.2%
Manufacturing and Services	12.2%	-2.9%	2.4%	7.5%
All other Retail Sales	9.2%	-0.8%	2.6%	6.3%
Total Taxable Sales	**11.9%**	**-2.0%**	**0.8%**	**7.5%**

A summary of the forecast for taxable sales growth is presented in Figure REV-11. Details for 2000 sales by major component are presented in Figure REV-12.

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

Effective January 1, 2002, the State sales tax rate returned to 5 percent after having fallen to 4.75 percent during the 2001 calendar year. This rate change was a result of a provision enacted in the early 1990s (Chapter 119, Statutes of 1991) that triggered a quarter-cent reduction in the tax rate if the State surplus exceeded 4 percent of General Fund revenues and transfers, during a two fiscal-year period.

This trigger formula was amended as part of the 2001 Budget agreement (Chapter 156, Statutes of 2001) to require that the surplus exceed revenues by only 3 percent for a single year in order to activate the sales tax rate reduction. Consistent with what was assumed when the Budget agreement was reached, the surplus level was not sufficient to trigger an additional year of reduction for 2002.

In addition to changing the sales tax trigger formula, Chapter 156, Statutes of 2001, added new rural-based tax exemptions. It added liquefied petroleum gas not delivered through mains, lines, or pipes to the existing liquefied petroleum gas exemption for both the State and local sales taxes. Also,

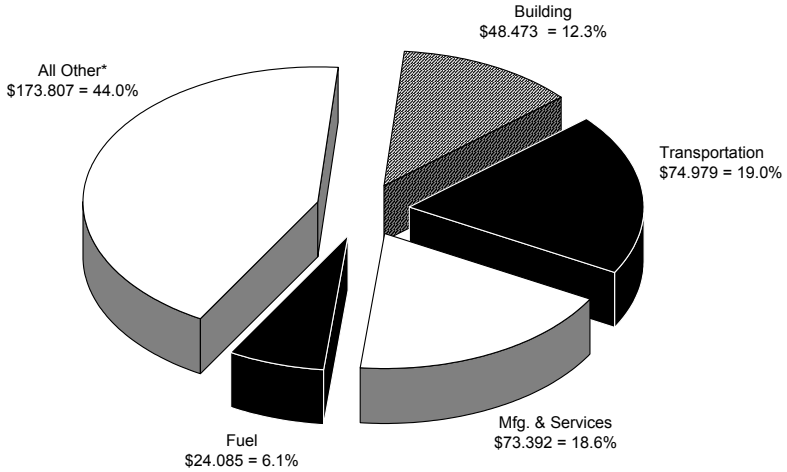
Chapter 156 exempted racehorse breeding stock, farm and forestry equipment and machinery, and diesel fuel used for agricultural and food-processing purposes at the State level only.

Current law specifies that certain State revenues from the sales tax on gasoline and diesel fuel sales be transferred to the Public Transportation Account. The combined transfer to this account is estimated to be $237 million in 2001-02 and $231 million in 2002-03. This money is excluded from General Fund totals.

Chapter 91, Statutes of 2000, created the Traffic Congestion Relief Fund. During 2000-01, $500 million was transferred from the Retail Sales Tax Fund to this new fund from the sales tax on gasoline. Chapter 91 also required that for each quarter during the period commencing on July 1, 2001, and ending on June 30, 2006, the General Fund sales tax revenue from gasoline be transferred to the Transportation Investment Fund, with a portion of this transferred to the Traffic Congestion Relief Fund. Chapter 113, Statutes of 2001, delayed the implementation of this provision until July 1, 2003, but also added two years to the end of the Traffic Congestion Relief Program by extending the transfer of the sales tax on gasoline for two years. Pursuant to Chapter 113, transfers to the Transportation Investment Fund will not be made during 2001-02 and 2002-03.

Figure REV-12

2000 Taxable Sales by Major Components
(Dollars in Billions)



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

Revenues from State-imposed sales tax rates are shown in Figure REV-13. The table below shows the General Fund sales tax revenue forecast for 2001-02 and 2002-03, compared with preliminary 2000-01 collections:

Sales and Use Tax Revenue
(Dollars in Millions)

2000-01 (Preliminary)	21,277
2001-02 (Forecast)	21,165
2002-03 (Forecast)	22,850

CORPORATION TAX: $5.869 BILLION

Corporation tax revenues are expected to contribute 7.4 percent of all General Fund revenues in 2002-03. These revenues are derived from five taxes:

Figure REV-13

Sales Tax Revenue
(Dollars in Thousands)

	2000-01 Preliminary	2001-02 Forecast	2002-03 Forecast
General Fund	$21,276,843	$21,165,000	$22,850,000
Sales and Use Tax--Realignment	2,287,600	2,197,900	2,299,800
Public Transportation Account	233,850	237,306	230,715
Traffic Congestion Relief Fund*	500,000	0	0
Total	**$24,298,293**	**$23,600,206**	**$25,380,515**

* After 2000-01, no money is transferred directly from the Retail Sales Tax Fund to the Traffic Congestion Relief Fund.

- The franchise tax and the corporate income tax are levied at an 8.84 percent rate on profits. The former is imposed on corporations for the privilege of doing business in California, while the latter is imposed on corporations that do not do business in the state but derive income from California sources. An example of this type of out-of-state company would be a corporation that maintains a stock of goods in California from which deliveries are made to fill orders taken by independent dealers or brokers. Corporations that have a limited number of shareholders and meet other requirements to qualify for State Subchapter S status are taxed at a 1.5 percent rate rather than the 8.84 percent imposed on other corporations. (Subchapter S status provides the limited liability of corporate status combined with the tax advantages of partnerships—i.e., the S-corporation's profits and losses flow through to its shareholders and are subject to tax at the appropriate personal income tax rate.)

- Banks and other financial corporations pay an additional 2 percent tax (i.e., "bank tax") on their net income. This tax is in lieu of local personal property taxes and business license taxes, but in addition to the franchise tax.

- The alternative minimum tax is similar to that in federal law. Imposed at a rate of 6.65 percent, the alternative minimum tax ensures that very profitable corporations do not make excessive use of deductions and exemptions to avoid paying a minimum level of tax.

- A minimum franchise tax of $800 is imposed on corporations subject to the franchise tax but not on those subject to the corporate income tax. Starting in 2000, new corporations were exempted from the prepayment of minimum tax to the Secretary of State as well as the payment of the second year's minimum franchise tax.

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

In recent years, S-corporation activity and use of credits (largely the research and development credit and the manufacturers' investment credit) were the primary factors contributing to a

divergence between profit and liability growth. The election of S-corporation status results in a reduced corporate rate, with the income and tax liability on that income shifted to the personal income tax.

S-corporations accounted for 28.8 percent of total taxable profits in 1999, whereas in 1991, their share was only 14.7 percent. This diverging trend between profits and liabilities can be seen in Figure REV-14.

Consistent with the economic outlook, corporation tax revenues are expected to decrease by 23.7 percent in 2001-02 before increasing by 11.6 percent in 2002-03. The estimate includes the fiscal impact of legislation enacted in 2001, including a tax credit for solar energy systems (Chapter 12, Statutes of 2001) and extension of the employer child care tax credit (Chapter 650, Statutes of 2001), as well as the impact of proposed audit and collection activity, the Administration's conformity initiative, and a proposal to reduce the interest rate on tax overpayments.

Revenues forecasted for 2001-02 and 2002-03, as compared with preliminary 2000-01 collections, are as follows:

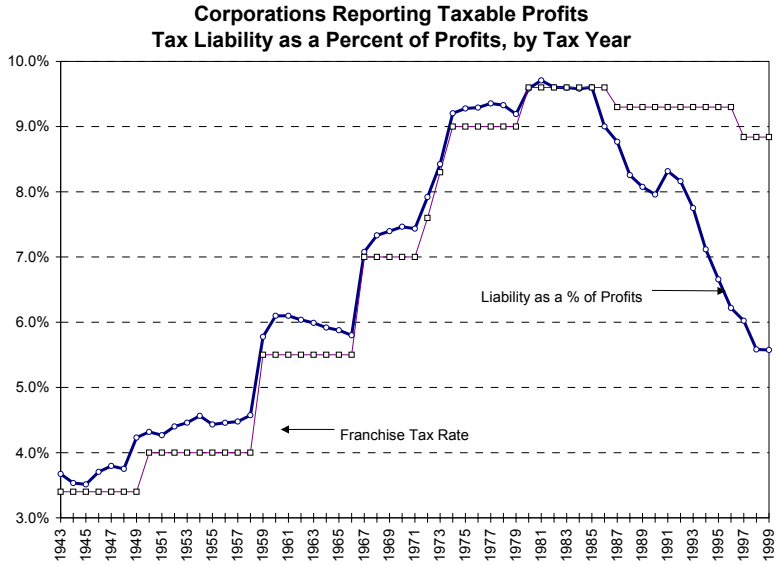
Corporation Tax Revenue
(Dollars in Millions)

2000-01 (Preliminary)	$6,899
2001-02 (Forecast)	5,261
2002-03 (Forecast)	5,869

INSURANCE TAX: $1.656 BILLION

The majority of insurance written in California is subject to a 2.35 percent gross premiums tax. This premium tax takes the place of all other State and local taxes except those on real property and motor vehicles. The basis of the tax is the amount of "gross premiums" received, less return premiums, upon business done in California.

Figure REV-14



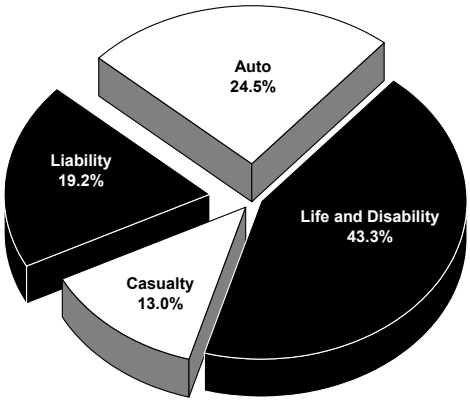
There are some exceptions. Insurers transacting title insurance are taxed upon all income received in this state, with the exceptions of interest, dividends, rents from real property, profits from the sale or disposition of investments, and income arising out of investments. Ocean marine insurers are taxed upon underwriting profits at a 5 percent rate. Other exceptions to the 2.35 percent rate include certain

pension and profit-sharing plans, including qualified annuities, which are taxed at a lower rate of 0.5 percent; and certain specialized lines of insurance that are taxed at 3 percent.

The Department of Finance conducts an annual survey to project insurance premium growth. Responses are obtained from about 300 insurance companies, which account for over one-half of the insurance written in California.

Figure REV-15 illustrates the proportion of premiums written by insurance type from which the revenue is derived. For 2000, $64.6 billion in taxable premiums written were reported, an increase of 12.1 percent over 1999. The most recent survey indicates that premiums written will increase by 8.8 percent in 2001 and by 8.1 percent in 2002. Due to factors such as tax deferrals, averaging, and various applied tax rates, revenues grow at different rates than premiums written. On a calendar year basis, revenues are expected to grow by 7.7 percent in 2001 and by 7.9 percent in 2002 based on survey responses.

Figure REV-15
Insurance Premiums by Category in 2000



These increases are being driven by growth in the commercial property and workers compensation lines, in particular, as well as life insurance. Increases in the cost of medical care and repairs pertaining to most commercial coverage have contributed to premium growth in the first two areas. The positive growth outlook for life insurers is attributable to marketing shifts away from traditional fixed value life insurance products and towards investment-type policies that allow for changing values.

Revenues forecasted for 2001-02 and 2002-03, as compared with preliminary 2000-01 collections, are as follows:

Insurance Tax Revenue
(Dollars in Millions)

2000-01 (Preliminary)	$1,497
2001-02 (Forecast)	1,560
2002-03 (Forecast)	1,656

ESTATE/INHERITANCE/ GIFT TAXES: $614.5 MILLION

Proposition 6, an initiative measure adopted by the voters in June 1982, repealed the inheritance and gift taxes and imposed instead, an estate tax known as "the pick-up tax," because it is designed to pick up the maximum credit allowed against the federal estate tax. The pick-up tax is computed on the basis of the federal "taxable estate," with tax rates that range from 0.8 percent to

16 percent. This tax does not increase the liability of the estate due to the fact that it would otherwise be paid to the federal government.

However, the Economic Growth and Tax Relief Reconciliation Act of 2001, recently signed into law by the President, phases out the federal estate tax by 2010. As part of this, the Act reduces the state pick-up tax by 25 percent in 2002, 50 percent in 2003, and 75 percent in 2004, and eliminates it beginning in 2005. Reductions of the pick-up tax results in a loss of $367 million in 2002-03, rising to $1.27 billion in 2005-06. The provisions of this federal Act sunset after 2010; at that time, the federal estate tax will be reinstated along with the State's estate tax, unless future federal legislation is enacted to make the provisions permanent.

The forecast includes $3.2 million for a proposal to decrease the interest rate paid on overpayments. Revenues forecasted for 2001-02 and 2002-03, as compared with preliminary 2000-01 collections, are as follows:

Estate, Inheritance, and Gift Tax Revenue (Dollars in Millions)

2000-01 (Preliminary)	$934.7
2001-02 (Forecast)	850.9
2002-03 (Forecast)	614.5

Alcoholic Beverage Taxes: $282 million

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

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

Revenues forecasted for 2001-02 and 2002-03, as compared with preliminary 2000-01 collections, are shown in Figure REV-16.

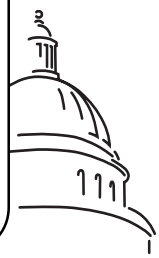
Figure REV-16

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

	2000-01 Preliminary	2001-02 Forecast	2002-03 Forecast
Beer and Wine	$150.6	$149.0	$149.0
Distilled Spirits	137.8	136.0	133.0
Total	**$288.4**	**$285.0**	**$282.0**

Cigarette Tax: $122 million

Proposition 10 increased the excise tax imposed on distributors selling cigarettes in California to 87 cents per pack effective January 1, 1999. At the same time, this proposition imposed a new



excise tax on cigars, chewing tobacco, pipe tobacco, and snuff at a rate equivalent to the tax increase on cigarettes of 50 cents per pack. In addition, the higher excise tax on cigarettes automatically triggered an additional increase in the tax on other tobacco products effective July 1, 1999, with the proceeds going to the Cigarette and Tobacco Products Surtax Fund. Thus, this proposition increased the total excise tax on other tobacco products by an amount equivalent to an increase in the cigarette tax of one dollar per pack.

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

- Fifty cents of the per-pack tax on cigarettes, and the equivalent rate levied on non-cigarette tobacco products, goes to the California Children and Families First Trust Fund for distribution as specified in Proposition 10.
- Twenty-five cents of the per-pack tax on cigarettes, and the equivalent rates levied on non-cigarette tobacco products, is allocated to the Cigarette and Tobacco Products Surtax Fund for distribution as determined by Proposition 99 of 1988.
- Ten cents of the per-pack tax is allocated to the State's General Fund.
- The remaining two cents of the per-pack tax is deposited into the Breast Cancer Fund.

Projections of total and per capita consumption of cigarettes provide the basis for the cigarette tax estimate. The cumulative effect of product price increases, the increasingly restrictive environments for smokers, and State anti-smoking campaigns funded by Proposition 99 revenues and revenues from the Master Tobacco Settlement have all significantly reduced cigarette consumption.

Per capita consumption declined on average 3 percent annually from 1983-84 through 1987-88, and then decreased even more rapidly with the onset of Proposition 99. During 1989-90, per capita consumption was about 123 packs versus 83 packs in 1997-98—a 32 percent decrease over eight years. Price increases stemming from tobacco litigation—in conjunction with the State's excise tax hike—further reduced per capita consumption by approximately 28 percent over the last three years to 61 packs in 2000-01. The long-term downward trend in taxable consumption should continue to reduce cigarette sales in the range of 3 percent annually.

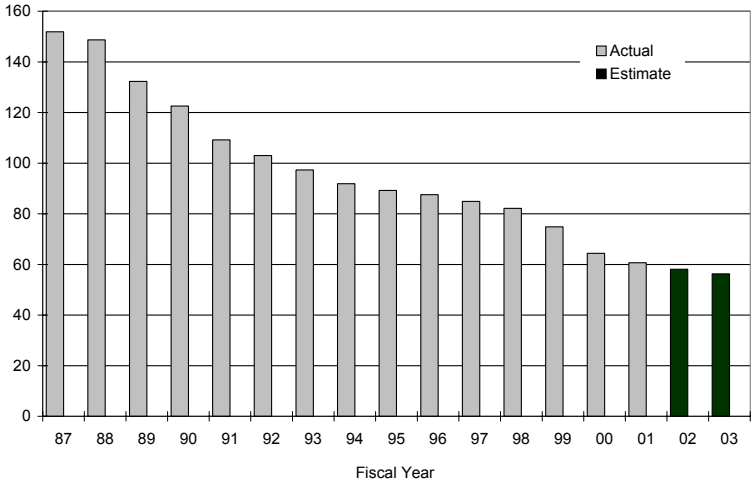
Wholesale price data provide the basis for the revenue estimate for other tobacco products, which include items such as cigars, chewing tobacco, and snuff. Historically, these taxes have generally contributed less than 5 percent to the total of all the tobacco revenues collected on an annual basis. The Board of Equalization has the authority to determine how this tax is calculated. Historically, it was based on a percentage of the wholesale cost

applied uniformly to all other tobacco products. However, the Board revised this formula at the beginning of 2001-02, which resulted in wholesale tax rates that ranged from 52.65 percent to 490 percent depending on the tobacco product. Following a series of court actions, an agreement was reached in late November that applied the lower rate uniformly to all other tobacco products. That rate is incorporated into this forecast.

Per capita consumption of cigarette packs from 1986-87 through 2002-03 is illustrated in Figure REV-17. Total tobacco tax revenues forecasted for 2001-02 and 2002-03, as compared with preliminary 2000-01 collections, are shown in Figure REV-18.

Figure REV-17

Cigarette Consumption
(Packages per Capita)



Special Fund Revenue

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

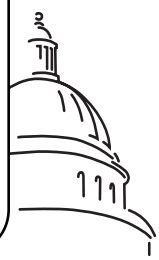
- Receipts from tax levies that are allocated to specified functions, such as motor vehicle taxes and fees.
- Charges for special services provided for specific functions, including such items as business and professional license fees.

Figure REV-18

Tobacco Tax Revenue*
(Dollars in Millions)

	2000-01 Preliminary	2001-02 Forecast	2002-03 Forecast
General Fund	$126.7	$124.0	$122.0
Cigarette and Tobacco Products Surtax Fund	348.8	346.0	341.0
Breast Cancer Fund	25.3	24.8	24.4
California Children and Families First Trust Fund	650.1	641.0	632.0
Total	**$1,150.9**	**$1,135.8**	**$1,119.4**

*In addition to the tax revenue displayed above, $386.4 million was received in 2000-01, with estimated receipts of $475 million in 2001-02, and $474.4 million in 2002-03 from the tobacco litigation Master Settlement Agreement.



- Rental royalties and other receipts designated for particular purposes—for example, oil and gas royalties.

Taxes and fees related to motor vehicles comprise over 42 percent of all special fund revenue. Principal sources are motor vehicle fees (registration, weight, and vehicle license fees) and motor vehicle fuel taxes. During 2002-03, $7.2 billion in revenues will be derived from the ownership or operation of motor vehicles, a 17.3 percent decrease from the 2001-02 level. As discussed under motor vehicle fees, this decrease is due to a reduction in vehicle license fees paid by taxpayers. Over 41 percent of all taxes and fees collected on motor vehicles will be returned to local governments. The remaining portion is available for various State programs related to transportation and services to vehicle owners.

Chapter 85, Statutes of 1991, created the Local Revenue Fund for the purpose of local program realignment. Revenue attributable to a 0.5 percent sales tax rate is transferred to this special fund. During 2002-03, local governments are expected to receive $2.3 billion from this revenue source, up 4.6 percent from 2001-02. In addition to this revenue, approximately 24 percent of all vehicle license fees (including amounts backfilled by the General Fund) are transferred to the Local Revenue Fund.

Tobacco-related taxes are collected primarily to support early childhood development programs as specified in Proposition 10. These proceeds are deposited in the California Children and Families First Trust Fund and are estimated at $641 million in 2001-02 and $632 million in 2002-03. Funds from the Proposition 99 tobacco-related taxes are allocated to a special fund for distribution to a variety of accounts as determined by the measure. Receipts for this fund are estimated at $346 million in 2001-02 and $341 million in 2002-03. An additional $24.8 million for breast cancer research will be generated in 2001-02 by the 2 cents per pack cigarette tax enacted in 1993, while $24.4 million will be generated in 2002-03 for this purpose. The original 10 cents per pack tax on cigarettes is allocated to the General Fund.

Motor Vehicle Fees: $3.92 billion—Motor vehicle fees consist of vehicle license, registration, weight, and driver's license fees, and various other charges related to vehicle operation. This amount includes the additional revenues due to proposed increases in certain fees, fines, and penalties, which are discussed under the Department of Motor Vehicles in the Business, Transportation, and Housing Section.

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

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

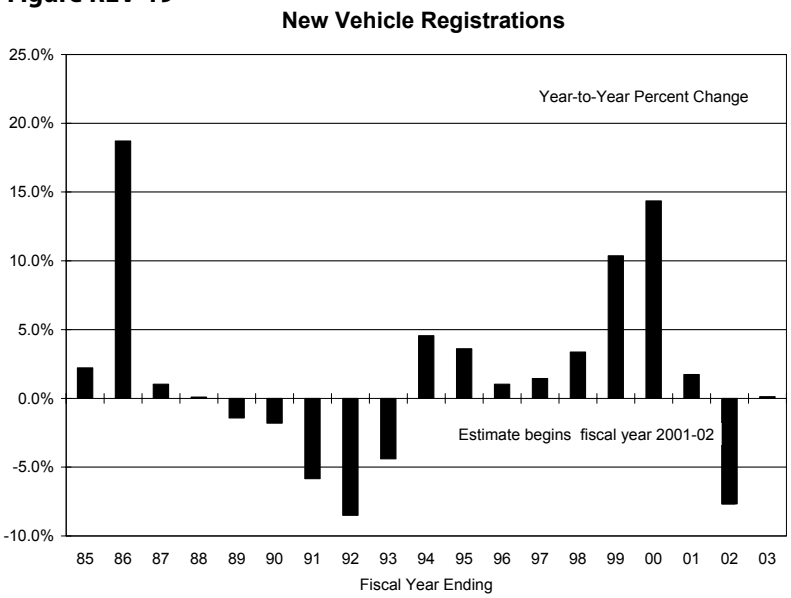
As part of the State-local program "realignment," Chapter 87, Statutes of 1991, revised the vehicle license fee depreciation schedule and required the Department of Motor Vehicles to reclassify used vehicles based upon their actual purchase price each time the ownership of the vehicle is transferred. All of the revenue from this base change is transferred to local governments.

Chapter 322, Statutes of 1998, established a program to offset a portion of the vehicle license fees paid by vehicle owners. This program is referred to as an "offset" rather than a tax credit, because the total amount of VLF legally due from the taxpayer was not changed. Instead, the State pays or "offsets" a portion of the amount due, and taxpayers pay the remaining balance. Beginning January 1, 1999, a permanent offset of 25 percent of the amount of the VLF owed became operative. Chapter 74, Statutes of 1999, increased the offset to 35 percent on a one-time basis for the 2000 calendar year. Chapters 106 and 107, Statutes of 2000, and Chapter 5, Statutes of 2001, extended the 35 percent offset through June 30, 2001, and provided for an additional 32.5 percent VLF reduction, which was returned to taxpayers in the form of a rebate. Beginning on July 1, 2001, the VLF was permanently reduced by 67.5 percent.

The amount by which the VLF is reduced is made up or "backfilled" by the General Fund to prevent any loss of revenues to local governments. This backfill is expected to provide tax relief of $3.573 billion in 2001-02 and $3.726 billion in 2002-03. Because of the increased VLF offset levels, revenue received from these fees has decreased by 17.3 percent from 2001-02. However, as the amount paid by taxpayers decreases due to increased tax relief, the amount backfilled by the General Fund increases, so local governments are held harmless.

As part of the implementation of the vehicle license fee rebate program, a Special Reserve Fund for Vehicle License Fee Tax Relief was created. As noted above, this rebate program was replaced with a General Fund offset beginning in 2001-02. Only a modest portion of the $45.2 million balance in this Special Fund is estimated to be needed for rebates attributable to late filers in future years. As a result, the Budget contains a legislative proposal to eliminate this Special Reserve Fund and transfer its balance to the General Fund. This shift of resources will have no impact on the vehicle license fee tax relief program or local governments,

Figure REV-19



and rebates that may result from late filers in the future will be funded from the General Fund instead.

The Department of Motor Vehicles administers the VLF for trailer coaches that are not installed on permanent foundations. Those that are installed on permanent foundations (mobile homes) are subject to either local property taxes or the VLF. Generally, mobile homes purchased new prior to July 1, 1980, are subject to the VLF, which in this instance is administered by the Department of Housing and Community Development rather than the Department of Motor Vehicles. All other mobile homes are subject to the local property tax. Chapter 699, Statutes of 1992, provided that all trailer coach license fees that are administered by the Department of Motor Vehicles be deposited in the General Fund. Beginning in 1994-95, all other trailer coach license fees are also deposited in the General Fund.

Chapter 861, Statutes of 2000, replaced the current weight fee schedule for commercial trucks, which was based on unladen weight, with a gross vehicle weight schedule. This change was necessary to conform to the federal International Registration Plan by January 1, 2002. Chapter 861 also provided that the vehicle license fee will no longer be charged on commercial trailers, and the loss in revenue to local governments from that exclusion will be backfilled by the General Fund.

Allowing for scrappage and for vehicles entering and leaving California, the total number of fee-paid registrations, (autos, trucks, trailers, and motorcycles) including multi-state vehicles, is estimated at 27,434,000 for 2001-02 and 27,910,000 for 2002-03, a 1.7 percent increase. As can be seen in Figure REV-19, the 14.4 percent growth in new vehicle registrations in 1999-00 was at a 14-year high. This dramatic growth was due to extremely strong vehicle sales at that time. Vehicle sales are expected to decline from these record highs in 2001-02 and 2002-03. Although new vehicle sales surged in October 2001, this is probably a temporary increase caused by incentives that accelerated sales that would have taken place throughout the fiscal year. Because of the economic slowdown, the forecast

for new vehicle registrations assumes a 7.7 percent decline in 2001-02, followed by 0.1 percent growth in 2002-03.

Motor vehicle fees revenue is summarized in Figure REV-20.

Figure REV-20

Motor Vehicle Fees Revenue
(Dollars in Thousands)

	2000-01 Preliminary	2001-02 Forecast	2002-03 Forecast
Vehicle License Fees [1/]	$2,490,570	$1,302,373	$1,358,185
Realignment [1/]	798,598	432,067	449,983
Registration, Weight, and Other Fees	1,943,249	1,987,107	2,107,112
Total	**$5,232,417**	**$3,721,547**	**$3,915,280**

[1/] Reflects 25 percent vehicle license fee offset in 1999, 35 percent in 2000, and 67.5 percent beginning in 2001.

Motor Vehicle Fuel Taxes: $3.242 billion—The motor vehicle fuel tax (levied on gasoline), diesel fuel tax (levied on diesel), and the use fuel tax (levied on alternative fuels such as liquefied petroleum gas, natural gas, and alcohol fuel) provide the major sources of funds for maintaining, replacing, and constructing State highway and transportation facilities. Just over one-third of these revenues is apportioned to local jurisdictions for street and highway use.

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

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

Chapter 912, Statutes of 1994, established the Diesel Fuel Tax Law. Prior to the operative date of Chapter 912, diesel fuel had been taxed under the Use Fuel Tax Law. The diesel fuel tax is collected from distributors at the terminal rack level and applies to diesel fuel and blended diesel fuel sold for use in propelling highway vehicles. Undyed diesel fuel for highway use is taxed at a rate of 18 cents per gallon. Dyed diesel fuel, which is destined for tax-exempt uses, is not taxed.

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

The use fuel tax is levied on sales of kerosene, liquefied petroleum gas (LPG), liquid natural gas (LNG), compressed natural gas (CNG), and alcohol fuel (ethanol and methanol containing

15 percent or less gasoline and diesel fuel). These fuels remain untaxed until they are dispensed into a motor vehicle that is operated on California highways or is suitable for highway operation. Current use fuel tax rates are 18 cents per gallon for kerosene, 6 cents per gallon for LPG and LNG, 7 cents per 100 cubic feet for CNG, and 9 cents per gallon for alcohol fuel. Users of LPG, LNG, or CNG may elect to pay a flat rate of tax based on vehicle weight in lieu of the 6 cents per gallon tax.

The Mills-Hayes Act specifies that a fuel tax rate of 1 cent per gallon be levied on fuel used by local transit systems, school and community college districts, and certain common carriers. This excise tax is imposed in lieu of the other fuel taxes described above.

Gasoline consumption has grown slowly over time, as conservation efforts have offset economic growth. Gasoline consumption rose 2.1 percent during 2000-01, but is estimated to increase by 1.2 percent in 2001-02 and 1.7 percent in 2002-03. Although these growth rates are slower than the past three years, they are near the long-term growth rate of approximately 1.6 percent.

Because the majority of diesel fuel is consumed by the commercial trucking industry, consumption is affected most significantly by general economic conditions. Diesel fuel consumption increased by only 0.8 percent in 2000-01 and is expected to rise by 0.4 percent in 2001-02, before increasing by 3.3 percent in 2002-03. These slower growth rates in 2000-01 and 2001-02 are a result of both the increase in fuel prices and a moderation of economic activity.

Proposition 111, enacted in June 1990 to generate new transportation funding, increased gasoline and diesel fuel tax rates by 5 cents per gallon each, effective August 1, 1990. Proposition 111 also increased gas and diesel fuel tax rates by an additional 1 cent per gallon each January 1 thereafter, until an 18-cent-per-gallon rate became effective January 1, 1994. The rates have remained constant since that time. Revenues raised by Proposition 111 equaled $1.53 billion during 2000-01 and are expected to be $1.54 billion and $1.58 billion during 2001-02 and 2002-03, respectively.

Motor vehicle fuel revenues are shown in Figure REV-21.

Figure REV-21

Motor Vehicle Fuel Tax Revenue

(Dollars in Thousands)

	2000-01 Preliminary	2001-02 Forecast	2002-03 Forecast
Gasoline [1/]	$2,677,001	$2,713,982	$2,759,674
Diesel	462,425	467,125	481,986
Total	**$3,139,426**	**$3,181,107**	**$3,241,660**

[1/] Does not include jet fuel.

Figure REV-22

Summary of State Tax Collections

(Excludes Departmental, Interest, and Miscellaneous Revenue)

	Per Capita Personal Income [1/2/]	State Tax Collections (Dollars in Millions)		Taxes per Capita [1/]		Taxes per $100 of Personal Income [3/]	
		General Fund	Total	General Fund	Total	General Fund	Total
1967-68	$3,878	$3,558	$4,676	$185.55	$243.86	$4.78	$6.29
1968-69	4,199	3,963	5,173	203.94	266.21	4.86	6.34
1969-70	4,532	4,126	5,409	208.96	273.94	4.61	6.04
1970-71	4,812	4,290	5,598	214.08	279.36	4.45	5.81
1971-72	5,034	5,213	6,597	256.22	324.24	5.09	6.44
1972-73	5,451	5,758	7,231	279.72	351.28	5.13	6.44
1973-74	5,947	6,377	7,877	305.57	377.45	5.14	6.35
1974-75	6,552	8,043	9,572	379.85	452.06	5.80	6.90
1975-76	7,091	9,050	10,680	420.19	495.87	5.93	6.99
1976-77	7,814	10,781	12,525	491.48	570.98	6.29	7.31
1977-78	8,569	12,951	14,825	579.41	663.25	6.76	7.74
1978-79	9,620	14,188	16,201	621.30	709.45	6.46	7.38
1979-80	10,845	16,904	19,057	726.83	819.41	6.70	7.56
1980-81	12,038	17,808	20,000	748.80	840.97	6.22	6.99
1981-82	13,209	19,053	21,501	784.78	885.62	5.94	6.70
1982-83	13,782	19,567	22,359	788.83	901.39	5.72	6.54
1983-84	14,505	22,300	25,674	880.14	1,013.30	6.07	6.99
1984-85	15,944	25,515	29,039	988.34	1,124.85	6.20	7.05
1985-86	16,934	26,974	30,898	1,021.63	1,170.25	6.03	6.91
1986-87	17,661	31,331	35,368	1,158.18	1,307.41	6.56	7.40
1987-88	18,665	31,228	35,611	1,126.67	1,284.81	6.04	6.88
1988-89	19,763	35,647	40,613	1,255.49	1,430.39	6.35	7.24
1989-90	20,819	37,248	43,052	1,278.16	1,477.32	6.14	7.10
1990-91	21,978	36,828	43,556	1,234.66	1,460.22	5.62	6.64
1991-92	21,992	40,072	48,856	1,315.63	1,604.02	5.98	7.29
1992-93	22,641	39,197	48,230	1,264.95	1,556.46	5.59	6.87
1993-94	22,805	38,351	48,941	1,224.73	1,562.93	5.37	6.85
1994-95	23,320	41,099	50,648	1,303.77	1,606.71	5.59	6.89
1995-96	24,328	44,825	54,805	1,413.54	1,728.24	5.81	7.10
1996-97	25,418	47,955	58,400	1,500.37	1,827.15	5.90	7.19
1997-98	26,549	53,859	64,826	1,659.66	1,997.63	6.25	7.52
1998-99	28,350	58,199	69,724	1,771.02	2,121.72	6.25	7.48
1999-00	29,844	70,027	81,734	2,095.53	2,445.86	7.02	8.20
2000-01 [p/]	32,116	75,668	88,128	2,219.78	2,585.30	6.91	8.05
2001-02 [e/]	31,944	67,721	78,114	1,948.36	2,247.37	6.10	7.04
2002-03 [e/]	32,198	74,019	84,747	2,091.80	2,394.98	6.50	7.44

[1/] Per capita computations are based on July 1 populations estimates, benchmarked to the 1990 Census.
[2/] Personal income data are on a calendar year basis (e.g., 2000 for 2000-01).
[3/] Taxes per $100 personal income computed using calendar year personal income (e.g. 2000 income related to 2000-01 tax collections).
[p/] Preliminary.
[e/] Estimated.

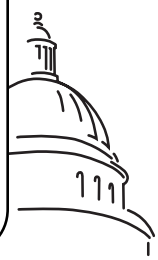


Figure REV-23

Outline of State Tax System
as of January 1, 2002

Major Taxes and Fees	Base or Measure	Rate	Administering Agency	Fund
Alcoholic Beverage Excise Taxes:				
Beer	Gallon	$0.20	Equalization[1]	General
Distilled Spirits	Gallon	$3.30	Equalization	General
Dry Wine	Gallon	$0.20	Equalization	General
Sweet Wine	Gallon	$0.20	Equalization	General
Sparkling Wine	Gallon	$0.30	Equalization	General
Hard Cider	Gallon	$0.20	Equalization	General
Corporation:				
General Corporation	Net income	8.84% [2]	Franchise[3]	General
Bank and Financial Corp.	Net income	10.84%	Franchise	General
Alternative Minimum Tax	Alternative Taxable Income	6.65% [2]	Franchise	General
Tobacco:				
Cigarette	Package	$0.87 [4]	Equalization	Cigarette Tax, Cigarette and Tobacco Products Surtax, Breast Cancer Act, and Calif. Children and Families First Initiative
Other Tobacco Products	Wholesale price	52.65% [5]	Equalization	Cigarette and Tobacco Products Surtax
Energy Resources Surcharge	Kilowatt hours	$0.0002	Equalization	Energy Resources Surcharge Fund
Horse Racing License	Amount wagered	0.4% - 2.0%	Horse Racing Board	Fair & Expo[6], Satellite Wagering[7], Wildlife Restoration, and General
Estate	Taxable Federal estate	0.8-16.0%	Controller[8]	General
Insurance	Gross Premiums	2.35% [9]	Insurance Dept.	General
Liquor license fees	Type of license	Various	Alcoholic Beverage Control	General
Motor Vehicle:				
Vehicle License Fees (VLF)	Market value	2.0% [10]	Motor Vehicle Dept	Motor Vehicle License Fee and Local Revenue[11]
Fuel—Gasoline	Gallon	$0.18	Equalization	Motor Vehicle Fuel[12]
Fuel—Diesel	Gallon	$0.18	Equalization	Motor Vehicle Fuel
Registration Fees	Vehicle	$30.00	Motor Vehicle Dept	Motor Vehicle[13]
Weight Fees	Gross Vehicle Weight	Various	Motor Vehicle Dept	State Highway[14]
Personal Income	Taxable income	1.0-9.3%	Franchise	General
Alternative Minimum Tax	Alternative Taxable Income	7.0%	Franchise	General
Private Railroad Car	Valuation	[15]	Equalization	General
Retail Sales and Use	Receipts from sales or lease of taxable items	5.50% [16]	Equalization	General and Local Revenue

Source: State of California, Department of Finance

[1] State Board of Equalization.
[2] Minimum tax $800 per year for existing corporations. New corporations are exempted from the minimum franchise tax for the first two years of operations.
[3] Franchise Tax Board.
[4] This tax is levied at the combined rate of 10 cents per pack of 20 cigarettes for the General Fund, 25 cents per pack for the Cigarette and Tobacco Products Surtax, 2 cents per pack for the Breast Cancer Act, and 50 cents per pack for the California Children and Families First Trust Fund.
[5] A tax equivalent to the tax on cigarettes; rate reflects the 50 cents per pack established by the California Children and Families First Initiative.
[6] For support of county fairs and other activities.
[7] For construction of Satellite Wagering Facilities and health and safety repairs at fair sites.
[8] State Controller's Office
[9] Ocean marine insurance is taxed at the rate of 5 percent of underwriting profit attributable to California business. Special rates also apply to certain pension and profit sharing plans, surplus lines, and nonadmitted insurance.
[10] Beginning January 1, 1999, vehicle owners pay only 75 percent of the calculated tax, and the remaining 25 percent (offset percentage) is paid by the General Fund. Chapter 74, Statutes of 1999, increased the offset to 35 percent on a one-time basis for the 2000 calendar year. Chapter 107, Statutes of 2000, and Chapter 5, Statutes of 2001, extended the 35 percent credit through June 30, 2001, and provided for an additional 32.5 percent VLF reduction, which will be returned to taxpayers in the form of a rebate. Beginning July 1, 2001, the VLF will be permanently reduced by 67.5 percent.
[11] For return to cities and counties. Trailer coach license fees are deposited in the General Fund.
[12] For administrative expenses and apportionment to State, counties and cities for highways, airports and small craft harbors.
[13] For support of State Department of Motor Vehicles, California Highway Patrol, other agencies and motor vehicle related programs.
[14] For State highways and State Department of Motor Vehicles administrative expense. Chapter 861, Statutes of 2000, replaces the current weight fee schedule for trucks, which is based on the unladen weight of commercial trucks and trailers, with a new schedule based on the gross weight capacity of trucks alone, in order to comply with the International Registration Plan standards.
[15] Average property tax rate in the State during preceding year.
[16] Includes a 5.00 percent rate for the State General Fund and Public Transportation Account and a 0.50 percent rate to the Local Revenue Fund for realignment.

Figure REV-24

Comparative Yield of State Taxes, 1970-71 through 2002-03
Includes both General and Special Funds
(Dollars in Thousands)

Year Ending June 30	Sales and Use	Personal Income	Corporation (a)	Tobacco (b)	Estate Inheritance and Gift (c)	Insurance (d)	Alcoholic Beverage (e)	Horse Racing (f)	Motor Vehicle Fuel (g)	Vehicle Fees (h)
1971	$1,808,052	$1,264,383	$532,091	$239,721	$185,699	$158,423	$106,556	$64,601	$674,635	$513,202
1972	2,015,993	1,785,618	662,522	247,424	220,192	170,179	112,091	69,380	712,426	547,845
1973	2,198,523	1,884,058	866,117	253,602	260,119	179,674	114,884	72,693	746,196	596,922
1974	2,675,738	1,829,385	1,057,191	258,921	231,934	201,697	119,312	78,289	742,702	644,448
1975	3,376,078	2,579,676	1,253,673	261,975	242,627	202,991	120,749	86,637	752,234	664,453
1976	3,742,524	3,086,611	1,286,515	268,610	316,648	241,224	125,313	96,117	766,555	749,936
1977	4,314,201	3,761,356	1,641,500	269,384	367,964	322,476	127,485	102,702	810,321	807,782
1978	5,030,438	4,667,887	2,082,208	273,658	365,092	387,560	132,060	111,591	850,181	924,410
1979	5,780,919	4,761,571	2,381,223	268,816	416,955	420,184	140,059	112,856	896,591	1,021,856
1980	6,623,521	6,506,015	2,510,039	290,043	465,611	446,228	138,940	127,002	852,752	1,096,640
1981	7,131,429	6,628,694	2,730,624	278,161	530,185	460,926	142,860	129,779	839,994	1,127,293
1982	7,689,023	7,483,007	2,648,735	276,824	482,300	454,984	139,523	119,626	833,446	1,373,354
1983	7,795,488	7,701,099	2,536,011	271,621	517,875	736,929	136,209	120,159	928,633	1,614,993
1984	8,797,865	9,290,279	3,231,281	263,231	236,452	457,490	137,433	141,001	1,213,167	1,906,290
1985	9,797,564	10,807,706	3,664,593	262,868	296,805	643,139	135,786	133,814	1,159,637	2,137,326
1986	10,317,930	11,413,040	3,843,024	258,141	252,810	839,939	132,262	131,592	1,194,172	2,515,295
1987	10,904,022	13,924,527	4,800,843	255,076	273,089	1,008,804	131,288	131,733	1,245,881	2,692,835
1988	11,650,531	12,950,346	4,776,388	250,572	304,148	1,158,321	128,734	132,208	1,293,254	2,966,334
1989	12,650,893	15,889,179	5,138,009	559,617	335,091	1,317,630	128,264	143,379	1,320,512	3,142,484
1990	13,917,771	16,906,568	4,965,389	787,076	388,527	1,167,684	128,524	147,920	1,349,146	3,305,711
1991	13,839,573	16,852,079	4,544,783	745,074	498,774	1,287,152	129,640	148,279	1,999,771	3,513,159
1992	17,458,521	17,242,816	4,538,451	726,064	446,696	1,167,307	321,352	130,042	2,457,229	4,369,862
1993	16,598,863	17,358,751	4,659,950	677,846	458,433	1,188,181	292,107	114,037	2,412,574	4,470,321
1994	16,857,369	17,402,976	4,809,273	664,322	552,139	1,196,921	275,797	118,215	2,547,633	4,518,795
1995	16,273,800	18,608,181	5,685,618	674,727	595,238	998,868	268,957	108,974	2,685,731	4,749,594
1996	17,466,584	20,877,687	5,862,420	666,779	659,338	1,131,737	269,227	106,057	2,757,289	5,009,319
1997	18,424,355	23,275,990	5,788,414	665,415	599,255	1,199,554	271,065	90,627	2,824,589	5,260,355
1998	19,548,574	27,927,940	5,836,881	644,297	780,197	1,221,285	270,947	81,930	2,853,846	5,660,574
1999	21,013,674	30,894,865	5,724,237	976,513	890,489	1,253,972	273,112	61,185	3,025,226	5,610,374
2000	23,451,570	39,578,237	6,638,898	1,216,651	928,146	1,299,777	282,166	44,130	3,069,694	5,263,245
2001	24,298,292	44,614,297	6,899,302	1,150,856	934,708	1,496,556	288,451	44,541	3,142,142	5,258,754
2002 *	23,600,206	38,455,000	5,261,000	1,135,800	850,900	1,560,000	285,000	45,266	3,183,607	3,736,879
2003 *	25,380,515	42,605,000	5,869,000	1,119,400	614,500	1,656,000	282,000	45,315	3,244,260	3,930,895

(a) Includes the corporation income tax and, from 1989 through 1997, the unitary election fee.
(b) Proposition 99 (November 1988) increased the cigarette tax to $0.35 per pack and added an equivalent tax to other tobacco products.
The Breast Cancer Act added $0.02 per pack effective 1/1/94.
Proposition 10 (November 1998) increased the cigarette tax to $0.87 per pack and added the equivalent of $1.00 tax to other tobacco products.
(c) Proposition 6, an initiative measure adopted by the voters in June 1982, repealed the inheritance and gift taxes and imposed instead an estate tax known as "the pick-up tax," because it is designed to pick up the maximum credit allowed against the federal estate tax. The Economic Growth and Tax Reconciliation Act of 2001 phases out the federal estate tax by 2010. As part of this, the Act reduces the State pick-up tax by 25 percent in 2002, 50 percent in 2003, 75 percent in 2004, and eliminates it beginning in 2005.
(d) The conclusion of litigation resulted in additional revenue of $51 million in 1987-88, $178 million in 1988-89, $7 million in 1990-91, and $5 million in 1991-92. It also resulted in refunds of $46 million in 1993-94, $127 million in 1994-95, $39 million in 1995-96, $15 million in 1996-97, and $30 million in 1997-98.
(e) Alcoholic beverage excise taxes were significantly increased effective July 15, 1991.
(f) Beginning in 1988-89, includes revenues from satellite wagering that were not included in prior years.
(g) Motor vehicle fuel tax (gasoline), use fuel tax (diesel and other fuels), and jet fuel.
(h) Registration and weight fees, motor vehicle license fees, and other fees. Due to the offset program, 1998-99 vehicle license fee values reflect a 25 percent reduction for 1999. The values reflect a 35 percent reduction from January 1, 2000, through June 30, 2001, and a 67.5 percent reduction thereafter.
* Estimated

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Demographic Outlook

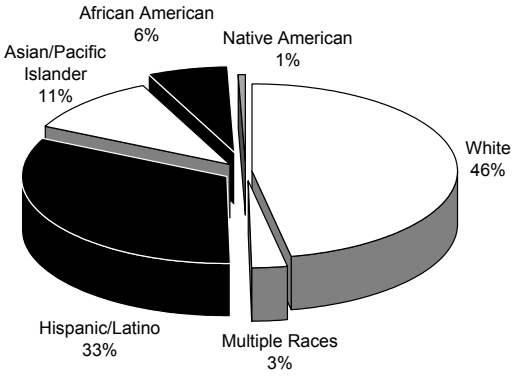
It is with considerable reluctance that this Administration has been forced to set aside the population series used for the 2001-02 Budget Act that for the first time incorporated an undercount factor for hard-to-count population groups. A census undercount results from people who are not found by the census enumerators or people who do not want to be counted. Instead, the 2002-03 Governor's Budget uses population estimates based on the unadjusted series, or the raw census data. The previous adjusted population series, was based on preliminary, undercount data released by the United States Census Bureau (Bureau) in March 2001 for the nation as a whole. However, as explained at the end of this section, the Bureau has since disputed its own data and refused to share information with the states. This refusal has left the State with no practical option but to return to a California population series unadjusted for the undercount, and take the necessary steps to obtain the information that the Bureau has withheld.

Population Overview

At nearly 35 million people as of mid-2001, California's population is the largest and most diverse in the nation. This estimate is lower than the previous 2001 estimate, because it does not include an adjustment for the 2000 census undercount. The State has become a plurality with no majority racial or ethnic group, since the white population is now less than half of the population (see Figure DEM-1).

Figure DEM-1

California's Population in Census 2000



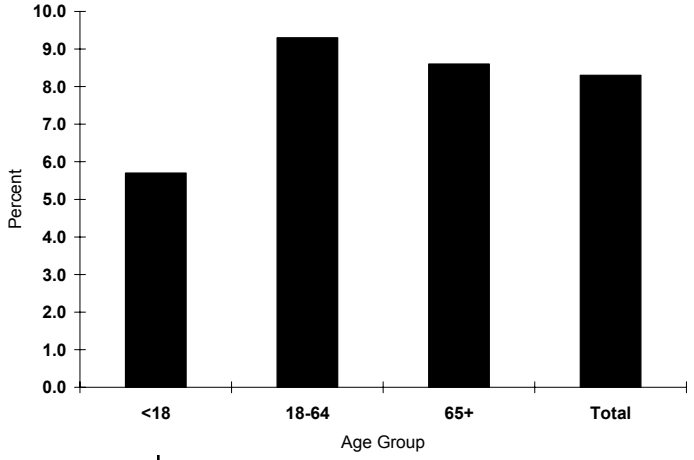
- The July 1, 2001, *unadjusted* estimate of the population is 34,758,000. It is forecast to be 35,385,000 in 2002 and about 36 million in 2003. This reflects a short-term annual growth rate of 1.8 percent.

- Through the next five years, the State will grow an average of over 575,000 people each year and become increasingly diverse. The State's growth in the first decade of this century is equally attributable to natural increase (more babies being born than people dying) and net migration (people moving to California from other states and other countries, less those moving out).

- By July 2006, the State will add nearly 3 million people to reach 37,631,000, a five-year growth rate of 8.3 percent. This is somewhat less than the 8.7 percent overall population growth since 1996.

Figure DEM-2

California Projected Population Growth by Age: 2001-06



- Population growth rates vary significantly by age group. The State's total population growth of 8.3 percent contrasts with 5.7 percent growth in the under-18 group, 9.3 percent growth in the working age group, and 8.6 percent for the older population (see Figure DEM-2). The population in the working ages will increase more than 2 million.

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

The Undercount Controversy

By necessity, the above trends are based on census data that undercount important segments of the California population. The United States Census Bureau has refused to release the information needed to assess whether any undercounts have occurred.

California has both policy and fiscal reasons to pursue the use of census data that completely counts its residents. First, demographic data about California should provide the most accurate representation possible of the true population levels and diversity of this great state. Second, the funds available to California from many federal programs are based on the State's share of the national population. If California's population has been disproportionately undercounted, resources that belong in this state are allocated to other states. And finally, State government has many programs, including allocations to cities and counties, which rely on accurate population estimates.

The Census Bureau recognizes the problem. There is no disagreement that previous censuses failed to fully count Blacks, Hispanics, young people, and renters. The Census Bureau itself estimated that the 1990 Census did not count 838,000 or 2.7 percent of California residents. Over the decade, this undercount cost California one seat in the House of Representatives as well as over $2 billion in federal funds. To address this problem, the Census Bureau implemented a new tool for Census 2000—the Accuracy Coverage and Evaluation (ACE) Survey—to evaluate the census and to estimate the undercount. This independent survey was conducted after the census to

determine both how many people had been enumerated in the census and how many had not.

In late December 2000, the Census Bureau released the unadjusted census enumerations for states (California's raw count was 33,871,648), which the U. S. Supreme Court had ruled must be used for reapportionment. For other uses, however, the Census Bureau publicly committed to releasing a second version of the redistricting file that was adjusted for undercount. In anticipation of this second version, the 2001-02 Governor's Budget estimated the undercount factors for California and its jurisdictions by projecting Census 2000 results based on Census 1990 undercounts.

The Census Bureau reconsiders its commitment. In March 2001, the Census Bureau released the full, unadjusted file for California to be used in redistricting (i.e., census data down to the tract and block level) as well as the preliminary ACE Survey undercount rates for the nation. However, state-level adjusted data was not released, because the Bureau wished to further evaluate differences between the new Survey and a traditional measure—a demographic analysis—of census accuracy. Demographic analysis is an accounting tool that uses data on births, deaths, and immigration to estimate the census population. The Bureau committed to making a final decision on census undercount in October after the differences were analyzed. Although the withholding of the state-level data was disappointing, the Department of Finance was able to use the national undercount rates from the Survey to re-estimate the 2000 census undercount for the May Revision and the 2001 Budget Act.

In October 2001, the Census Bureau announced that both of the census evaluation tools had flaws. The demographic analysis underestimated the national population, and the ACE survey did not identify duplicates that resulted in an overestimate of the population. The Census Bureau concluded that nationally the undercount rate was 0.06 percent—virtually no undercount. The Census Bureau, however, did acknowledge that differential undercounts exist for population sub-groups, but made no effort to provide a method to correct the problem.

The decision hurts California. Despite the Census Bureau finding that there was little undercount in the national data, California is likely to have a significant undercount. Census undercount can be the result of various factors including mobile populations, populations with a distrust of government, or populations residing in unconventional housing, to name a few. The State is home to large numbers of all the population sub-groups who have historically had the highest undercount rates.

- California contains a larger Black population than any other state in the nation except New York.
- Nearly one-third of all Hispanics in the nation reside in California.

- California, with a median age of 33.3 years, is much younger than the nation that has a median age of 35.3.

- While nationally 34 percent of occupied housing is renter occupied, the percentage is 43 percent in California.

Because California contains large numbers of these population subgroups, the Department of Finance believes there is a significant undercount of California population in Census 2000, despite the Census Bureau's contention of virtually no undercount at the national level.

California pursues full disclosure of census evaluation data. The limited information released to date by the Census Bureau has rendered previous estimates of the undercount invalid, and sufficient information to recalculate the undercount estimate has not been released. Therefore, the State's only option is to temporarily use the raw census counts as the basis for the population estimates and projections.

Nevertheless, the pressing question of California's census accuracy remains. Equitable distribution of federal funds and the ability to accurately plan for California's diverse population depend on using the most complete population information. For California to determine how significant its undercount is, the Census Bureau must release the estimates of Census 2000 undercount for this State from both the ACE Survey and the Bureau's demographic analysis.

The Department of Finance has therefore made a Freedom of Information Act request of the Census Bureau to provide the information necessary to include an undercount in the population base. When the undercount information is made available, the State's historical estimates and future projections will be revised to reflect the census data that includes estimated undercounts.

K-12 Education

Ensuring that the 6.1 million pupils enrolled in California's public schools receive a high quality education and are provided the tools to meet California's world-class standards, education remains this Administration's highest priority. Despite the fiscal challenge facing California, the 2002-03 Budget fully funds statutory growth and cost-of-living adjustments for K-12 programs. As indicated in Figure K12-1, approximately $53.9 billion will be devoted to California's 988 school districts and 58 county offices of education, resulting in estimated total per-pupil expenditures from all sources of $9,145 in fiscal year 2001-02 and $9,236 in fiscal year 2002-03. Figure K12-2 displays the various sources of revenue for schools.

Figure K12-1

Total Revenue for K-12 Education
(Dollars in Millions)

Source of Funds	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01 1/	2001-02 1/	2002-03 1/	Change	Percent
State General Fund	$17,797	$19,743	$22,395	$23,325	$26,056	$29,600	$31,046	$31,316	$270	0.9%
Lottery Fund	692	611	675	728	745	827	813	813	0	0.0%
Other State Funds	53	59	82	74	65	141	150	112	-37	-24.9%
Federal Funds	2,825	2,991	3,473	3,859	4,416	4,951	5,545	5,480	-65	-1.2%
Local Property Taxes	8,653	8,585	9,138	9,545	10,200	10,918	11,824	12,747	923	7.8%
Local Debt Service	390	426	498	612	612	612	612	612	0	0.0%
Local Miscellaneous	2,103	2,195	2,595	2,843	2,843	2,843	2,843	2,843	0	0.0%
Total Revenue	**$32,513**	**$34,610**	**$38,856**	**$40,985**	**$44,936**	**$49,890**	**$52,832**	**$53,922**	**$1,091**	**2.1%**

1/ Estimated.

Figure K12-2

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

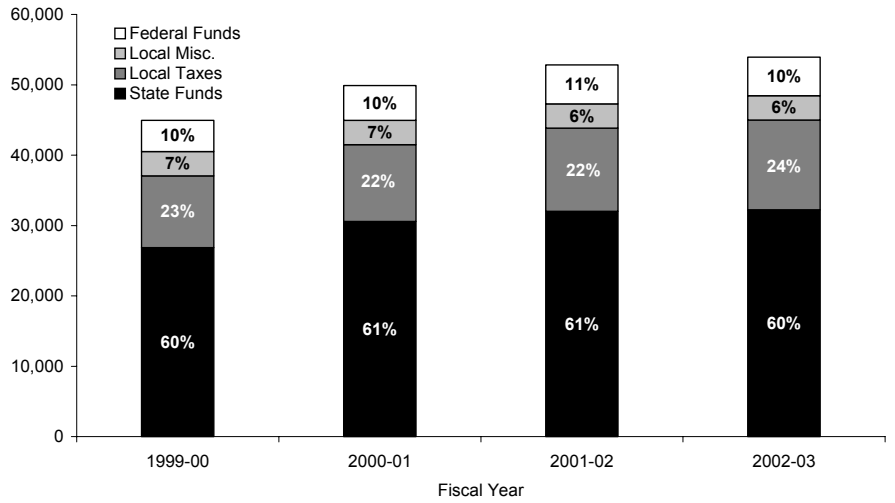


Figure K12-3

K-12 Education Spending Per Pupil
Proposition 98

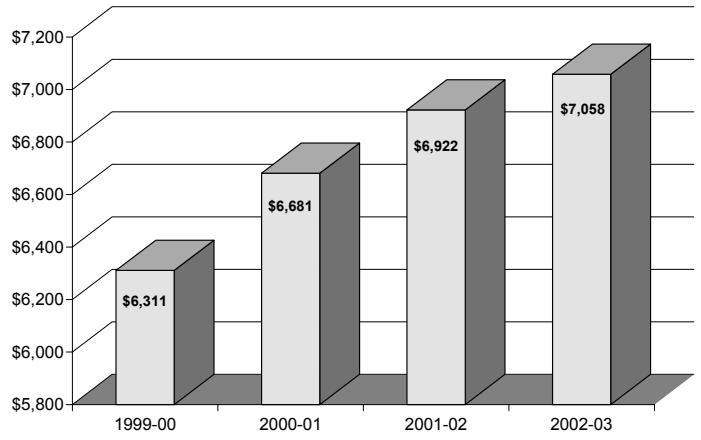
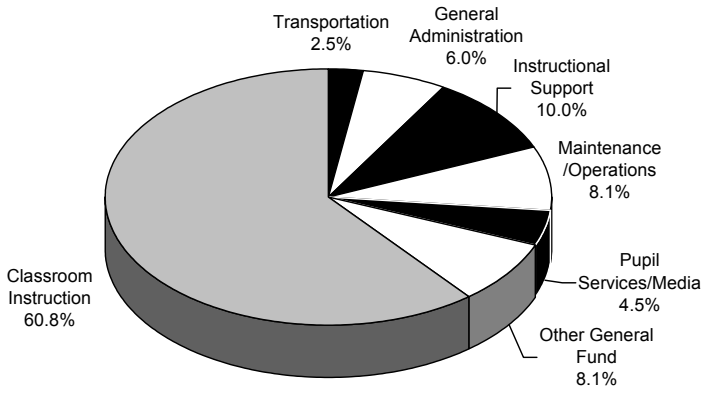


Figure K12-4

Where Schools Spend Their Money



Classroom Instruction includes: general education, special education, and special projects.
General Administration includes: superintendent and board, district administration, other administration, centralized EDP, and maintenance and operations for administration.
Instructional Support includes: instructional administration, school site administration, and special projects administration.
Maintenance and Operations includes: utilities, janitorial and groundskeeping staff, and routine repair and maintenance.
Pupil Services includes: counselors, school psychologists, nurses, child welfare, and attendance staff. Media includes libraries and media centers.
Other General Fund includes: spending for tuition, facilities, contracts with other agencies, and transfers to and from other district funds.
(Based on 1999-00 data reported by schools.)

Total Proposition 98 support for K-12 education will increase 1.8 percent in 2002-03, over the 2001 Budget Act level as amended in the November 2001 Revision. The Budget proposes to fully fund the Proposition 98 guarantee in the budget year. This level of funding supports K-12 Proposition 98 per-pupil expenditures of $7,058 in 2002-03, up from $5,756 in 1998-99, $6,311 in 1999-00, $6,681 in 2000-01, and $6,922 in 2001-02 (see Figure K12-3). This Administration has raised K-12 per-pupil appropriations for education by over 22 percent since taking office.

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

Proposition 98 Guarantee

The total 2000-01 Proposition 98 funding level as of the November 2001 Revision is $42.9 billion, of which the General Fund share is $30.4 billion.

The total 2001-02 Proposition 98 funding level as of the November 2001 Revision is $45.0 billion, of which the General Fund share is $31.4 billion. This amount is $5.7 billion over the Proposition 98 Test 3 funding level.

The total 2002-03 Proposition 98 funding level is proposed at $46.0 billion, an increase of $1 billion over the revised 2001-02 funding level. The Budget funds Proposition 98 at the Test 2 level and fully retires the maintenance factor obligation created in the current year. The General Fund makes up approximately 68.2 percent, or $31.4 billion, of total proposed Proposition 98 funding (see Figure K12-5).

Attendance growth in public schools continues to be relatively low, primarily due to steady declines in birth rates beginning in the early 1990s. For the current year, total K-12 Average Daily Attendance (ADA) is estimated to be 5,776,829. This reflects an increase of 85,302 ADA or 1.51 percent, over the 2000-01 fiscal year and is 3,908 lower than the estimate for the 2001 Budget Act. For the budget year, total K-12 ADA is estimated to be 5,838,438. This reflects ADA growth of 61,609, or 1.07 percent, over the current year.

Figure K12-5

Proposition 98
(Dollars in Thousands)

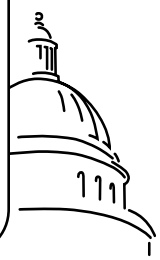
Proposition 98 Appropriation	2000-01	2001-02	2002-03
State General Fund	$30,354,782	$31,404,751	$31,354,202
Local Revenue	12,508,584	13,571,871	14,629,176
Total	**$42,863,366**	**$44,976,622**	**$45,983,378**
Total State and Local Distribution			
Department of Education	$38,010,443	$39,970,663	$41,193,228
California Community Colleges	4,391,765	4,547,933	4,683,918
Department of Developmental Services	14,087	10,437	11,080
Department of Mental Health	18,400	18,400	18,400
Department of Youth Authority	40,733	40,733	38,138
State Special Schools	33,964	34,270	34,292
Indian Education Centers	3,974	4,186	4,322
Loan Repayment	350,000	350,000	0
Total	**$42,863,366**	**$44,976,622**	**$45,983,378**
Proposition 98 Appropriations Percentage Share of General Fund SAL [1/] Revenues and Transfers	39.4%	45.8%	42.2%

[1/] State Appropriations Limit, Article XIIIB.

2002-03 Proposed Reforms

Instructional Materials Funding Reform—Consistent with a commitment to invest wisely for the success of our students and assist school districts in providing them with standards-aligned materials, this Administration has provided nearly $3 billion for books and other instructional materials over the four years since 1998-99. Specifically for 2002-03, the Governor's Budget includes $625 million for the following programs:

- **Instructional Materials Block Grant—**$250 million for schools to purchase standards-aligned instructional textbooks in core curriculum areas for students in grades K-12. Once schools provide standards-aligned textbooks to each pupil, the funds can be used for a variety of instructional materials purposes, including school library and classroom library materials. This block grant replaces the existing Instructional Materials K-8, Instructional Materials 9-12, School Library Materials, and K-4 Class–room Library programs. The Administration also intends to propose additional increased funding for future years consisting of $100 million in 2003-04, $200 million in 2004-05, $300 million in 2005-06, and $350 million in 2006-07.



- **Textbook Block Grant—** $200 million in one-time Proposition 98 Reversion Account funding for instructional materials for school districts that certify they will provide each pupil with a standards-aligned Reading/ Language Arts textbook by the beginning of the 2002 school year.

- **School / Classroom Library Grant—**$100 million in one-time Proposition 98 Reversion Account for school districts to purchase school library materials or K-4 classroom library materials.

- **Science Lab Equipment—** $75 million in one-time Proposition 98 Reversion Account for school districts to purchase science lab equipment and materials to provide standards-based science instruction in grades 7-12. These funds will build upon efforts such as the adoption of standards-aligned instructional materials and curriculum frameworks, already begun by the Administration to develop high standards for science learning.

Independent Study Funding Reform— Chapter 892, Statutes of 2001, reduced funding for non-classroom based charter schools by up to 20 percent in 2002-03. Recognizing that non-classroom instruction (independent study) is less expensive than instruction provided in a classroom setting whether provided by a charter or by a traditional public school, the Budget proposes a 10 percent, non-waivable reduction in funding for all other independent study instruction. This reduction applies to all public non-charter K-12 schools, and will save an estimated $43 million in the 2002-03 fiscal year.

Teacher Training and Recruitment

Mathematics and Reading Professional Development Program—The 2002-03 Budget continues the Administration's commitment to provide K-12 instructional staff with quality professional development by increasing second-year funding for the Mathematics and Reading Professional Development Program by $30 million to $110 million. Chapter 737, Statutes of 2001, enacted the Mathematics and Reading Professional Development Program, which is modeled after the successful University of California-operated Professional Development Institutes and serves both teachers and instructional aides. The goal of this program is to ensure that all reading and mathematics teachers receive standards-aligned training as quickly as possible.

The proposed 2002-03 funding level will be sufficient to serve 32,800 teachers at $2,500 each and 6,500 instructional aides at $1,000 each. It will also be sufficient to provide $500 in additional funding for each of the 43,000 Professional Development Institute attendees. With this funding, the Mathematics and Reading Professional Development Program will have received $190 million since its inception in 2001-02. Coupled with training provided through the

Professional Development Institutes, approximately $500 million will have been provided to train approximately 180,000 teachers over the four years of this Administration, including 2002-03.

Professional Development Institute Stipends—The 2002-03 Budget proposes $48 million to provide stipend payments to Professional Development Institute (PDI) attendees, thereby maintaining the $6 million funding decrease that has been proposed for this activity in 2001-02. This funding level will be sufficient to serve 43,000 teachers.

Since their inception in 2000-01, the University of California-operated PDIs have received a total of more than $209 million. This figure, which includes both stipend costs and Institute operations costs, increases to over $308 million when the proposed 2002-03 funding levels are incorporated.

Principal Training Program—$7.5 million for the Principal Training Program established by Chapter 697, Statutes of 2001. The goal of this program is to provide 15,000 principals and vice-principals with training in instructional standards and effective school management techniques. Over the three-year period of this program, the State will spend $45 million to provide $3,000 per person trained, with school districts providing a local match of $1,000 per individual. However, the Administration has secured a grant from the Gates Foundation which will provide the local match of $1,000 for each principal and $500 for each vice-principal.

Beginning Teacher Support and Assessment Program—$88.3 million for the Beginning Teacher Support and Assessment Program, which will be sufficient to serve over 24,600 teachers. While this funding amount maintains the proposed $20 million decrease in base funding proposed for 2001-02, it also includes $3.6 million for program growth and COLA. Including the proposed 2002-03 funding, the Administration has provided over $333 million for this program since 1999-00.

Peer Assistance and Review Program—$87 million for the Peer Assistance and Review (PAR) program, which includes a continuation of the $50 million base funding decrease proposed for 2001-02. The Administration's proposal would reduce the funding rate for this program by 50 percent and specify that any funding captured in excess of the $50 million in proposed savings would be provided to school districts that certify they have been using PAR funds for specified activities. The PAR program funds are used to provide mentoring services to veteran teachers or to supplement other staff development programs, such as the Beginning Teacher Support and Assessment Program and the Alternative Certification Program. Including the proposed 2002-03 funding, this Administration has provided nearly $408 million for the PAR Program since 1999-00.

Instructional Time and Staff Development Reform Program—$230 million for the Instructional Time and Staff Development Reform Program, which allows schools to provide professional

development training to instructional staff outside of regular instructional days. The proposed funding level will be sufficient to fund three days of training for 242,000 teachers and one day of training for 80,000 instructional aides. Including proposed 2002-03 funding, this Administration has provided over $926 million since 1999-00 for this program.

Teaching As A Priority Block Grant— $118.7 million for the Teaching As A Priority Block Grant, thereby restoring the $20 million funding reduction proposed for 2001-02. This program provides low-performing schools funding to offer recruitment and retention bonuses to credentialed teachers. Including the proposed 2002-03 funding, this Administration has provided $336 million for this program since the enactment of Chapter 70, Statutes of 2000.

Teacher Recruitment Incentive Program—$9.4 million for the Teacher Recruitment Incentive Program, which was established by Chapter 70, Statutes of 2000. This program provides funding for six regionally located centers to recruit qualified persons into the teaching profession. The centers place a particular emphasis on recruiting people to teach in low-performing schools. Since its inception in 2000-01, the Teacher Recruitment Incentive Program will have been provided $28.2 million, including the proposed 2002-03 funding.

National Board for Professional Teaching Standards Certification Incentive Program—$10 million for the National Board for Professional Teaching Standards (NBPTS) Certification Incentive Program, thereby continuing the $5 million anticipated savings that has been proposed for this program in 2001-02. This reflects the length of time necessary for a teacher to become certified. Including the proposed 2002-03 funding, this Administration has provided $35 million for the NBPTS Certification Incentive Program since its inception in 2000-01. The Program provides $10,000 bonuses to teachers who earn certification by the NBPTS, and additional $20,000 bonuses, payable over four years, to NBPTS-certified teachers who agree to work in low-performing schools.

Alternative Certification Program— The Alternative Certification Program allows college graduates who have proven their subject-matter knowledge to work full-time as teachers while earning their teaching credential. The 2002-03 Budget proposes to reduce funding for the Alternative Certification Program by $6.2 million, from $31.8 million to $25.6 million, to reflect anticipated savings in the program. The 2002-03 funding level will be sufficient to serve 10,240 participants at $2,500 each. Including the proposed 2002-03 funding, this Administration has provided over $100 million for the Alternative Certification Program since 1999-00.

Paraprofessional Teacher Training Program—The Paraprofessional Teacher Training Program allows non-college graduates to serve as instructional aides while working to earn a college degree. Upon earning a college degree, it is expected that Program participants will work to earn a teaching credential. The 2002-03 Budget proposes to reduce funding for the Paraprofessional Teacher Training Program by $4 million, from $11.5 million to $7.5 million, to reflect anticipated savings. The 2002-03 funding level will be sufficient to serve 2,500 participants at $3,000 each. Including the proposed 2002-03 funding, support for this program has totaled $42 million since 1999-00.

Accountability and Assessments

Governor's Performance Awards— The Budget continues the Governor's Performance Awards (GPA) Program at the $157 million funding level. Chapter 3, Statutes of 1999, established this awards program to provide approximately $67 per pupil to schools that meet their Academic Performance Index (API) growth targets. With the 2002-03 funding, schools will have received more than $540 million in awards since the inception of this program.

Certificated Staff Performance Incentive Act—$50 million, which represents a continuation of the $50 million funding decrease proposed for 2001-02, and will be sufficient to provide $25,000 bonuses to 500 staff, $10,000 bonuses to 1,875 staff, and $5,000 bonuses to 3,750 staff. Including the proposed 2002-03 funding, this program has received $200 million since its inception in 2000-01. Awards are provided to certificated staff including teachers, counselors, and administrators at low-performing schools that achieve significant, sustained increases in their Academic Performance Index scores.

Immediate Intervention/Underperforming Schools Program (II/USP)— The Budget provides a $29.6 million augmentation in the II/USP for a total of $210.8 million to fully fund implementation grants for three cohorts of schools. During 2002-03, nearly 1,200 schools will participate in the II/USP and will receive $200 per pupil to conduct activities geared towards improving academic performance. This program was implemented pursuant to the enactment of Chapter 3, Statutes of 1999. Over the four-year period since its inception, the Administration has provided $513.2 million, including federal funds, for this program.

High Priority Schools Grant Program— $197 million for the High Priority Schools Grant Program (HPSGP), which was delayed until July 1, 2002, due to current year budget constraints, will provide grants to the State's lowest performing schools to improve academic performance. Priority in funding will be provided to schools with the lowest API scores. While in the program, participating schools will receive

annual grants of up to $400 per pupil to implement an action plan focusing on the following essential components:

- Pupil literacy and achievement.
- Quality of staff.
- Parental involvement.
- Facilities, curriculum, instructional materials, and support services.

Pupil Testing—The Budget provides $130.5 million for various statewide exams. Over the course of this Administration, through the proposed 2002-03 Budget, $432.1 million has been provided for these assessments, which provide valuable information to parents, schools, and the State regarding pupil performance and are the foundation for the State's system of accountability.

- **Standardized Testing and Reporting (STAR) Exam—** $67.8 million is proposed for the STAR exam. This exam measures pupil performance on various State-adopted content standards as well as a national norm-referenced exam, and serves as the primary indicator for the Academic Performance Index. To ensure that English language learners are tested for academic performance as well, the STAR program includes the Spanish Assessment of Basic Education.

- **High School Exit Exam (HSEE)—** $18.3 million is provided for the HSEE Chapter 1, Statutes of 1999 requires pupils, commencing with the 2003-04 school year, to demonstrate proficiency in the State's rigorous academic standards by passing the High School Exit Exam as a condition of receiving a high school diploma. Due to concerns about whether students have had adequate opportunity to learn the concepts tested by the High School Exit Exam, the Governor signed legislation (Chapter 716, Statutes of 2001), requiring the State Board of Education to examine whether pupils have been provided sufficient opportunity to learn, and allowing a delay in implementing the High School Exit Exam, if necessary.

- **California English Language Development (ELD) Test—** $17 million is included for the ELD test. Schools are required to test pupils whose primary language is a language other than English to identify English language learners. This identification allows schools to better allocate resources that may benefit those students. Additionally, schools are required to test English language learners on an annual basis to ensure that an English proficient pupil is not maintained in a class nor curriculum that does not provide additional academic challenges or growth.

- **Golden State Exams (GSEs)—** $15.4 million is proposed for these challenging end-of-year exams, which are offered in 13 different subjects and offer pupils an opportunity to be recognized for their achievements in those subjects. Pupils who achieve outstanding scores on six GSEs are eligible to receive a Golden State Seal Merit Diploma. In an effort to minimize testing time, this Administration is working to incorporate these exams into the California Standards Tests as part of the STAR exam.

Standards-Based Student Workbooks—The Budget provides $2.4 million to continue providing pupils with workbooks for the High School Exit Exam. This Administration has provided a total of $5.4 million, including the $2.4 million proposed in 2002-03, for these workbooks, which provide pupils and their parents valuable information regarding the standards to which pupils will be held accountable, as well as the skills they must master. The workbooks are provided free of charge to all pupils being tested so that each pupil has access to this information.

Special Education

Special Education—The Budget reflects implementation of the fifth year of the per-pupil funding formula for special education prescribed by Chapter 854, Statutes of 1997 (AB 602). A total of $94.5 million in additional General Fund is provided for statutory adjustments to the special education formula, which includes increases of $77.5 million for a 2.15 percent COLA, $39.6 million for program growth, and a $22.6 million reduction to reflect an increase in local property taxes.

Last year the Administration allocated $97.9 million to schools as a permanent increase to the base level of funding for the special education program as a result of a commensurate increase in federal special education funds provided to the State. However, given the General Fund shortfall anticipated in for 2002-03, the $112.3 million in increased federal funds anticipated in budget year will be utilized as part of the statutory offset to the General Fund authorized by AB 602.

Including the 2002-03 proposed Budget, this Administration has provided special education with an additional $659 million in General Fund (an increase of over 32 percent) since 1998-99. Further fulfilling the funding commitments delineated in the new formula, the Administration has also fully funded the statewide funding target rate that equalizes funding for all Special Education Local Planning Areas, and has fully funded the adjustments for districts with higher than average populations of students with special needs.

Since 1998-99, $383 million in additional federal special education funds have been made available for expenditure, representing an increase of over 96 percent. This increase in federal

funds has resulted in funding augmentations for several special education programs, including Project Workability, which has received $21.2 million in increased funding, and $7.5 million in increased contract funds for the provision of due process services for special education. In total, more than $12.4 billion in State General Fund and federal funds has been provided for Special Education over the course of this Administration.

Finally, pursuant to successful efforts on the part of the Administration and the parties involved, a settlement was reached with the claimants regarding the 20-year old Riverside Special Education Mandate Case, resulting in $270 million in one-time funding for retroactive payments, $250 million in ongoing, one-time funds (paid in $25 million installments over ten years), and a $100 million increase in the base level of General Fund provided for special education in California.

State Special Schools—The Budget includes an increase of $465,000 for the State Special Schools. This increase includes $338,000 for transportation costs and $127,000 for utility costs.

The State Special Schools have received a $14.7 million ($7.2 million Proposition 98), or 29 percent, increase in General Fund support since 1998-99, increasing program funding from $50.8 million to a budget year total of $65.5 million. Over the last four years, more than $247.3 million in Proposition 98 and non-Proposition 98 funding has been appropriated to the State Special Schools within the Department of Education. Augmentations have been provided to meet a wide variety of challenges, including funding for extended class sessions and support technology, as well as for building repair and maintenance. In an ongoing effort to ensure the State Special Schools are appropriately staffed for the students they serve, they have also been provided with additional staff for reading assessments and instruction, physical education assessments, and facilities service and maintenance.

K-12 School Facilities

Deferred Maintenance—As part of the Administration's ongoing commitment to K-12 school facilities, the Budget provides a total of $205.4 million in Proposition 98 General Fund, an increase of $29.1 million, for the K-12 Deferred Maintenance Program to fully fund the one-half of one percent State match. These funds, along with excess loan repayment funds and School Site Utilization Funds, will provide a total of $220.1 million, which, when combined with the local match, will provide a total of $440.2 million for K-12 deferred maintenance needs in 2002-03.

The Administration fully supports school district participation in this highly successful program, and nearly all school districts in the state have opted to participate in the program. Since the beginning of this Administration, the State has fully funded the Deferred

Maintenance Program, and has increased the annual amount of General Fund provided for this program by $70.4 million, thereby increasing the program's base funding level by over 50 percent. Over the last four years, more than $701.7 million in Proposition 98 funding has been provided for Deferred Maintenance.

School Construction—In November 1998, voters passed Proposition 1A, which provides $6.7 billion in general obligation bond funds for K-12 school construction over four years.

A companion bill, Senate Bill 50, established the State School Facilities Program to administer the Proposition 1A funding. This bond proposal included significant reforms in the State school building program, and streamlined the project approval process for school construction projects.

The School Facilities Program has been highly successful in providing Proposition 1A bond proceeds for new construction, modernization, and class size reduction. A total of $5.8 billion has been apportioned to date to school districts in a timely and efficient manner. Of these funds, $5.3 billion has already been released or contracted for school facility projects. The balance of available funds will be apportioned to school districts by August 2002, specifically for new school construction ($693.8 million) and hardship funding for school districts in difficult fiscal circumstances ($36.6 million).

General Obligation School Bonds—In recognition of the infrastructure needs of primary and secondary schools, the Administration supports a bond measure that would authorize the placement of $10 billion School Facilities General Obligation Bonds on each of the 2002, 2004, and 2006 statewide election ballots. Of the $10 billion authorized for election, $8 billion would be for K-12 school facilities, and $2 billion would be for higher education facilities.

Child Care

Child Care Reform—In the spring of 2000, the Administration initiated a review of the State's child care policies, with the goal of determining how existing resources may be more efficiently used to equitably serve the State's neediest families. Following the release of a May 2001 report on child care fiscal policy reform options, the Administration continued the analysis with input from the Legislature, and is proposing specific changes to eligibility criteria, family fees, reimbursement rate limits, and other administrative issues detailed earlier in this Budget Summary. This Budget reflects the Administration's reform proposal to provide efficient, equitable child care services to California's neediest families—California Work Opportunity and Responsibility for Kids (CalWORKs) and non-CalWORKS working poor families alike.

Caseload changes in programs dedicated to CalWORKs families, reinvestment of an estimated $400 million of savings due to proposed reforms, plus

additional investment of Proposition 98 resources affect the budget levels of the five primary child care programs that offer subsidies through differing mechanisms, and the Before and Afterschool Program. The five child care programs include: CalWORKs Stages 1 and 2 for the CalWORKs populations; and General Child Care, Alternative Payment Program, and CalWORKs Stage 3 Setaside, which are discretionary programs for other working poor families. The Before and Afterschool Learning and Safe Neighborhoods Partnership Program (Before and Afterschool Program) is a grant program available to schools serving grades K-9. Before and Afterschool Programs provide academic support and a safe environment for children that reduces high risk behaviors, in addition to addressing child care needs for working families.

Specific savings and reinvestments under the Administration's proposal are outlined below:

- Savings from Stage 1 is estimated at $50 million, and is primarily reinvested in the Alternative Payment Program (APP) to expand slots for families on waiting lists.
- Savings from Stage 2 is estimated at $133 million, and is similarly reinvested in the APP program.
- Savings from Stage 3 Setaside caseload through the current year is estimated at $58 million, and is set-aside for those "timing off" of transitional assistance in the budget year along with $22.6 million in savings from other programs for this purpose.
- Savings from General Child Care (GCC) is estimated at $124 million, which is partially retained in GCC to allow current providers to continue current service levels. The remainder is primarily reinvested in the APP program for expansion of slots.
- Savings from the APP is estimated at $36 million, and is retained in this program for expansion of slots.
- Approximately $30 million of the savings is reinvested in the Before and Afterschool Program.

Budget Proposes Significant Expenditure and Service Level Increases— This Budget provides a total of $3.2 billion to serve an estimated 736,000 children for the various child care programs administered by the State Department of Education (SDE), the Department of Social Services (DSS), and the Community Colleges (CCC). This funding level reflects an overall increase of $150 million for a 4.9 percent increase from current year appropriations, and over $1.2 billion for a 62.7 percent increase since the beginning of the Administration. General Fund spending increases by $345 million in the budget year, while federal fund spending decreases by $170 million, primarily reflecting shifts in TANF spending in the CalWORKs program. Compared to 1998-99 and including 2002-03 proposed expenditures for child care, this Administration has

increased General Fund spending by $900 million, while federal fund spending has increased by only $328 million.

Along with the increased funding, and pursuant to the proposed reforms, the number of children estimated to be served increases by approximately 122,000, or 20.4 percent, over current year levels, and 310,000, or 73 percent, since 1998-99. No other Administration in recent history has expanded access to child care to more families nor increased spending for these purposes at such rates, which underscores this Administration's commitment to assisting low-income working families with their child care needs.

Child Care For CalWORKs Families

Child care services help public assistance recipients achieve and maintain self-sufficiency. Stage 1 and Stage 2 child care services are jointly administered by the DSS and the SDE, respectively, with some funding provided directly to the CCC for Stage 2. Stage 1 and 2 services are entitlement programs available to CalWORKs families for up to two-years after exit from cash assistance. The Governor's Budget includes funding for these populations as follows:

Stage 1 Child Care—The Budget provides $472 million in the DSS budget for an estimated caseload of 83,000 average monthly enrollment. This reflects a decrease from the current year appropriation level of $102 million, reflecting caseload reductions of 21,000 average monthly enrollments and savings due to the reform proposal as mentioned above. Of the amount proposed in the Budget, $27 million is reserved in a Stage 1 and 2 reserve account in DSS' budget, consistent with past practice.

Stage 2 Child Care—The Budget provides $592 million in the SDE budget for an estimated caseload of 121,000 average monthly enrollment. This reflects a decrease from the current year appropriation level of $31 million, reflecting net savings due to the reform proposal, and an increase in caseload of 17,000. Of the amount proposed in the Budget, $38 million is in the reserve account in DSS' budget.

Stage 1 and 2 Reserve—The Budget provides an additional $100 million in the DSS budget over and above the estimated costs for both stages, sufficient to serve an additional 18,000 average monthly enrollments. This is an increase of $10 million over the appropriation level in the current year. Combined with the funds reserved from the Stage 1 and 2 estimates, the total reserve is nearly $165 million, of which $65 million is the Stage 1 and 2 hold-back amounts.

Child Care For Working Poor Families

Child care programs for working poor families who are not on CalWORKs or who have successfully transitioned from CalWORKs-entitled child care are served through programs exclusively

administered by the SDE. These programs are discretionary. Eligible families apply for subsidies and receive services on the basis of priorities established in law, generally based on lowest-income-first and a demonstrated need for child care to maintain or seek employment. The Administration's reform proposal would alter the existing priority system and make families working full time in the lowest tiers of income and with children under 5 years of age, the highest priority after children at risk of abuse or neglect. As a result, the neediest families will have equal access with successfully transitioned CalWORKs families for subsidies, thereby meeting one of the primary goals of the reform proposal. The Governor's Budget, therefore, reflects a phase-out of the current Stage 3 Setaside and its preference for CalWORKs families, in favor of this more equitable approach. The Budget includes the following amounts for these populations in the primary discretionary programs (all other subsidy programs remain at the same level as the current year, adjusted for cost of living, as appropriate):

Stage 3 Setaside—$80.6 million in a separate setaside in the SDE budget for new families timing off of their transitional benefit between July 2002 and March 31, 2003. This amount is funded exclusively through savings based on the reform proposal, and is sufficient to provide services for 14,500 average monthly enrollments. The Budget proposes to shift $218.1 million estimated for the current year continuing Stage 3 caseload to the APP program. This funding is estimated to serve 40,000 average monthly enrollments. All current caseload will continue receiving care through the APP program as long as they remain eligible for subsidies. When combined, the funding level for both caseload components reflects a $39 million increase from the current year appropriation level, reflecting the lower State costs anticipated through proposed reforms.

General Child Care—$536 million in the SDE budget for an estimated caseload of 90,000 average monthly enrollments. This level of funding reflects a $43 million decrease from the current year appropriation level, but provides funds sufficient to serve the same level of enrollment as in the current year due to the savings resulting from the reform proposal.

Alternative Payment Program—$626 million in the SDE budget for an estimated 110,000 average monthly enrollments. This level of funding reflects a $425 million increase over current appropriation levels and an increase in average monthly enrollments of almost 76,000. As mentioned, this total reflects the shift of the Stage 3 caseload continuing from the current year. When these families no longer need child care services, the funding will remain in the program to provide access to the neediest families on an ongoing basis.

Before and After School Program Expansion

The Governor's Budget includes a $75 million augmentation to expand the Before and After School Learning and Safe Neighborhoods Partnerships Program, providing a total of $162.8 million for the program. This program provides homework assistance, other academic support, and access to safe before and after school care for children with working parents. This increased amount includes $29.7 million for expansion of grants that were suspended in the current year and $45.3 million for additional expansion, $30 million of which reflects a shift from savings in other programs due to the child care reform proposal. This expansion will provide services to at least 79,000 additional school-age children.

With this latest expansion, investment in the Before and After School Program by this Administration has increased a total of $113 million for a 226 percent increase above the 1998-99 initial program funding level, thus providing services to an additional 120,000 children in kindergarten through 9th grade for a total service level estimated at 176,000 children.

Child Care Quality Improvement

The Budget includes an increase of $9.8 million in one-time federal Child Care and Development Fund (CCDF) for a quality initiative over the next three years to provide outreach to all license-exempt providers for the primary purposes of providing training based on State developed pre-kindergarten guidelines and early childhood development principles, as well as health and safety issues. This funding may also be used to expand Trustline registration to extended family members, as determined necessary in conjunction with the DSS, and for the development of a certification process to qualify exempt providers for incentives to improve developmental outcomes for the children that they serve.

Total State quality enhancement expenditures continue to significantly exceed federal requirements and total over $102 million through the SDE programs and projects alone, a $13 million increase over the current year level. Over the last four years, the Administration has invested several hundred million additional State and federal dollars to enhance the quality of the State's child development programs, including the following:

- $15 million annually to improve child care teacher retention incentives through locally driven programs.
- $42 million one-time funding to improve access for disabled children in child care settings, and addressing new playground regulations.
- $5 million for the refinement and adaptation of the pre-kindergarten guidelines, curriculum development

for both centers and family day care homes, and training in the use of these tools.

- $5 million, in conjunction with matching funds from the Proposition 10 Commission, to create incentives for providers to seek accreditation status.
- $4 million annually to train CalWORKs recipients to become child development teachers and aides.
- $2.7 million annually for increased child care facility inspections.
- Other increases for the health and safety hotline, exempt provider trustline, a centralized waiting list pilot project, and numerous other projects to strengthen the child care infrastructure.

Child Care Facilities—Since 1999-2000, the Administration has reinvested $130 million in one-time Proposition 98 child care savings into the Child Care Facilities Revolving Fund, which provides portable classrooms specially designed for the needs of early childhood programs to both assist expansion of center-based care in State Pre-school and General Child Care provided earlier in this Administration, and to replace facilities lost to K-3 Class Size Reduction. Those replacements and expansions are nearing completion, and it is estimated that $42 million may be reverted to the balance of the Proposition 98 Reversion Account to help schools fund higher priority needs in the budget year.

Child Care Cost-of-Living Increase— The Budget provides $26.1 million ($20.8 million Proposition 98 General Fund and $5.3 million federal funds) for a 2.15 percent COLA for all eligible child care programs, including Local Child Care Planning Councils. Child care programs have received full COLA in each year of this Administration. Moreover, $33 million was provided in the Budget Act of 2000 to partially restore COLAs that had not been fully funded during the recession of the early 1990s.

Child Nutrition Pilot Program

Recognizing the school districts' role in the health and physical development of students, Chapter 913, Statutes of 2001, enacted a variety of child nutrition reforms, including a three-year pilot program to assist participant schools in their efforts to improve the nutritional value of meals served to California school children. In support of these efforts, the Budget provides $4 million in funding for the pilot from new federal funds awarded to the Department of Food and Agriculture to support California specialty crop production. The pilot program will increase demand for fresh food grown in California while improving the nutrition and eating habits of almost six million school children in California.

California State Library

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

- **Public Library Foundation (PLF)—** $41.8 million General Fund for the PLF, which reflects a reduction of $11.2 million from the 2001-02 funding level. This Administration has provided over $200 million for the PLF beginning in 1999-00 and has consistently funded the program at a significantly higher level than the $38.8 million provided in 1998-99.

- **Library of California—**$3.4 million General Fund for the Library of California, a reduction of $598,000 from the amount provided in the current year. This Administration has dedicated $15.4 million over four years to encourage resource sharing among all California libraries.

- **California American Indian Nations Information Project—** $50,000 General Fund to implement Chapter 870, Statutes of 2001, to develop instructional resources for use in public schools, and an information project to educate the general public on California's Native Americans.

- **Building Maintenance—**$76,000 General Fund for repair and maintenance costs at the Library and Courts II Building.

- **California State Portal Website—** $188,000 in reimbursements to continue development and enhancement of the California State Portal website (MyCalifornia). The website has received national acclaim and provides useful information and services, such as: online vehicle registration, State park reservations, and professional licensing (i.e. for physicians, registered nurses, and various contractors), and links to a multitude of other useful governmental and nongovernmental websites for an increasing number of users.

Other Adjustments

The Budget also contains the following adjustments:

High-Tech High Schools—A one-time appropriation of $4 million in Proposition 98 Reversion Account funds to continue the High-Tech High School program. The program provides five matching grants totaling $2 million each over two years, awarded on a competitive basis.

Enrollment Growth—Enrollment growth funding of $344.1 million, or 1.07 percent, for school district and county office of education apportionments ($304.5 million) and special education ($39.6 million) at 1.11 percent.

Cost-of-Living Adjustment (COLA)— $687 million for a 2.15 percent COLA for school districts and county offices of

education apportionments ($599.1 million), summer school ($10.4 million), and special education ($77.5 million).

Categorical Growth and COLA— $224.1 million for growth ($87.6 million) at various percentage rates and a 2.15 percent COLA ($136.5 million) for categorical programs, some of which include: Economic Impact Aid ($33.8 million), Adult Education ($28.2 million), Regional Occupational Centers and Programs ($15.6 million), Class Size Reduction ($51.4 million), School Improvement Programs ($11.3 million), and the Charter Categorical Block Grant ($8.3 million).

Partnership Academies—An increase of $948,000 for statutory funding adjustments, bringing total funding for the Partnership Academies to $23 million. These academies forge links between business partners and public K-12 schools to provide school-to-career training for predominantly at-risk high school students.

Adult Education—A reduction of $36 million to reflect the deletion of funds allocated for services to CalWORKs recipients. These funds were primarily used to allow Adult Education and Regional Occupational Center and Programs (ROC/Ps) to claim funds above their average daily attendance cap if they used the additional funds to provide instruction to CalWORKs participants. Due to recent program augmentations, these CalWORKs funds are no longer necessary to ensure that the State meets its maintenance-of-effort requirement for the federal Temporary Aid for Needy Families grant. CalWORKs recipients can still be served in adult education and ROC/P programs or through other CalWORKs employment services and training funds provided by the counties.

Fiscal Crisis and Management Assistant Team (FCMAT)—$4.5 million to strengthen the ability of the county superintendents of instruction to oversee school district budgets, pursuant to Chapter 620, Statutes of 2001, and to expand activities required through Chapter 1213, Statutes of 1991. The Administration believes that expanding fiscal consulting services will lead to greater accountability and, ultimately, better performance throughout California's K-12 educational system.

California School Information Services— $15.5 million to continue implementation of the California School Information Services (CSIS) project. Of this amount, $11 million will be to fund first-year CSIS implementation in 150 local education agencies, and second-year CSIS implementation in 131 local education agencies. The remaining $4.5 million will support the FCMAT's administration of CSIS implementation activities. When fully implemented, CSIS will facilitate the electronic transfer of student records between school districts when students change schools. The CSIS also will ease the burden of mandatory reporting requirements on school districts by allowing them to electronically transmit required information to the Department of Education.

Demonstration Programs in Intensive Instruction—A reduction of $6.1 million Proposition 98 for this program, which has sunset.

Digital High School—Continuation of the $15 million reduction made in the current year to reflect anticipated savings. This Administration has committed over $450 million through this program to increase access to computers for high school students, enhance the quality of instruction, and train educators in the use of technology.

School Development Plans and Resource Consortia—Elimination of this $21.6 million program with minimal impact, in light of the implementation of the Mathematics and Reading Professional Development Program, the Principal Training Program, and the Professional Development Institutes. This program provided funding for the participation of teachers in development and implementation of curricula, instruction, and student assessment.

Proposition 98 Reversion Account—One-time Proposition 98 Reversion Account appropriations totaling $534.9 million are provided as follows:

- $200 million to fund textbook block grants.
- $100 million to fund library block grants.
- $75 million to fund science laboratory materials and equipment.
- $11 million to fund CSIS.
- $4.5 million to fund the FCMAT administration of CSIS.
- $87.1 million to fund the Mathematics and Reading Professional Development Program.
- $4 million to fund High-Tech High Schools.
- $7.5 million to fund the Principal Training Program.
- $22.9 million to fund Community Colleges Scheduled Maintenance.
- $22.9 million to fund Community Colleges Instructional Equipment and Library Materials.

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Higher Education

Higher education plays a key role in the economic health and well-being of California. California's economy is increasingly dependent upon highly-trained scientists, well-educated professionals, and expert service providers. Using the Master Plan for Higher Education as a blueprint, the State's institutions of higher education—the University of California (UC), California State University (CSU), and the California Community Colleges (CCC)—offer educational opportunities to all who seek to prepare themselves for productive lives in California's workforce.

Partnership Agreement

The Administration entered into a Partnership Agreement with UC and CSU that underscores the Administration's commitment to financial support and the segments' commitments to accountability. The Partnership supports the segments' efforts to maintain quality while planning for growth. Annual funding is contingent on progress by the segments in achieving their accountability goals and the availability of State revenues.

The Partnership's funding components consist of the following:

- An average annual increase of four percent to the prior year's state-funded base.
- Enrollment funding based on marginal cost formulas developed with the State.
- An additional one percent for core areas of the budget that have previously experienced shortfalls (building maintenance, instructional technology, instructional equipment replacement, and libraries).
- Funding for capital outlay debt service and annuitant health and dental benefits.
- Support for general obligation or lease-revenue bonds to fund capital outlay.
- One-time funding and funding for new or expanded initiatives that are important to the State as a whole, which may be provided above the funding in the Partnership, contingent on the State's fiscal situation.

Unavoidably, as a result of the slowing in the State's economy, both UC and CSU have had to share in the budget reductions necessitated by declining State revenues. Thus, the Budget does not propose to fully fund the Partnership for UC and CSU in 2002-03. However, the Administration expects to resume its commitment to the funding elements of the Partnership once the State's fiscal situation improves.

Nevertheless, the segments' commitment to the accountability measures under the Partnership continues. Both UC and CSU have met, and exceeded, their commitments under the Partnership Agreement.

Student Fees

For the eighth consecutive year, there will be no increases to systemwide mandatory student fees. Current fee levels at UC and CSU continue to be moderate in comparison to similar institutions nationwide, and students will pay only a fraction of the total cost of their education. The majority of this cost is provided by the State. For UC, the 2002-03 average annual cost of education for an undergraduate, general campus student (using the methodology developed by the California Postsecondary Education Commission [CPEC]) is $16,314; students pay $3,429 (which excludes campus based fees), or approximately 21 percent, and the General Fund supports approximately 69 percent. For CSU, the average cost of education is $10,550; students pay $1,428 (which excludes campus-based fees), or approximately 13.3 percent of this total annually, and the General Fund supports approximately 80 percent. A variety of other funding sources make up the difference between student fees and General Fund support.

For the CCC, the General Fund and local property tax share is 94 percent of the $4,678 cost of education. Community College students pay only 3.3 percent of the total cost. Regular enrollment fees remain at $11 per credit unit—less than half that of the next lowest state in the nation and less than 20 percent of the national average.

New funding and program adjustments for each higher education segment are discussed below. Enrollments for 2002-03 are indicated in Figure HIED-1. Total funding levels (excluding capital outlay) are shown in Figure HIED-2.

University of California

General Fund Increases—The Budget provides a total State General Fund increase of $40.3 million—the net change after accounting for an increase of $142.8 million toward the Partnership Agreement; a reduction of $72.5 million associated with one-time funding provided in the 2001 Budget Act; and a reduction of $30 million to address the current economic situation.

Figure HIED-1

Higher Education
Full-Time Equivalent Students

	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2002-03 vs. 2001-02
University of California	152,050	154,141	155,387	157,811	161,400	165,900	171,270	181,031 1/	189,028	7,997
Undergraduate	(113,869)	(116,176)	(117,465)	(119,852)	(123,227)	(127,208)	(132,026)	(140,825)	(147,672)	(6,847)
Graduate	(25,546)	(25,346)	(25,318)	(25,682)	(25,629)	(26,114)	(26,666)	(27,940)	(29,090)	(1,150)
Health Sciences	(12,635)	(12,619)	(12,604)	(12,277)	(12,544)	(12,578)	(12,578)	(12,266)	(12,266)	0
California State University	247,113	253,376	262,428	267,984	273,928	281,782	290,554	305,854 2/	318,124	12,270
Undergraduate	(213,390)	(218,529)	(225,624)	(228,909)	(233,155)	(238,923)	(246,511)	(259,407)	(269,735)	(10,328)
Graduate/Post-baccalaureate	(33,723)	(34,847)	(36,804)	(39,075)	(40,773)	(42,859)	(44,043)	(46,447)	(48,389)	(1,942)
Community Colleges	854,831	870,720	902,839	925,328	961,609	998,297	1,031,206	1,062,142	1,094,006	31,864
Hastings	1,257	1,216	1,284	1,156	1,140	1,116	1,198	1,200	1,200	0
Total Students	**1,255,251**	**1,279,453**	**1,321,938**	**1,352,279**	**1,398,077**	**1,447,095**	**1,494,228**	**1,550,227**	**1,602,358**	**52,131**

1/ Budgeted. Estimated enrollment is 184,456 for UC.
2/ Budgeted. Estimated enrollment is 314,276 for CSU.

Partnership Agreement—The budget includes the following increases for the Partnership Agreement:

- $47.5 million for a 1.5 percent increase to the University's State General Fund base.
- $63.8 million for enrollment growth of 3.9 percent.
- $8.4 million to fully fund state support for summer instruction at the Davis campus.
- $14 million for annuitant health and dental benefits, consistent with the benefit costs for civil service annuitants.
- $5.1 million for the increased cost of payments for lease-revenue bonds.
- $4 million in one-time funds for UC Merced expenses associated with recruiting faculty in time for the fall 2004 opening date.

UC plans to use the additional General Fund, supplemented with additional UC income, to support costs associated with enrollment growth, employee merit increases, cost increases associated with non-salary budgets, fee waivers for teaching assistants consistent with collective bargaining agreements, and building maintenance for new space coming on line, as described in the following sections.

Student Fees—For the eighth year in a row, there is no increase in systemwide mandatory fee rates. UC's undergraduate fee level at $3,859 compares favorably with the 2001-02 average of $5,585 at four public institutions used for salary comparisons (see Figure HIED-3).

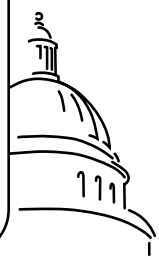
Student Enrollment—The Budget includes $63.8 million to increase enrollments by 7,100 full-time equivalent students (FTES) in 2002-03, for a total budgeted General Campus and Health Sciences enrollment of 189,028, including state-funded summer enrollment at four campuses. UC plans to target growth of about 1,000 budgeted FTES in the fields of engineering and

Figure HIED-2

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

	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	One-Year Change Amount	One-Year Change Percent
University of California [1/]	$2,668.6	$2,769.2	$2,963.9	$3,096.9	$3,480.6	$3,694.6	$4,228.0	$4,440.2	$4,486.2	$46.0	1.0%
California State University [1/]	2,141.8	2,229.2	2,417.8	2,513.5	2,741.1	2,813.1	3,104.5	3,423.4	3,450.0	$26.6	0.8%
Community Colleges	3,639.1	3,894.2	4,209.4	4,630.4	5,025.0	5,326.6	5,780.0	6,193.7	6,297.9	$104.2	1.7%
Student Aid Commission	226.1	236.8	264.7	295.2	343.4	385.4	487.4	571.4	733.7	$162.3	28.4%
Other Higher Education [2/]	156.9	156.3	190.2	181.1	180.4	205.4	223.9	240.7	274.3	$33.6	14.0%
Total Funds	**$8,832.5**	**$9,285.7**	**$10,046.0**	**$10,717.1**	**$11,770.5**	**$12,425.1**	**$13,823.8**	**$14,869.4**	**$15,242.1**	**$372.7**	**2.5%**

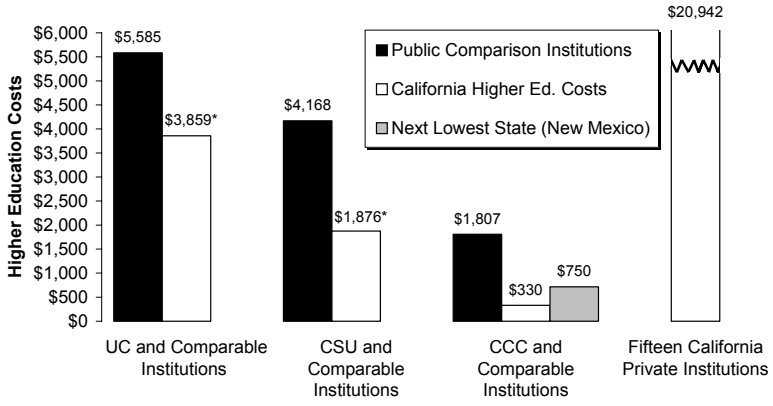
[1/] For purposes of this table, expenditures for the UC and CSU have been adjusted to include the offsetting general purpose income. This provides consistency in comparing magnitudes and growth among the various segments of education.
[2/] The Other Higher Education amount includes Hastings College of the Law (HCL), the California Postsecondary Education Commission, and General Obligation Bond Interest and Redemptions for UC, CSU, and HCL.



computer sciences. In 1997-98, the University embarked on an eight-year plan to increase enrollment in these fields to about 24,000 FTES by 2005-06. The University met this goal in 2001-02, four years ahead of schedule. However, given continuing demand from private industry for graduates in these disciplines, UC is continuing its strategy of targeting large enrollment increases in these areas. The Budget also assumes enrollment growth of 500 FTES associated with UC's plan to more than double the number of students who graduate with education credentials over the next several years. With this increase, education credential enrollment will grow to 2,396 FTES in 2002-03 from 1,000 FTES in 1998-99.

HIED-3

Fee Levels Remain Low at California's Public Higher Education Institutions Compared to Tuition Levels in Other States and California's Private Institutions



* Includes system wide fees and the average of campus-based fees.

Year-Round Operations—The Budget includes $8.4 million to fund, at the agreed-upon marginal cost of instruction, the full cost of existing summer enrollment (897 FTES) at the Davis campus (support for Berkeley, Los Angeles, and Santa Barbara campuses was provided in the 2001 Budget Act). Funding provided in the 2002-03 Budget is the next step in a multi-year plan to phase in state-supported summer instruction at all UC general campuses, with priority given to severely impacted campuses.

Employee Compensation—Using available partnership funding, UC will engage in collective bargaining negotiations to determine appropriate adjustments to faculty and/or staff salaries.

Price Increase—UC plans to allocate $16.8 million to offset the impact of inflation on its non-salary budget. This will assist the University in maintaining the purchasing power needed to buy commodities necessary for the operation of the campuses.

General Fund Reductions—In addition to continuation of several mid-year reductions in 2001-02, including $25 million related to lower energy costs and a $6 million reduction to the California Professional Development Institutes, UC's budget includes the following base reductions:

- $17 million in excess financial aid funds provided in prior years when fees were at a higher level.
- $4 million for the Subject Matter Projects.
- $4.2 million for the outreach programs.

- $4.8 million reduction for the K-12 Internet2 program.

UC Merced

The University is planning to open the Merced campus by fall 2004. This campus is needed to provide greater access to UC for students in the Central Valley and for the economic growth potential of the Central Valley. Previous planning had aimed at opening doors in Merced to the first on-campus students by 2005-06. The Governor has requested that State agencies and local governments work with UC officials to accelerate that opening by one year. In the meantime, UC is developing plans to begin offering for-credit courses to enrolled students before 2004-05.

The 2002-03 operating budget for Merced includes $4 million in one-time funds for expenses associated with recruiting faculty in time for the accelerated opening date. The 2002-03 Budget also includes $566,000 for working drawings for phase 3 of the campus infrastructure. In addition to funding proposed for the budget year, a total of $43.2 million in lease-revenue bond funding is proposed for 2001-02 to accelerate projects that had been previously scheduled for 2002-03 and beyond. Funds for Merced accelerated into 2001-02 will be used for design and construction of the second phase of infrastructure and for construction of the Classroom and Office Building.

Capital Outlay

In addition to funding for the California Institutes for Science and Innovation and the Merced campus described above, the Governor's Budget includes $85.3 million for 14 new and 5 continuing projects at the 9 existing campuses. The total includes $8 million Higher Education Capital Outlay Bond Fund of 1998 (Proposition 1A), and $74 million in proposed GO bonds to be placed on the November 2002 ballot. The remaining funding consists of $356,000 General Fund for a seismic project and $3 million Water Bond for a research and teaching facility to study North Delta watersheds.

The Budget proposes projects to address three primary areas: replacement of aging facilities, renovations to address fire, life and safety, and seismic concerns, and new facilities to accommodate enrollment growth.

In addition, the Administration is proposing legislation to appropriate $335.2 million Public Buildings Construction Fund through lease-revenue bonds to offset General Fund costs in the current year, including $308 million for the California Institutes of Science and Innovation as discussed below.

The Administration is proposing an additional $279 million Public Building Construction Fund as part of its Economic Stimulus Package to accelerate seven projects to provide additional jobs and service opportunities in California. The package includes funding for

Veterinary Medicine 3A at the Davis campus, Natural Sciences Unit 2 at the Irvine campus, Engineering Building Unit 3B at the San Diego campus, Life Sciences Building at the Santa Barbara campus, and Engineering Building at the Santa Cruz campus. Acceleration of these projects will help boost the State's economic recovery by creating jobs in the construction sector.

Research

The California Master Plan for Higher Education designates UC as the primary State-supported academic agency for research. Industry depends heavily on university-based research. This research provides the foundation of knowledge and scientific advancement through which new industries are born and expanded, sparking economic growth that benefits the entire State. Investment in research and development and the creation of a highly educated workforce have become statewide imperatives, as a result of the emergence of knowledge-based industries and the globalization of California's economy. Recognizing the importance of research, the current level of funding for this function remains intact in the Budget.

California Institutes for Science and Innovation—The 2000-01 Budget included the initial installment of a commitment to provide UC with $75 million a year for four years to develop three world-class centers for cutting-edge research in science and technology. Funding to begin a fourth institute was provided in 2001-02. State funds are to be matched on a two-to-one basis from non-state funds. Including 2002-03 funding, a total of $256 million has been budgeted for the Science Institutes, of which $84.8 million is from the General Fund and $180.2 million is from lease-revenue bonds.

The Administration proposes to shift the fund source for the Science Institutes from General Fund to State lease-revenue bonds. The Budget proposes to shift $90 million of the 2001-02 appropriation and $218.5 million of the next two years' appropriations to State lease-revenue bonds, for a total of $308.5 million.

The Science Institutes position California both to maintain its premier standing in science and technology, and build the technological foundation for future competitiveness and economic growth, by drawing the best UC scientists, engineers, and students together in defining the critical frontiers of communications, information technology, health sciences, and the emerging field of nanosciences. They are designed to foster discovery in areas where the complexity of problems requires the scope, scale, duration, equipment, and facilities that only a comprehensive center can provide. The Science Institutes will operate in a public-private partnership that promotes innovative research and fosters a remarkable new education environment for students who will become our next generation of scientists and technological leaders.

The following four institutes are already underway:

- The California NanoSystems Institute, at UCLA in collaboration with UC Santa Barbara, will enable design and construction of functional devices and materials with components that measure no more than a billionth of a meter.

- The California Institute for Telecommunications and Information Technology, at UC San Diego in collaboration with UC Irvine, will develop innovative new materials and devices and radically expand the capacities of communications and information infrastructures. Sweeping changes in the structure and scale of Internet telecommunications are expected to occur over the next decade.

- The California Institute for Bioengineering, Biotechnology and Quantitative Biomedicine, at UC San Francisco in collaboration with UC Berkeley and UC Santa Cruz, is bringing together scientists in biomedical research, engineering, and physical sciences to seek breakthroughs in diagnosis, treatment, and prevention of disease.

- The Center for Information Technology Research in the Interest of Society at UC Berkeley, in collaboration with UC Davis, UC Merced, and UC Santa Cruz, is designing large-scale information technology solutions to social and commercial problems, including design and implementation of "Smart Classrooms" for enhanced education and training; "Smart Buildings" that adapt to their inhabitants; information sensors that will be installed throughout the civil infrastructure to provide data for transportation management, disaster response, seismic planning, and environmental monitoring; and a medical alert network to monitor and treat individuals.

California State University

General Fund Increases—The Budget provides a total State General Fund increase of $28.1 million, the net change after accounting for an increase toward the Partnership Agreement of $117.9 million; a reduction of $18.9 million associated with one-time funds provided in the 2001 Budget Act; $35.8 million in 2000-01 carryover funds; a $9.1 million reduction in the costs of lease purchase bonds; and a $26 million reduction to address the current economic situation.

Partnership Agreement—Increases for the Partnership Agreement include the following:

- $37.7 million for a 1.5 percent increase to the University's State General Fund base.

- $78.1 million for enrollment growth of 4 percent.

- $1.1 million to fully fund year-round instruction at the Chico campus.

- $1 million for annuitant dental benefits, consistent with the benefit costs for civil service annuitants.

CSU plans to use the additional General Fund resources and $20.9 million in increased fee revenue from enrollment growth to fund costs associated with enrollment, employee compensation, operating costs, technology infrastructure equipment, new space and property insurance, health premium increases, and strategic academic programs.

Student Fees—For the eighth year in a row, there is no increase in systemwide mandatory fees. CSU's undergraduate fee level of $1,834 compares favorably with the 2001-02 average of $4,168 at 15 public institutions used for salary comparisons (see Figure HIED-3).

Student Enrollment—The Budget provides CSU with $78.1 million to increase enrollments by 4 percent (12,270 full-time equivalent students [FTES]) in 2002-03, for a total of 318,124 FTES (including 240 summer FTES; see Year Round Instruction below).

Year-Round Instruction—The Budget includes $1.1 million to convert the Chico campus (a total of 240 FTES) to year-round instruction. Ten campuses have already been converted through funding provided in the 2001 Budget Act. As additional campuses approach capacity, funding will be provided to allow them to provide year-round instruction.

Employee Compensation—Using available partnership funding, CSU will engage in collective bargaining negotiations to determine appropriate adjustments to faculty and/or staff salaries.

General Fund Reductions—In addition to the continuation of a $20 million mid-year reduction in 2001-02, related to lower energy costs, CSU's budget includes the following base reductions:

- $6.5 million for the Education Technology Professional Development Program.
- $14.5 million in excess financial aid funds provided in prior years when fees were at a higher level.
- $5 million reduction for the Cal-Teach Teacher Recruitment Program.

California Community Colleges

The Budget proposes nearly $6.3 billion in total funding for the California Community Colleges (CCC), reflecting a $104.2 million or 1.7 percent increase over the $6.2 billion provided in 2001-02. This funding increase provides the resources for districts to address the following priorities:

- Expansion of access to meet the expected college population demand.
- Promotion of efficient transfer between all campuses and four-year segments.

Figure HIED-4

Significant Revenue Sources for Community Colleges

(Dollars in Millions)

Source of Funds	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	Change From 2001-02 Dollars	Change From 2001-02 Percent
State General Fund	$1,279.2	$1,342.7	$1,600.3	$1,872.5	$2,108.3	$2,259.7	$2,551.5	$2,803.4	$2,978.7	$2,918.8	-$59.9	-2.0%
Lottery Fund	94.2	100.7	107.4	95.4	108.7	117.8	126.2	121.0	138.1	138.1	$0.0	0.0%
Local Property Taxes	1,278.5	1,332.0	1,348.1	1,335.7	1,422.7	1,487.7	1,585.3	1,711.5	1,855.3	2,001.9	$146.6	7.9%
Student Fees	186.9	174.9	166.9	163.5	166.5	160.2	155.2	154.7	162.4	167.3	$4.9	3.0%
Other State Funds	5.5	7.3	7.3	6.5	7.4	7.3	10.0	12.4	11.9	9.1	-$2.8	-23.6%
Federal Funds	136.3	146.1	143.7	142.1	150.0	160.8	185.5	201.7	216.2	219.4	$3.2	1.5%
Local Miscellaneous	554.4	533.8	516.9	590.7	662.6	827.2	708.2	770.2	825.6	837.8	$12.2	1.5%
Local Debt Service	2.8	1.7	3.6	3.1	4.2	4.4	4.6	5.0	5.4	5.5	$0.1	1.5%
TOTAL REVENUE	$3,537.9	$3,639.1	$3,894.2	$4,209.4	$4,630.4	$5,025.0	$5,326.6	$5,780.0	$6,193.7	$6,297.9	$104.2	1.7%

- Maintenance and upgrading of the colleges' physical plant and instructional equipment.

To accomplish these objectives, the Budget also ensures the CCCs continue to be the most affordable higher education system in the nation, regardless of income level. Student fees will remain at $11 per credit unit, the lowest in the nation. Figure HIED-3 compares California's annual enrollment fees to fees nationwide for 2001-02. The chart shows that the national average for student fees at community colleges is over five times the fees paid in California. Additionally, the Budget includes funds to offset the associated fees waived for all low-income students.

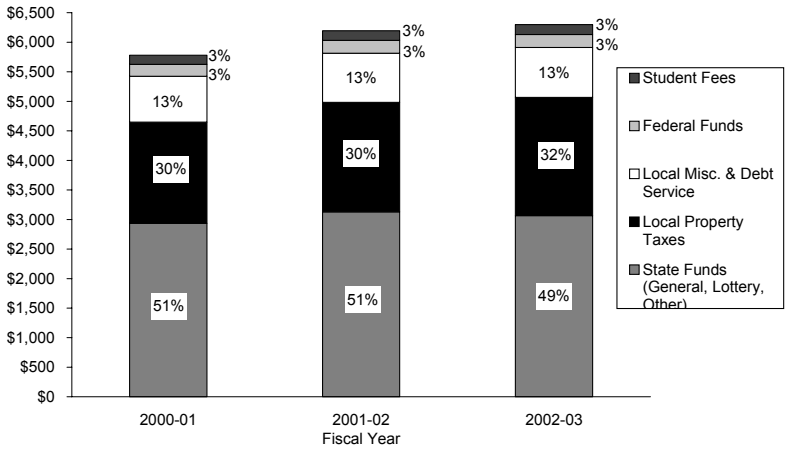
Figure HIED-4 shows total funding for the CCC in 2002-03.

Figure HIED-5 shows the funding sources and their proportions from 2000-01 through 2002-03.

HIED-5

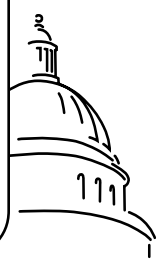
Revenue Source for Community Colleges

(Dollars in Millions)



Major Local Assistance Augmentations—The Budget proposes the following increases for the general apportionment and other CCC programs for 2002-03:

- **Growth—**$118.7 million for a 3 percent growth in enrollment for apportionments and categorical



programs. This level exceeds the 1.94 percent change in adult population, the current statutory index for system growth. This growth funding will support an additional 31,864 FTES, bringing the estimated FTES level to 1,094,006.

- **COLA—**$88.8 million for a 2.15 percent COLA to fully fund cost-of-living increases for both general purpose funds and categorical programs.

- **Instructional Equipment and Library Materials Replacement—** $34 million for a total of $49 million to assist CCCs with replacing worn out, obsolete, or inadequate equipment and instructional materials. These funds would be matched at the current rate of one local dollar for every three state dollars provided. This augmentation fully restores the prior funding level.

- **Scheduled Maintenance and Special Repairs—**$32 million for a total of $49 million to augment resources available for scheduled maintenance and special repairs, hazardous substances removal, and Americans with Disabilities Act compliance projects. These funds would be matched at the current rate of one local dollar for every state dollar provided. This augmentation fully restores the prior funding level.

Local Assistance Reductions—In addition to the continuation of a $5 million mid-year reduction in 2001-02 related to the Teacher and Reading Development Program, the Budget proposes the following reductions to other categorical programs for 2002-03:

- **Special Services for CalWORKs Recipients—**$58 million as part of the statewide CalWORKs funding reduction as the State has sufficient funds to meet the federal maintenance-of-effort requirement for federal Temporary Aid for Needy Families funds. Many of these services can still be provided through the CCC general apportionment or through direct contracts between counties and CCC using county CalWORKs funding.

- **Matriculation—**$26.8 million due to State fiscal constraints. Activities funded through matriculation (e.g. student orientation, assessment, and course counseling) are also provided through the colleges' general apportionment. This reduction should not lead to the elimination of existing services, as Partnership for Excellence funding should be used as necessary to maintain essential services.

- **Fund for Student Success—** $10 million, recognizing that the objective of short-term grants provided by this program duplicates the goals of the Partnership for Excellence program, but does not contain the same level of accountability.

- **Telecommunication and Technology Infrastructure Program—** $19.8 million related to training and local improvements that can be provided through other fund sources. Base funding for statewide technology improvements, linkages, and partnerships remains unchanged.

- **Economic Development Program—**$9.9 million, with $1 million to discontinue funding for nursing curriculum development, a one-time activity funded in the current year. The remaining reductions, primarily to areas that provide limited direct services to students, are proposed due to the State's fiscal constraints.

- **Faculty and Staff Development—** $5.2 million to eliminate the Faculty and Staff Development program. The existing program augments training activities provided through the general apportionment and Partnership for Excellence funding. However, there is no meaningful accountability for results from the program.

State Operations Adjustments—The Budget proposes a net reduction of $842,000 General Fund to the California Community Colleges Chancellor's Office for 2002-03 reflecting the following:

- **Augmentations—**$140,000 General Fund to extend two limited-term positions for the Partnership for Excellence program through the 2004-05 fiscal year to ensure the evaluation and production of reports related to the effectiveness of this program; and $218,000 General Fund to cover full-year costs related to expansion of the headquarters of the Chancellor's Office.

- **Reductions—**$1.2 million to eliminate 15.5 positions in the following areas: (1) state operations reductions correlated with local assistance reductions ($420,000 and 6.5 positions), (2) temporary help and other positions not linked to any categorical program ($483,000 and 9.0 positions), and (3) contracts, travel, and other operating expenses ($297,000).

Capital Outlay—The Budget proposes $339.8 million from a combination of proposed general obligation bonds and lease-revenue bonds to fund 67 projects at 56 campuses. Funding includes $166.4 million for the continuing phases of 64 projects at 53 campuses, and $3 million to begin 3 new fire, life safety projects at 3 campuses. Included in this amount is funding for the initial project planning phases and continuation of the subsequent project phases for 31 additional projects authorized by Chapter 891, Statutes of 2001 (SB 735). In addition, $170.4 million of Public Buildings Construction Fund lease-revenue bonds will be proposed as part of the Administration's Economic Stimulus Package to accelerate projects to provide additional jobs and service opportunities in California.

Financial Aid and Outreach Programs

The Budget ensures access to higher education for all meritorious students regardless of family resources, and continues the Administration's commitment to providing special programs geared toward students who choose teaching as a career. Financial aid grants from the General Fund and new fee revenue will increase by $136.7 million over 2001-02 (see Figure HIED-6). In addition to these funds, students may access a variety of grants, loans, and work-study programs through federal, private, and other sources. Over 70 percent of UC students and over 58 percent of CSU students currently receive financial aid.

Cal Grant Expansion—Chapter 403, Statutes of 2000, enacted the single largest expansion of financial aid in California history, underscoring the Administration's commitment to ensuring access to higher education. Students who apply within one year of high school graduation, are financially needy, and have a grade point average of 3.0 or above are entitled to a Cal Grant A tuition award for an amount equal to the mandatory systemwide fees at UC or CSU or up to $9,708 at a private institution. Students who apply within one year of high school graduation, are financially needy, and have a grade point average of 2.0 or above are entitled to a Cal Grant B subsistence award of up to $1,551 annually for up to four years, along with a tuition award in years two through four. Cal Grant C awards of up to $2,592 for tuition and fees plus up to $576 for training-related costs will continue to provide educational opportunities to students who choose short-term occupational or training programs. Cal Grant T awards in an amount equal to the mandatory systemwide fees at UC or CSU, or up to

HIED-6

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

Institution/Fund Source	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
University of California [1/]	$176,531	$180,700	$195,481	$196,427	$212,299	$226,864	$234,054	$240,498	$223,498
General Fund	53,743	62,644	62,260	60,251	69,228	85,563	85,563	85,563	68,563
Fee Revenue	122,788	118,056	133,221	136,176	143,071	141,301	148,491	154,935	154,935
California State University [1/, 2/]	109,042	110,047	114,588	115,974	120,527	127,386	131,618	135,563	121,063
General Fund	47,680	47,659	47,684	48,417	54,180	65,647	65,647	65,647	51,147
Fee Revenue	61,362	62,388	66,904	67,557	66,347	61,739	65,971	69,916	69,916
Community Colleges [1/]									
General Fund	89,551	94,050	100,486	101,636	95,275	85,928	86,706	91,041	93,772
Student Aid Commission [1/]									
General Fund	222,878	230,523	257,670	282,228	334,795	376,850	473,546	555,980	721,488
Total	**$598,002**	**$615,320**	**$668,225**	**$696,265**	**$762,896**	**$817,028**	**$925,924**	**$1,023,082**	**$1,159,821**
General Fund	413,852	434,876	468,100	492,532	553,478	613,988	711,462	798,231	934,970
Fee Revenues	184,150	180,444	200,125	203,733	209,418	203,040	214,462	224,851	224,851

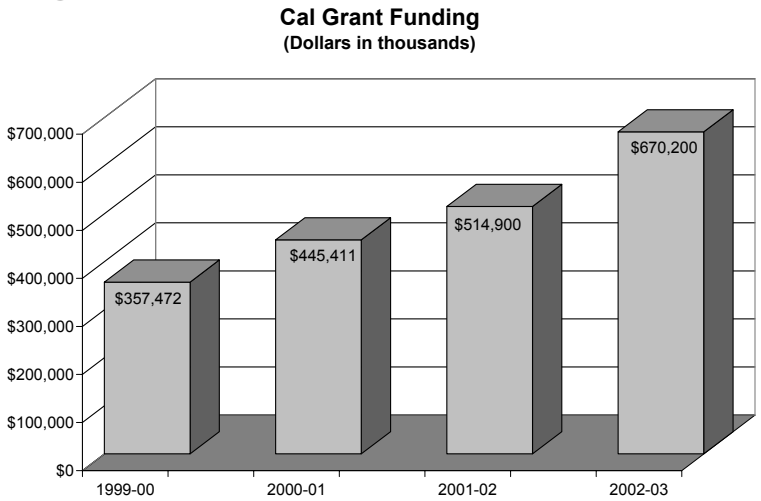
[1/] Reflects budgeted amounts for 2001-02 and 2002-03.
[2/] Includes $14 million GF for EOP grants through 1998-99 and $17 million beginning 1999-00.

$9,708 at a private institution, will continue to provide support for students who are working toward a teaching credential. The Budget maintains funding for Cal Grant T awards at $10 million.

The Budget provides a total of $694.3 million for all types of Cal Grants, an increase of $155 million, or 28 percent, over the $539.3 million budgeted in 2001-02.

Figure HIED-7 shows growth in Cal Grant A and B Awards in recent years.

HIED-7



Assumption Program of Loans for Education (APLE)—The APLE program assumes up to $19,000 in student loans for up to 6,500 students each year who agree to teach in underserved schools. The Budget includes a $10.6 million General Fund increase to provide loan repayments to students who have already entered the teaching profession.

Eligibility for Higher Education Study—The Budget includes $14,000 for the California Postsecondary Education Commission (CPEC) to continue the third year of a four-year study examining the eligibility of California's high school graduates for admission to the State's public universities. The study will reveal the extent to which the class of 2001 is eligible for admission to the UC and to CSU, and whether actual eligibility is consistent with the guidelines set forth in California's Master Plan for Education.

Outreach Programs—The Budget continues $150,000 in one-time funding for CPEC to complete preparation of a survey of state outreach programs intended to increase college attendance rates, to examine how state resources are currently allocated and the extent to which overlap exists among the outreach programs.

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Health and Human Services

Health and human services programs provide medical, dental, mental health, and social services to California's most needy citizens. For the 2002-03 fiscal year, expenditures for all Health and Human Services Agency budgets total $66.7 billion in combined State and federal funds. This includes expenditures for approximately 42,300 personnel years.

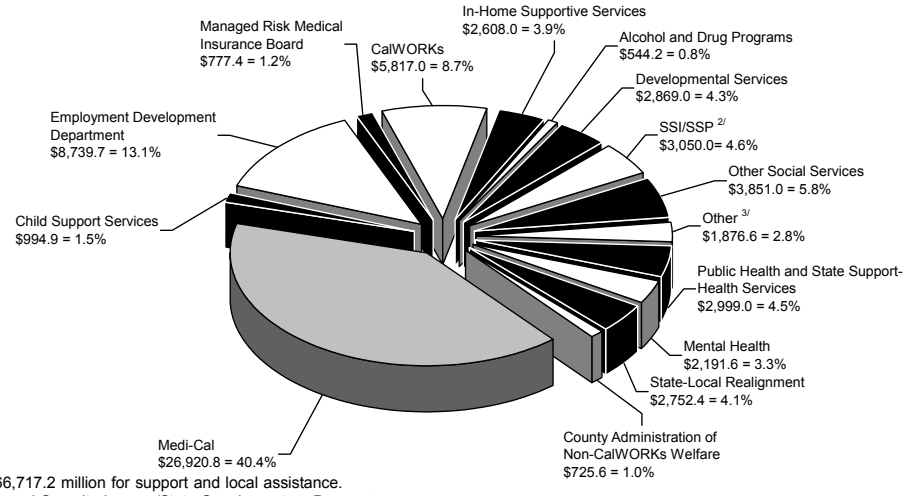
Figure HHS-1 displays expenditures for each major program area, and Figure HHS-2 displays program caseloads.

Department of Health Services

The mission of the Department of Health Services (DHS) is to protect and improve the health of all Californians. To accomplish this, the DHS administers a broad range of public health programs and the California Medical Assistance Program—Medi-Cal. In 2002-03, the DHS budget totals $29.9 billion ($10.7 billion General Fund) and 5,480 personnel years. Funding for 2002-03 reflects a General Fund increase of $322 million compared to the 2001 Budget Act.

Figure HHS-1

Health and Human Services
Proposed 2002-03 Expenditures[1/]
All Funds
(Dollars in Millions)



1/ Totals $66,717.2 million for support and local assistance.
2/ Supplemental Security Income/State Supplementary Payment.
3/ Includes Health and Human Services Agency, Department and Commission on Aging, Departments of Rehabilitation and Community Services and Development, Health and Human Services Agency Data Center, Office of Statewide Health Planning and Development, State Independent Living Council, Emergency Medical Services Authority, Child Development Policy Advisory Committee, California Children and Families Commission, State Council and Area Boards on Developmental Disabilities, California Medical Assistance Commission, and California Workforce Investment Board.

Public Health

The DHS administers numerous public health programs that strive to prevent disease and premature death and to enhance the health and well-being of all Californians. In addition, the DHS works to prevent and control chronic diseases such as Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome (HIV/AIDS), cancer, cardiovascular disease, and environmental and occupational diseases. Further, the DHS protects the public from consuming unsafe drinking water, manages and regulates the safety of food, drugs, medical devices, and radiation sources, and operates vital public health laboratories that support these activities and programs. Expenditures for all public health programs and State operations total $3 billion ($644 million General Fund) in 2002-03. This represents a decrease of $56.6 million, or 8.1 percent below General Fund expenditures in the 2001 Budget Act.

Figure HHS-2

Major Health and Human Services Program Caseloads

	2001-02 Revised	2002-03 Estimate	Change
California Children's Services [a/] (treatment of physical handicaps)	165,900	171,870	5,970
Medi-Cal Certified Eligible	6,195,000	6,499,100	304,100
CalWORKs			
Avg: Monthly persons served	1,477,000	1,461,200	-15,800
Avg: Monthly cases	520,300	532,500	12,200
Foster Care Trend	86,050	86,136	86
SSI/SSP (support for aged, blind, and disabled)	1,103,400	1,126,400	23,000
In-Home Supportive Services	266,900	283,600	16,700
Child Welfare Services [b/]	177,757	173,636	-4,121
Non-Assistance Food Stamps	279,400	302,900	23,500
State Hospitals			
Mental health clients [c/]	4,799	4,921	122
Developmentally disabled clients [c/]	3,710	3,660	-50
Community Developmentally Disabled Services			
Regional Centers	172,505	182,230	9,725
Vocational Rehabilitation	26,900	27,800	900
Alcohol and Drug Programs [d/]	359,500	378,900	19,400
Employment Services			
Job opening listings	1,661,000	1,661,000	0
Job seeker registrations	775,000	775,000	0
Job seekers entering employment	757,000	757,000	0
Unemployment Insurance (total weeks claimed)	22,388,000	23,796,000	1,408,000
Healthy Families Program [e/]			
Children	559,000	644,000	85,000

[a/] Represents unduplicated quarterly caseload in the CCS Program.
[b/] Represents Emergency Response, Family Maintenance, Family Reunification, and Permanent Placement service areas on a monthly basis. Due to transfers between each service area, cases may be reflected in more than one service area.
[c/] Represents the year-end population. Includes population at California Medical Facility, Vacaville.
[d/] Number of participants served during the fiscal year, including Proposition 36 clients.
[e/] Represents the year-end population.

Significant Augmentations:

The Budget contains the following major funding augmentations:

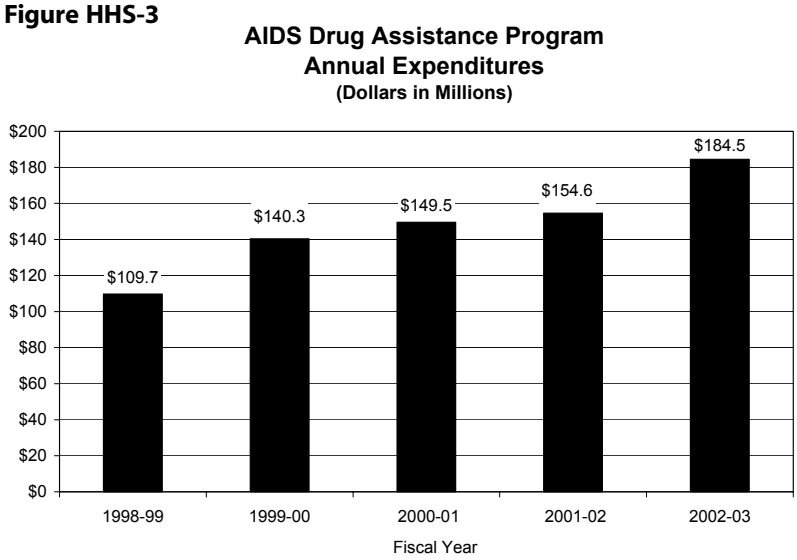
Expanded Access to Primary Care (EAPC)—The Budget restores $10 million General Fund in both 2001-02 and 2002-03, originally proposed for reduction in the November 2001 *Proposed Reduction in 2001-02 Spending* plan. In addition, the Budget provides $17.5 million (Tobacco Settlement Fund) to make services available to children shifted to the EAPC from the Child Health and Disability Prevention program. The EAPC program provides primary care to California's uninsured population.

California Children's Services/Genetically Handicapped Persons Program— These programs provide medical services for children and adults with serious medical conditions such as birth defects and chronic illnesses. For 2002-03, caseload is estimated to increase 5.4 percent. The Budget includes a total of $111.2 million General Fund, or an increase of $10.5 million over the 2001 Budget Act.

HIV/AIDS Program—Continuing to respond to the changing and emerging needs associated with the AIDS epidemic, the Budget provides $283.4 million ($143.8 million General Fund) for HIV/AIDS prevention, education, care, and treatment programs. This includes an increase of $22.4 million ($20.4 million General Fund) in 2002-03 for higher AIDS Drug Assistance Program (ADAP) demand and increased drug costs. ADAP spending continues to rise from year-to-year (see Figure HHS-3). Under this Administration, HIV/AIDS program expenditures have increased $78.4 million ($48.7 million General Fund), or nearly 38 percent.

Community Challenge Grant Program—The Community Challenge Grant program provides community-based grants to reduce the number of teenage and out-of-wedlock pregnancies. To support California's continued success in the reduction of out-of-wedlock births, the Budget provides $20 million in federal funds to continue this program.

Figure HHS-3



Richmond Public Health Laboratory—To continue to safeguard the health of California's citizens and protect them against the threat of harmful biological agents, the Budget provides an increase of $5.5 million ($4 million General Fund) for the State's newly-completed $400 million Richmond Public Health Laboratory. This state-of-the-art laboratory is the locus for the State's efforts to safeguard and protect human health, and to locate, analyze, assess, and ultimately remove harmful biological and other contaminants from our environment.

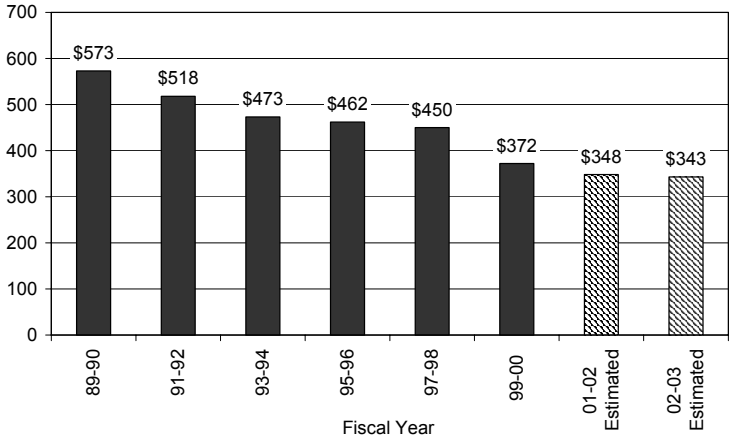
Youth Anti-Tobacco Efforts—The 2001 Budget Act provided $20 million Tobacco Settlement Fund for a new initiative to reduce the incidence of smoking among youth. The Budget provides an increase of

$15 million Tobacco Settlement Fund for this program, for a total of $35 million. Over two years, this Administration has provided $55 million for this important effort.

Childhood Lead Poisoning Prevention Program—To better protect California's children from the adverse effects of lead poisoning and to help improve educational outcomes among these children, the Budget provides an increase of $7.2 million and 8 positions (7.6 personnel years). This funding will be used to comprehensively restructure this program and to continue workload formerly performed by limited-term positions. The restructuring plan will improve upon the existing program by identifying more lead exposed children; identifying and managing the sources of lead in the environment; and increasing State and local enforcement activities.

Figure HHS-4

Cigarette and Tobacco Products Surtax Fund
Proposition 99 Revenues
1989 to 2003
(Dollars in Millions)



Proposition 99 Expenditures

Californians continue to use fewer tobacco products each year, in part as a result of the effectiveness of the Tobacco Tax and Health Protection Act of 1988 (Proposition 99). As a result, estimated revenues for 2002-03 will decline $5 million below the 2001 Budget Act level to $343.2 million. Proposition 99 revenues continue to decline from year-to-year (see Figure HHS-4). However, sufficient fund reserves and increases to other miscellaneous revenues have enabled continuation of all Proposition 99 funded programs at 2001 Budget Act levels. In addition, the Budget provides minor increases to the Breast Cancer Early Detection and Access for Infants and Mothers (AIM) programs.

2001-02 Expenditures—The Budget proposes expenditures of $450.6 million to continue the base level of services for all programs, except for an increase of $2.2 million for the Breast Cancer Early Detection Program that will mitigate a funding shortfall in the Breast Cancer Control Account.

2002-03 Expenditures—The Budget proposes expenditures of $410.4 million to continue the base level of services for all programs, except for increases of $1.5 million for the Breast Cancer Early Detection Program to mitigate a funding shortfall in the Breast Cancer Control Account, and $8.4 million for increased caseload in the AIM program.

Figure HHS-5

Cigarette and Tobacco Products Surtax Fund (Proposition 99)
Revenues and Expenditures - 2000-01 Actual
(Dollars in Thousands)

Revenues:	Board of Equalization	Health Education Account	Hospital Services Account	Physicians' Services Account	Research Account	Public Resources Account	Unallocated Account	Total
Beginning Balance	-	$59,487	$5	$673	$75,120	$544	$13,497	$149,326
Prior Year Adjustment	-	39,517	14	13	109	4,365	16,023	60,041
Revenues	$1,337	69,964	122,437	34,982	17,491	17,491	87,455	351,157
Proposition 10 Backfill	-	14,900	-	-	3,700	-	-	18,600
Interest	-	7,350	607	137	4,905	193	3,163	16,355
Total Revenues	**$1,337**	**$191,218**	**$123,063**	**$35,805**	**$101,325**	**$22,593**	**$120,138**	**$595,479**
Transfers:								
Habitat Conservation Fund	-	-	-	-	-	-	-$9,048	-$9,048
Net Resources	**$1,337**	**$191,218**	**$123,063**	**$35,805**	**$101,325**	**$22,593**	**$111,090**	**$586,431**
Expenditures:								
Department of Health Services	-	$93,403	$73,309	$7,597	$5,050	-	$59,103	$238,462
Department of Education	-	27,661	-	-	-	-	-	27,661
University of California	-	-	-	-	39,823	-	-	39,823
California Conservation Corps	-	-	-	-	-	$261	-	261
Forestry and Fire Protection	-	-	-	-	-	329	-	329
Fish and Game	-	-	-	-	-	1,363	-	1,363
State Coastal Conservancy	-	-	-	-	-	766	-	766
Parks and Recreation	-	-	-	-	-	13,220	-	13,220
Water Resources Control Board	-	-	-	-	-	1,897	-	1,897
Board of Equalization	$1,337	-	-	-	-	-	-	1,337
Office of Statewide Health Planning	-	-	-	-	-	-	998	998
Access for Infants and Mothers	-	-	24,300	13,313	-	-	18,605	56,218
Major Risk Medical Insurance	-	-	24,393	14,607	-	-	6,000	45,000
Direct Pro Rata Charges	-	881	17	-	118	-	103	1,119
Total Expenditures	**$1,337**	**$121,945**	**$122,019**	**$35,517**	**$44,991**	**$17,836**	**$84,809**	**$428,454**
Reserve	**$0**	**$69,273**	**$1,044**	**$288**	**$56,334**	**$4,757**	**$26,281**	**$157,977**

- The Budget proposes the continuation of $24.8 million, provided on a one-time basis in the 2001 Budget Act, to supplement payments to emergency room physicians and specialists who care for uninsured individuals.

- The Budget proposes continuation of the $45.2 million anti-tobacco media campaign in 2002-03 as part of the total $114.5 million Proposition 99-funded effort to reduce tobacco use. In addition, the Budget provides an additional $15 million Tobacco Settlement Fund, for a total of $35 million, aimed specifically at reducing the incidence of smoking among California's teens.

Proposition 99 revenues and expenditures for 2000-01, 2001-02, and 2002-03 are reflected in Figures HHS-5 thru HHS-7.

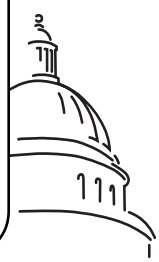


Figure HHS-6

Cigarette and Tobacco Products Surtax Fund (Proposition 99)
Revenues and Expenditures - 2001-02 Estimated
(Dollars in Thousands)

Revenues:	Board of Equalization	Health Education Account	Hospital Services Account	Physicians' Services Account	Research Account	Public Resources Account	Unallocated Account	Total
Beginning Balance	-	$69,273	$1,044	$288	$56,334	$4,757	$26,281	$157,977
Prior Year Adjustment	-	-	-	-	-	-	-	-
Revenues	$1,892	69,264	121,212	34,632	17,316	17,316	86,580	348,212
Proposition 10 Backfill	-	15,920	-	-	3,980	-	-	19,900
Interest	-	2,211	247	59	531	204	866	4,118
Total Revenues	**$1,892**	**$156,668**	**$122,503**	**$34,979**	**$78,161**	**$22,277**	**$113,727**	**$530,207**
Transfers:								
Habitat Conservation Fund	-	-	-	-	-	-	-$8,600	-$8,600
Net Resources	**$1,892**	**$156,668**	**$122,503**	**$34,979**	**$78,161**	**$22,277**	**$105,127**	**$521,607**
Expenditures:								
Department of Health Services	-	$88,635	$71,300	$6,372	$4,930	-	$58,679	$229,916
Department of Education	-	28,059	-	-	-	-	-	28,059
University of California	-	-	-	-	68,211	-	-	68,211
California Conservation Corps	-	-	-	-	-	$265	-	265
Forestry and Fire Protection	-	-	-	-	-	345	-	345
Fish and Game	-	-	-	-	-	1,574	-	1,574
State Coastal Conservancy	-	-	-	-	-	147	-	147
Parks and Recreation	-	-	-	-	-	13,391	-	13,391
Water Resources Control Board	-	-	-	-	-	2,037	-	2,037
Board of Equalization	$1,892	-	-	-	-	-	-	1,892
Office of Statewide Health Planning	-	-	-	-	-	-	1,047	1,047
Access for Infants and Mothers	-	-	24,300	13,313	-	-	25,571	63,184
Major Risk Medical Insurance	-	-	24,393	14,607	-	-	1,000	40,000
Direct Pro Rata Charges	-	488	72	-	-	-	-	560
Total Expenditures	**$1,892**	**$117,182**	**$120,065**	**$34,292**	**$73,141**	**$17,759**	**$86,297**	**$450,628**
Reserve	**$0**	**$39,486**	**$2,438**	**$687**	**$5,020**	**$4,518**	**$18,830**	**$70,979**

Other Public Health Adjustments:

The Budget reflects other public health adjustments, as follows:

Child Health and Disability Prevention Program—The Budget proposes a reduction of $69.5 million ($6.2 million General Fund and $63.3 million Tobacco Settlement Fund) by shifting Child Health and Disability Prevention (CHDP) program caseload to the Medi-Cal program and the Healthy Families Program (HFP). The CHDP program provides health assessments for early detection and prevention of disease and disabilities to children with family incomes up to 200 percent of the federal poverty level (FPL). Under this Administration, the Medi-Cal and HFP programs have been expanded to provide comprehensive health care to an additional 1.1 million children. Most children who receive CHDP benefits are now eligible to receive comprehensive health care coverage from one of these two programs.

Figure HHS-7

Cigarette and Tobacco Products Surtax Fund (Proposition 99)
Revenues and Expenditures - 2002-03 Estimated
(Dollars in Thousands)

Revenues:	Board of Equalization	Health Education Account	Hospital Services Account	Physicians' Services Account	Research Account	Public Resources Account	Unallocated Account	Total
Beginning Balance	-	$39,486	$2,438	$687	$5,020	$4,518	$18,830	$70,979
Prior Year Adjustment	-	-	-	-	-	-	-	-
Revenues	$1,901	68,262	119,459	34,131	17,066	17,066	85,328	343,213
Proposition 10 Backfill	-	15,920	-	-	3,980	-	-	19,900
Interest	-	2,211	247	59	531	204	866	4,118
Total Revenues	**$1,901**	**$125,879**	**$122,144**	**$34,877**	**$26,597**	**$21,788**	**$105,024**	**$438,210**
Transfers:								
Habitat Conservation Fund	-	-	-	-	-	-	-$8,619	-$8,619
Net Resources	**$1,901**	**$125,879**	**$122,144**	**$34,877**	**$26,597**	**$21,788**	**$96,405**	**$429,591**
Expenditures:								
Department of Health Services	-	$86,551	$71,300	$6,372	$4,930	-	$59,984	$229,137
Department of Education	-	27,996	-	-	-	-	-	27,996
University of California	-	-	-	-	19,434	-	-	19,434
California Conservation Corps	-	-	-	-	-	$269	-	269
Forestry and Fire Protection	-	-	-	-	-	385	-	385
Fish and Game	-	-	-	-	-	2,138	-	2,138
State Coastal Conservancy	-	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	13,691	-	13,691
Water Resources Control Board	-	-	-	-	-	2,032	-	2,032
Board of Equalization	$1,901	-	-	-	-	-	-	1,901
Office of Statewide Health Planning	-	-	-	-	-	-	1,047	1,047
Access for Infants and Mothers	-	-	24,996	13,768	-	-	32,861	71,625
Major Risk Medical Insurance	-	-	24,393	14,607	-	-	1,000	40,000
Direct Pro Rata Charges	-	184	148	17	149	-	225	723
Total Expenditures	**$1,901**	**$114,731**	**$120,837**	**$34,764**	**$24,513**	**$18,515**	**$95,117**	**$410,378**
Reserve	**$0**	**$11,148**	**$1,307**	**$113**	**$2,084**	**$3,273**	**$1,288**	**$19,213**

As stated earlier, the Budget also includes a $17.5 million Tobacco Settlement Fund augmentation for the EAPC program to ensure continued health assessments for children with family incomes up to 200 percent of the FPL who are ineligible for either the Medi-Cal program or the HFP.

The Budget maintains $500,000 General Fund provided to schools to verify that children meet State vaccination requirements.

In addition, six positions will be eliminated at a savings of $436,000 ($207,000 General Fund), and four other positions will be redirected to reduce eligibility determination backlogs in the California Children's Services program and the Genetically Handicapped Persons Program.

Cancer Research—The Budget proposes a reduction of $25 million General Fund to reflect the elimination of this program. While this program has supported valuable research, it

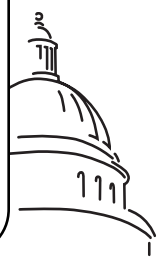
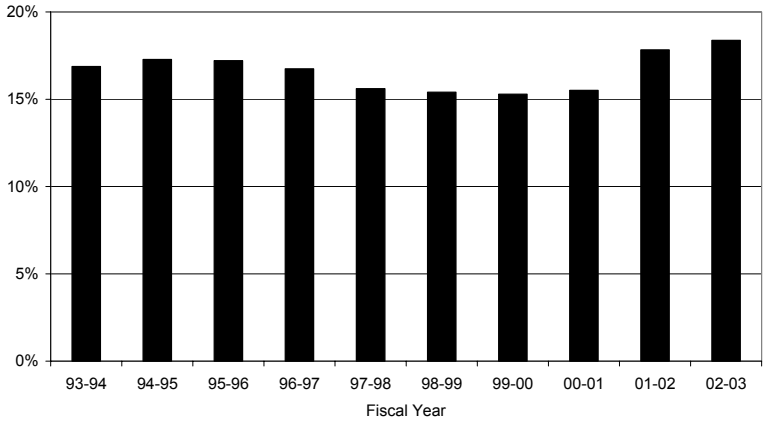


Figure HHS-8

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



provides funding for less than 15 percent of the total state cancer and tobacco disease related research. In addition, the National Cancer Institute (NCI), the largest component of the National Institutes of Health, coordinates a national research program on cancer cause and prevention, detection and diagnosis, and treatment. The University of California received over $159 million from the NCI for cancer research in 2000-01.

Tobacco Settlement Securitization Payment—The Budget proposes to issue a $2.4 billion bond backed by Tobacco Settlement Fund revenues. Issuance of this bond will prevent further reductions to valuable health care programs and help to maintain the health safety net for the state's most vulnerable residents. The bond proceeds will be placed in the General Fund to support base funding and augmentations in many health care programs, such as restoration of the $10 million current year General Fund reduction to the EAPC program. The Tobacco Settlement Fund securitization will operate similar to a lease-revenue bond, in which a revenue stream, in this case a portion of Tobacco Settlement revenues, will be committed to service debt payments. These debt service payments will equal $62 million for 2002-03 and $190 million for 22 years thereafter.

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. Federal law requires Medi-Cal to provide a set of basic services such as doctor visits, laboratory tests, X-rays, hospital inpatient and outpatient care, and skilled nursing care. In addition, California's Medi-Cal program covers federal optional services such as pharmaceuticals, dental care, and emergency services. Medi-Cal's benefit package is comparable to most employer-funded health plans and to other states' benefit packages. These services are delivered by a wide range of public and private providers and facilities. Providers are reimbursed by the traditional fee-for-service method and by specific monthly payments under managed care. Medi-Cal is a key component of California's health care delivery system, serving over 18.5 percent of Californians, the highest level of beneficiaries ever (see Figure HHS-8).

The Medi-Cal budget has increased from $20.2 billion ($7.5 billion General Fund) in 1998-99 to $26.9 billion ($10.1 billion General Fund) proposed for 2002-03, an increase of $2.6 billion General Fund, or 34.7 percent. The net funding increase reflects expanded eligibility and access to health care for children and adults, as well as streamlined enrollment and eligibility.

2001-02 Expenditures—Medi-Cal expenditures are expected to be $26.7 billion ($9.7 billion General Fund), a 4.8 percent General Fund increase over the prior-year Budget Act appropriation. General Fund expenditures are $78.4 million above the 2001 Budget Act, a 0.8 percent General Fund increase. Figure HHS-9 displays annual Medi-Cal General Fund cost per average monthly eligible.

2002-03 Expenditures—Medi-Cal spending is projected to be $26.9 billion ($10.1 billion General Fund), a General Fund increase of $445.5 million, or 4.6 percent above the 2001 Budget Act. Average monthly caseload is expected to increase in 2002-03, by approximately 415,000, or 6.8 percent, to 6.5 million eligibles. Figure HHS-10 displays year-to-year comparisons of Medi-Cal caseload and costs.

Some programs, such as mental health services, in departments other than the DHS, are also eligible for federal Medicaid reimbursement. The federal funding for these programs is included in Medi-Cal expenditure totals, but State and local matching funds typically

Figure HHS-9

Annual Medi-Cal General Fund Cost per Average Monthly Eligible

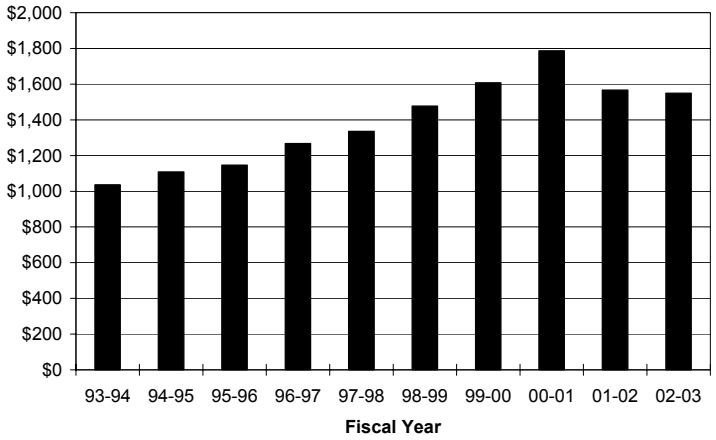
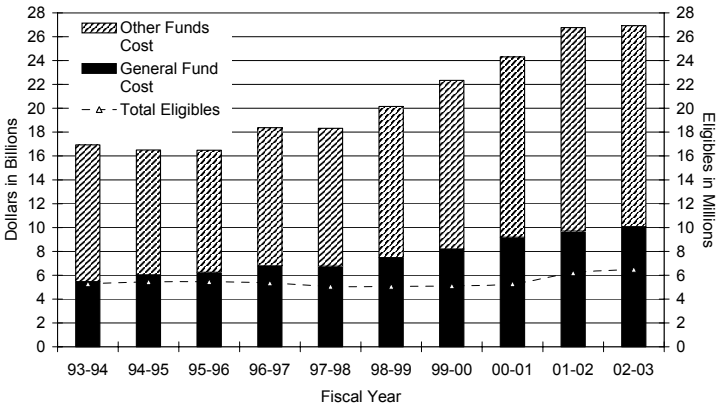


Figure HHS-10

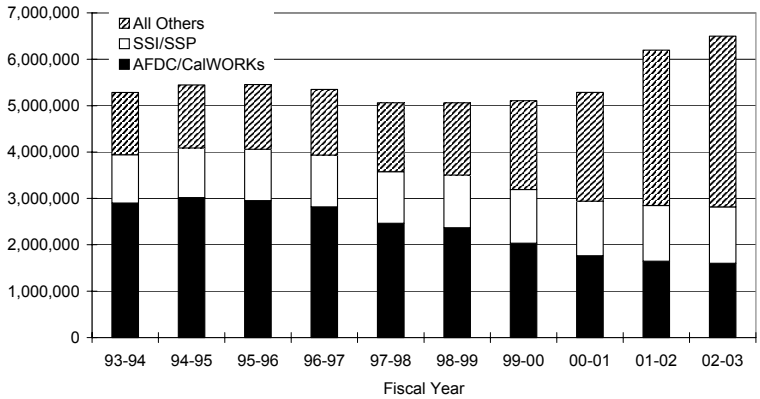
Medi-Cal Caseload and Costs, 1993-94 through 2002-03 (Eligibles in Millions, Dollars in Billions)



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

Figure HHS-11

Medi-Cal Caseload by Eligibility Category



appear in the budgets for the other State agencies or local governments. Consequently, nonfederal matching funds of over $1.3 billion for those programs are not included in Medi-Cal program costs.

Caseload—Currently, about 6.5 million people, nearly one in five Californians, qualify for Medi-Cal in any given month. The number of people eligible for Medi-Cal in 2001-02 is now estimated to be about 17.2 percent above the 2000 Budget Act. An increase of 6.8 percent above the 2001 Budget Act is expected to occur in 2002-03.

The number of people eligible for Medi-Cal through their eligibility for public assistance cash grants has been declining since 1995. These eligibles represent 43 percent of all Medi-Cal eligibles. Along with an overall slight increase in caseload, the portion comprised of aged, blind, and disabled beneficiaries is growing nominally each year, and is expected to increase to slightly more than 1.4 million beneficiaries by 2002-03. These beneficiaries represent 22.5 percent of all Medi-Cal eligibles. Figure HHS-11 illustrates Medi-Cal caseload by eligibility category.

Figure HHS-12

Federal Medicaid Program - Interstate Comparisons
Ten Most Populous States
Federal Fiscal Year 1998

	Medicaid as a Percentage of State's Budget	Annual Eligibles as a Percentage of Total Population	Expenditures, Total Funds (Dollars in Millions)	Unduplicated Annual Eligibles	Expenditures Per Eligible	Federal Sharing Ratio (FMAP)
All States	19.5	15.3	$161,097	41,361,532	$3,895	
California	16.0	18.9	16,671	6,191,269	2,693	51.23
Texas	24.1	13.6	10,383	2,680,583	3,873	62.28
New York	33.0	19.3	23,659	3,500,292	6,759	50.00
Florida	15.2	13.7	6,560	2,040,541	3,215	55.65
Pennsylvania	26.4	14.3	8,995	1,720,000	5,230	53.39
Illinois	23.0	14.8	6,800	1,784,159	3,811	50.00
Ohio	20.9	12.5	7,201	1,402,364	5,135	58.14
Michigan	19.6	13.8	5,884	1,354,718	4,343	53.58
New Jersey	21.9	10.6	5,562	857,898	6,483	50.00
Georgia	16.9	16.0	3,736	1,223,439	3,054	60.84

Sources: National Association of State Budget Officers, the US Census Bureau, and the federal Department of Health and Human Services, Centers for Medicare and Medicaid Services.

Figure HHS-12 shows federal data from 1998 (the most recent information available from the Centers for Medicare and Medicaid Services) for the ten most populous states. By percentage of state population, California served about 18.9 percent of state residents, exceeded only by New York. California also provides more optional benefits than any of the other ten large states and at one of the lowest average cost-per-recipient rates in the nation—$2,693 per beneficiary versus a national average of $3,895 per beneficiary in federal fiscal year 1998.

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

In addition, federal matching funds are available for 34 optional services. These services include outpatient drugs, adult dental, optometry, hospice, chiropractics, and occupational therapy. Despite the economic downturn, the Administration has maintained funding for all 34 optional benefits. California, along with many other states, provides these optional services both for the categorically needy (receiving public assistance) and medically needy beneficiaries (not receiving public assistance, but still qualifying for Medi-Cal based on income and other eligibility factors). Medical costs vary considerably among the various categories of those eligible for Medi-Cal. For example, an individual receiving Medi-Cal as a result of California Work Opportunity and Responsibility to Kids (CalWORKs) eligibility will use services valued at about $124 per month in 2002-03, whereas a disabled person in long-term care will use about $4,726 in benefits per month.

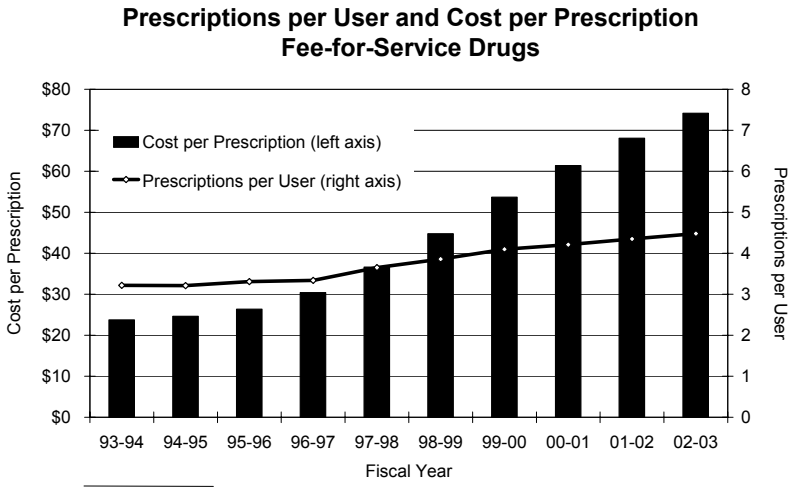
Drugs—During the last several years, the cost of drugs has increased dramatically (see Figures HHS-13 and HHS-14), and pharmaceutical costs have become the fastest growing component of all health care costs. Technological advances in the development of new drugs, increased advertising of new and more expensive drugs, and expedited federal approval of new drugs have contributed to rising costs.

As cost-control strategies, the Medi-Cal program utilizes a Medi-Cal list (Formulary) of contract drugs and a State supplemental rebate program.

Managed Care—Currently, approximately 2.9 million Medi-Cal beneficiaries (almost half of the people receiving Medi-Cal benefits and services) are enrolled in managed care plans. The funding for managed care plans has increased from $3 billion ($1.5 billion General Fund) in 1998-99 to $4.4 billion ($2.2 billion General Fund) in 2002-03.

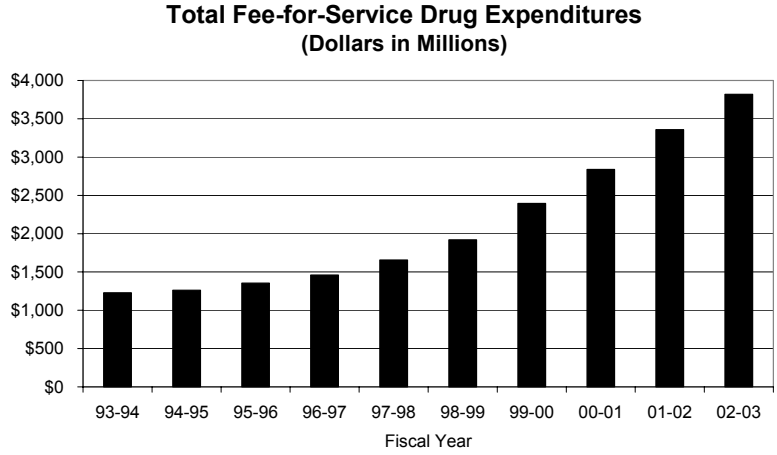
The Medi-Cal Managed Care program is a comprehensive, coordinated approach to health care delivery designed to:

Figure HHS-13



· Prescriptions per user have increased by 34 percent since 1996-97.
· Cost per prescription has increased by 144 percent since 1996-97.

Figure HHS-14



The combined impact of increased prescription use and higher cost per prescription has resulted in a 161 percent increase in total cost since 1996-97.

(1) improve access to preventive primary care, (2) improve health outcomes, and (3) control the cost of medical care. Managed care includes three major health care delivery systems: (1) the two-plan model, (2) Geographic Managed Care (GMC), and (3) County Organized Health Systems (COHS).

Approximately 76 percent of Medi-Cal managed care beneficiaries are enrolled in the two-plan model, first implemented in January 1996. Twelve counties were initially selected to offer beneficiaries a choice between two managed care plans. Each two-plan county offers the choice between a commercial plan selected through a competitive bidding process or the county-sponsored "local initiative." The commercial plan consists mainly of providers who have traditionally served the Medi-Cal population. The model assures continued participation by the "traditional" providers and maximizes the types of providers caring for beneficiaries. At full enrollment, approximately 2.2 million beneficiaries will be enrolled in a two-plan model county.

The GMC model allows the State to contract with multiple managed care plans in a single county. The first GMC system was implemented in Sacramento County in 1994. A second GMC system began operation in San Diego County in 1998-99. Approximately 322,000 beneficiaries are enrolled in GMCs.

The third model, the COHS, administers a prepaid, comprehensive case-managed health care delivery system. This system provides utilization controls, claims administration, and health care services to all Medi-Cal beneficiaries residing in the county. Five COHS serving seven counties are currently in operation. Approximately 446,000 beneficiaries are enrolled in COHS.

Expanding Access To Medical Care

In this Budget, the Administration maintains its commitment to expand health care access to low-income working families, the disabled, seniors, and uninsured children. Moreover, the Administration is implementing new expansions to the Medi-Cal program that will facilitate the ability of uninsured Californians enrolled in other public programs to receive Medi-Cal coverage.

Despite the current economic downturn, the Administration has maintained recent programmatic expansions made to Medi-Cal as discussed below.

No-Cost Medi-Cal for the Working Poor—This expansion, which became effective in March 2000, allows two-parent working families with incomes at or below 100 percent of the Federal Poverty Level (FPL) to receive full-scope Medi-Cal without a share-of-cost. It permits working families to keep more of their income and still retain State-sponsored health insurance. As of April 2001, approximately 308,000 adults not previously eligible for Medi-Cal have become eligible. An anticipated additional 92,000 low-income adults and children will enroll in Medi-Cal in 2002-03 through this eligibility expansion.

Medi-Cal for the Working Disabled— Effective in April 2000, this expansion extended Medi-Cal benefits to disabled working individuals with income below 250 percent FPL. These individuals pay a monthly premium for their coverage that varies depending on their income level. This program was initiated to increase self-reliance and to reduce the danger of losing publicly-funded benefits, which much of this population faced when they entered the workforce. By the end of 1999-00, 412 individuals were provided coverage through this expansion; by the end of 2002-03, it is expected that a total of 929 persons will be covered.

No-Cost Medi-Cal for Low-Income Seniors and Disabled Individuals—As part of the Governor's 2000-01 Aging with Dignity Initiative, this expansion became effective on January 1, 2001, extending no-cost Medi-Cal benefits to aged, blind, and disabled individuals with incomes below 133 percent FPL. It is expected that by June 30, 2002, 52,800 individuals will be provided Medi-Cal coverage with no share-of-cost under this expansion. By the end of June 30, 2003, it is estimated that an additional 13,790 people will be covered.

The Administration has provided health care coverage to an additional 468,000 previously uninsured Californians under the Medi-Cal program expansions

described above. In addition, the Administration has also maintained simplification of the complex Medi-Cal eligibility process.

Eliminating Quarterly Eligibility Status Reports—The 2000 Budget Act and Chapter 93, Statutes of 2000 (AB 287), eliminated the requirement that families receiving Medi-Cal submit quarterly eligibility status reports. Previously, many families receiving Medi-Cal lost their eligibility for failure to complete these reports. As a result of eliminating this requirement, an estimated 218,000 adults will retain Medi-Cal coverage. The total estimated cost of maintaining coverage for these adults that would otherwise lose their eligibility is $142 million ($72 million General Fund).

Providing Continuous Eligibility to Children—Chapter 945, Statutes of 2000 (AB 2900), provides 12-month continuing Medi-Cal eligibility to children 19 years of age and younger. Chapter 945 was intended to reduce the number of uninsured children in California by ensuring continuity of medical care. The 2002-03 Budget includes a total of $312 million ($156 million General Fund) to provide continuous Medi-Cal eligibility for an estimated 445,540 children. Since 2000-01, the Administration has provided a total of $592.8 million ($296.4 million General Fund) for this purpose.

Continuing Eligibility to Persons Leaving CalWORKs—Chapter 1088, Statutes of 2000 (SB 87), prohibits county welfare departments from redetermining Medi-Cal eligibility when a beneficiary is terminated from CalWORKs, unless the reason for the termination clearly indicates a need for a Medi-Cal eligibility redetermination. Reasons for such termination include a significant increase in income or a change in family composition. This simplification of the eligibility process will allow an estimated 15,750 adults, previously discontinued from Medi-Cal for failure to provide eligibility information, to continue receiving benefits. The number of individuals served by this simplification and its cost remain unchanged from 2001-02. Since 2000-01, the Administration has provided a total of $42.6 million ($21.3 million General Fund) for this purpose.

Due to these programmatic simplifications, a total of 679,300 individuals will continue to receive Medi-Cal benefits.

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

Eligibility to Children Receiving Free School Lunches—Chapter 894, Statutes of 2001 (AB 59), will facilitate enrollment into Medi-Cal for uninsured

school children by linking Medi-Cal eligibility with free school lunch eligibility. This new expansion will automatically enroll children under age six who are receiving free school lunches into the Medi-Cal program. This expansion will also require counties to determine Medi-Cal eligibility for children older than six receiving free school lunches, and enroll them pending completion of a Medi-Cal application. It is estimated that this expansion will result in 21,200 additional children receiving Medi-Cal coverage in 2002-03. The Budget provides $23.3 million ($11.7 million General Fund) to support this expansion.

Eligibility for Persons Receiving Food Stamps—This expansion will facilitate the enrollment of low-income, uninsured families in the Medi-Cal program by requiring counties to send Medi-Cal and Healthy Families Program enrollment information to families receiving food stamps at their annual eligibility redetermination, pursuant to Chapter 897, Statutes of 2001 (SB 493). It is expected that this linkage of food stamp eligibility with the Medi-Cal program will result in an additional 14,900 parents and children receiving Medi-Cal coverage in 2002-03. The Budget provides $18.8 million ($9.4 million General Fund) to support this expansion.

Other Medi-Cal Program Changes

Reimbursement Rates for Hospital Outpatient Services—Since 1990, the State has been involved in litigation with hospitals regarding Medi-Cal reimbursement rates for outpatient services. Under terms of a recent settlement agreement, the Budget provides funding for a one-time payment of $350 million ($175 million General Fund) to address prior years' reimbursement levels. In addition, the 2001 Budget Act included $160.1 million ($80.1 million General Fund) to increase reimbursement rates by 30 percent, effective July 1, 2001. The 2002-03 Budget includes $183 million ($91.5 million General Fund) for this purpose. For the next three years, starting with 2002-03, the rates will increase annually by an additional 3.33 percent.

At this time, the federal government has yet to approve federal financial participation for the retroactive payment of $350 million ($175 million General Fund). However, the federal government is likely to approve the prospective rate increases. Due to the uncertainty of the federal government's concurrence with a portion of the settlement, the Administration proposes to proceed with the prospective rate increases.

Co-Payments—The Budget proposes to require co-payments from Medi-Cal recipients to the extent permitted by federal law. These payments, ranging from $1 to $3 (or up to $5 for emergency room services), will be deducted from provider reimbursements. Net

savings are expected to reach $61.2 million ($30.6 million General Fund). With these proposed changes, California's co-payment requirements will be closely comparable with those of the most populous states.

Provider Rate Reductions—The 2000 Budget Act included provider rate increases totaling approximately $800 million. These rate increases included a 16.7 percent increase in physician services overall, and a 10 percent increase in long-term care. The $800 million ($403 million General Fund) also included a 39 percent increase for California Children's Services physician services, and a 30 percent increase for neonatal intensive care.

Given the State's current budget shortfall, it is necessary to partially rescind the 2000-01 provider rate increases, reflecting a savings of $155.1 million ($77.6 million General Fund). These temporary reductions will be allocated in such a manner as to limit the impact on access to services provided to children and the elderly enrolled in the Medi-Cal program.

The DHS will convene a work group to determine the appropriate mechanism to achieve these savings while assuring that provider rates are no lower than the 1999-00 reimbursement levels. Any necessary adjustments to the Budget will be submitted as part of the May Revision.

The Administration intends to restore funding for provider rates when the State's fiscal condition improves.

Pharmaceutical Savings—The Budget includes several proposals to achieve additional cost-control savings in the Medi-Cal drug program. Savings of $201 million ($100 million General Fund) are estimated to result from these activities, which include:

- **Rebate contracts on generic drugs—**Currently, the DHS negotiates rebate contracts with drug manufacturers on brand name drugs only. Additional savings will be generated through rebate contracts on generic drugs.

- **Addressing the existing backlog in drug rebate contract disputes—** State rebate revenue is sometimes held up in contract disputes with drug manufacturers. Increased staff time dedicated to the resolution of contract disputes will result in additional savings.

- **Therapeutic category reviews—**A therapeutic category review (TCR) is a process by which drugs with the same therapeutic classification are compared based on the same criteria in order to ensure that the Formulary includes the most cost-effective drugs without compromising patient health needs. TCRs on anti-psychotic and non-steroidal anti-inflammatory drugs are proposed because they constitute two of the more expensive drug categories in Medi-Cal.

- **Rebate contracts and lower pharmacy payments for nutritional products—**Because nutritional products are not generally considered drugs, rebate contracts have not historically been sought. However, the DHS will now negotiate rebate contracts with manufacturers of nutritional products, generating substantial revenue. In addition, reducing pharmacy reimbursement for nutritional products will result in additional savings.

- **Mandatory 10 percent supplemental rebate on AIDS and cancer drugs—**Currently, only federally mandated rebates are collected on these drugs. Additional savings will be realized through a mandatory State supplemental rebate.

- **Medical supply contracting of blood glucose strips—**Medical supply contracting is similar in process to drug rebates. The DHS will negotiate contracts with medical supply manufacturers to provide their products at a cost lower than what the State is currently paying. In return, those products will be available without prior authorization.

- **Duration of therapy and frequency of billing audits—**Under duration of therapy restrictions, use of a particular drug is limited to a specific timeframe, after which prior authorization is required. When claims for provider payments are processed, frequency of billing audits can be conducted to ensure proper billing.

Enhanced Federal Funding Opportunities—The Budget proposes $50 million in General Fund savings by maximizing additional federal revenue opportunities. The proposals offer a variety of opportunities for capturing additional federal funds through activities such as optimizing use of federal Medicaid funding for juvenile probation costs, increasing recoveries for in-home supportive services, and child welfare maintenance and administrative costs, and maximizing Medicaid utilization within the Departments of Health Services, Social Services, Mental Health, Developmental Services, Corrections, and the Youth Authority.

Federal Medical Assistance Percentage—The Federal Medical Assistance Percentage (FMAP) is the Percentage of Medi-Cal costs reimbursed by the federal government and is based on U.S. Bureau of Census estimates of State population. The Budget proposes a $400 million General Fund reduction in various departments and a corresponding increase in federal funding in the current year in anticipation of federal legislation that will provide an additional $400 million to offset the cost of Medi-Cal services.

The current FMAP is 51.4 percent. However, in 2002-03, the FMAP will decrease to 50 percent, effective October 2002, resulting in increased General

Fund costs of $193.8 million in 2002-03 to absorb the loss in federal funds. The Budget also reflects General Fund increases of $48.2 million in the budgets of other departments and local entities that provide services for which they receive federal Medicaid funding.

Disproportionate Share Hospital Program—A Disproportionate Share Hospital (DSH) serves at least 25 percent Medi-Cal or uncompensated care patients. This program strengthens the health care safety net by making additional federal funds available to compensate hospitals for the cost of serving low-income patients. Public DSH hospitals (those operated by counties, hospital districts, or the University of California) make contributions that are matched with federal funds. The total amount, less a State administrative fee, is then redistributed by formula to public and private DSH hospitals.

The State administrative fee was established in the early 1990s because of General Fund constraints. Under current law, the administrative fees are made available for general Medi-Cal program benefit costs. By 1995-96, these administrative fees reached $239.8 million.

Over the last several years, this Administration has reduced the administrative fee to the current level of $29.8 million. The Budget proposes to restore the administrative fee to the 1999-00 level of $85 million. However, this Administration intends to reduce this fee as General Fund resources become available.

Health Insurance Portability and Accountability Act—In August 1996, the President signed the Health Insurance Portability and Accountability Act (HIPAA). The HIPAA is designed to improve the availability of health insurance to working families and their children. It also requires the compliance of states and other entities with federal rules relating to administrative simplification, revised security procedures, and fraud control.

Combined, the 2001 Budget Act and Chapter 635, Statutes of 2001 (SB 456), appropriated $92.2 million ($24.3 million General Fund) to various departments to fund HIPAA compliance efforts. Due to the recent economic downturn, this funding was reduced by $74.1 million ($19 million General Fund) in the November 2001 *Proposed Reduction in 2001-02 Spending* plan. Departments will continue compliance efforts to the extent feasible in 2001-02. The Budget proposes to restore this funding beginning in 2002-03 in order to meet federal compliance timelines.

The HIPAA is comprised of several rules, all with specific deadlines by which entities must be compliant. On December 27, 2001, the President signed House Bill 3323, which allows entities to seek a one-year delay in the compliance deadline for implementation of the transaction and code sets rule. To be approved for the delay, entities must submit to the federal Department of Health and Human Services a compliance plan that details the following:

- An analysis reflecting the extent to which the entity is not in compliance.
- An implementation strategy for achieving compliance.
- If a contractor or other vendor may be used to assist the entity in achieving compliance.
- A timeframe for testing that begins not later than April 16, 2003.

Given the current economic situation, California, along with the National Governors Association, is lobbying for additional deadline extensions.

Licensing and Certification

The Department's Licensing and Certification (L&C) program is responsible for the certification and licensing of long-term care facilities and certain caregivers. These activities ensure high-quality medical care in community settings and facilities consistent with the Administration's commitment to help elderly people remain at home, increase community-based placement alternatives, and enhance the quality of care in nursing homes.

The 2002-03 Budget includes an augmentation of $5.3 million ($2.7 million General Fund) and 55.5 positions for L&C to implement the provisions of Chapter 684, Statutes of 2001 (AB 1075). This legislation requires a revised reimbursement methodology and staffing standards for nursing homes. These activities are aimed at increasing the quality of nursing home care, as well as ensuring beneficiary access to the appropriate level of care.

Emergency Medical Services Authority

The Emergency Medical Services Authority (EMSA) provides statewide coordination of emergency medical services (EMS), regulates the education, training and certification of EMS personnel, develops guidelines for local emergency medical services, and coordinates the State's medical response to any disaster. The 2001 Budget Act included a one-time augmentation of $30 million to enhance California's trauma care system.

Trauma Support—In the November 2001 *Proposed Reduction in 2001-02 Spending* plan, the Administration proposed to revert the entire $30 million augmentation for trauma care. However, during the 2002-03 Budget development process, spending reductions were made to accommodate the restoration of a majority of these trauma care funds. As a result, the Administration will allocate $25 million to trauma centers in 2001-02. The Administration continues to propose to revert the remaining $5 million for local trauma system planning. This funding was provided for one-time planning activities, and Local Emergency Medical Service Agencies may apply to EMSA for federally-funded grants for trauma planning.

Managed Risk Medical Insurance Board

The Managed Risk Medical Insurance Board (MRMIB) administers programs, which provide health coverage through private health plans to certain groups having no health insurance. The Board develops policy and recommendations on providing health insurance to over 6 million Californians without health care coverage. The three programs administered by the MRMIB are the Healthy Families Program, the Major Risk Medical Insurance Program, and the Access for Infants and Mothers program.

Healthy Families Program (HFP)— The HFP is a subsidized health insurance program for children in families with low-to-moderate income who are ineligible for no-cost Medi-Cal. The HFP provides low-cost health, dental, and vision coverage to eligible children from birth to age 19.

Overall, HFP expenditures grew from $131.5 million ($44.3 million State funding) in 1998-99 to $795.1 million ($289.1 million State funding) in 2002-03, an increase of $244.8 million in State funding, or 552 percent. Since year-end 1998-99, children's caseload has grown from about 132,000 to an expected 644,000 in 2002-03 for a total increase of 512,000 children, or 288 percent. Since the beginning of this Administration, about $2.4 billion ($839.8 million State funding) has been provided for this program. Figure HHS-15 displays program funding by department.

The Budget includes the following significant adjustments for 2001-02:

HFP Parent Expansion—Due to the recent economic downturn, the Administration proposes to postpone the Parent Expansion until July 2003. Funding was provided for this expansion in the 2001 Budget Act. The Administration will continue to pursue approval of the waiver with the federal government for this expansion.

The Budget includes the following significant adjustments for 2002-03:

Child Health and Disability Prevention (CHDP)—In an effort to provide more comprehensive health care services to children and maximize the use of available federal funds, the Budget proposes to shift the CHDP program caseload to the Medi-Cal program and the HFP. As a result of this shift, the HFP is augmented by $15.4 million ($5.9 million Tobacco Settlement Fund) to serve an expected 20,700 additional children.

Access for Infants and Mothers (AIM)—The AIM program provides low-cost, comprehensive health insurance coverage to uninsured pregnant women with family income between 200 and 300 percent of the FPL. This coverage extends from pregnancy to 60-days postpartum, and covers infants up to two years of age. The Budget includes a total of $79.6 million ($74.8 million Perinatal Insurance Fund) for this program, an increase of $11.4 million ($10.1 million Perinatal

Insurance Fund) over the 2001 Budget Act. This funding increase will be used to provide coverage to an additional 1,100 women and 8,900 children compared to the 2001 Budget Act.

The Budget for this program has increased from $41.7 million ($37.5 million Perinatal Insurance Fund) in 1998-99 to $79.6 million ($74.8 million Perinatal Insurance Fund) in 2002-03, for a total increase of $37.9 million ($37.3 million Perinatal Insurance Fund), or 91 percent. Since 1998-99, caseload has grown from 4,460 women and 74,100 infants to a total of 7,400 women and 115,300 infants in 2002-03, or an increase of 66 percent in women's enrollment and 56 percent in infants' enrollment.

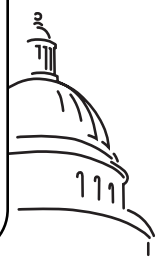
Major Risk Medical Insurance Program (MRMIP)—The MRMIP provides health care coverage to medically high-risk individuals and the medically uninsurable who are refused coverage through the individual health insurance market. Program enrollment is "capped" at the level of annual funding provided. The MRMIP currently provides benefits to a total of 16,000 persons with a total of 7,100 persons on a waiting list. The 2001 Budget Act contained a one-time $5 million General Fund augmentation to provide coverage to an additional

Figure HHS-15

Healthy Families Program and Related Expenditures
(Dollars in Thousands)

	2001-02		2002-03	
	Total	General Fund	Total	General Fund
Managed Risk Medical Insurance Board (MRMIB)				
Support	$6,587	$2,398	$5,473	$1,777
Local Assistance	648,663	126,018	651,488	0 [2]
Total MRMIB	**$655,250** [1]	**$128,416**	**$656,961**	**$1,777**
Department of Health Services (DHS)				
Support	$4,586	$1,532	$1,629	$569
Local Assistance:				
Eligibility Expansion	53,437	21,051	68,552	21,834
Outreach	69,630	20,258	28,961	11,146
Total Local Assistance	123,067	41,309	97,513	32,980
Total DHS	**$127,653**	**$42,841**	**$99,142**	**$33,549**
Total DHS and MRMIB	**$782,903**	**$171,257**	**$756,103**	**$35,326**
Other				
Department of Mental Health	$12,980	$765	$7,870	$663
Child Health and Disability Prevention	820	279	0	0
Access for Infants and Mothers	3,498	1,191	4,811	0 [3]
California Children's Services	19,600	3,665	26,321	5,963
Total Other	**$36,898**	**$5,900**	**$39,002**	**$6,626**
TOTAL HEALTHY FAMILIES	**$819,801**	**$177,157**	**$795,105**	**$41,952**

1. Includes costs of both the Single Point-of-Entry and the Health-e-App. The DHS also budgeted these costs but they were not included in DHS' total on this chart.
2. All General Fund for Local Assistance in the Healthy Families Program was replaced by the Tobacco Settlement Fund (TSF). Total TSF budgeted for the HFP is $247.1 million.
3. All General Fund for the AIM program was replaced by TSF. Total TSF budgeted for the AIM program is $1.6 million.



1,964 clients previously on a waiting list. The MRMIB and the Department of Managed Health Care should continue their efforts to work with the Legislature and the insurance industry to devise market-based solutions to reduce barriers for this uninsurable population.

Department of Mental Health

The Budget includes $2.2 billion ($943.4 million General Fund), a net increase of $111.5 million (a reduction of $28.8 million General Fund) above the 2001 Budget Act, for state mental health hospitals and community mental health programs. This increase reflects higher caseload for the state hospitals and community mental heath programs. The Budget also includes reductions of $42.5 million General Fund in State operations and categorical community mental health programs as part of the statewide effort to address the State's current fiscal situation.

Under this Administration, funding for community mental health programs, has increased from $938.4 million in 1998-99 to $1.5 billion proposed for 2002-03, a 60 percent increase, and reflects expanded services for children, new programs for homeless adults, and increased caseloads.

State Hospitals—The Budget includes $607.2 million ($462.6 million General Fund) for support of the State Hospitals, a net increase of $22.6 million ($32.3 million General Fund) over the 2001 Budget Act. This funding level will support a total caseload of 4,900 state hospital commitments. The following significant adjustments are included in the 2002-03 Budget:

- $20.2 million General Fund decrease to reflect the completion of several one-time facility projects, including the Americans with Disabilities Act project at Metropolitan State Hospital, the Psychiatric Technician program at West Hills Community College, security improvements to the state hospitals, and the purchase and set-up of modular buildings at Patton and Atascadero State Hospitals.

- $20.3 million ($14.7 million General Fund) increase to reflect higher retirement contributions for State employees.

- $10.2 million ($9.9 million General Fund) increase for the full-year cost of new staff provided in 2001-02.

- $9.4 million ($21.6 million General Fund) increase to reflect changes in the state hospital population (see Figure HHS-16). The 2002-03 year-end population of forensic patients is expected to increase by 215. The number of beds to be purchased by the counties is expected to decrease from 869 to 776.

- $4.1 million General Fund increase for non-level-of-care positions for Atascadero, Patton, and Coalinga State Hospitals. Non-level-of-care staff is proposed in anticipation of expanded populations at Atascadero

and Patton State Hospitals, and to prepare for the opening of the Coalinga State Hospital in 2004.

- $2.6 million one-time General Fund increase for security improvements at Patton State Hospital. This is a continuation of projects begun in 2001-02 to upgrade the personal alarm systems in state hospitals to protect patients, staff, and surrounding communities.

Reductions in State Operations— To address the State's current fiscal situation, the Budget proposes a reduction of $3.3 million General Fund and 18 positions in State operations to reflect lower administrative expenses.

Community Mental Health Services—The Budget includes $1.5 billion ($426.5 million General Fund), a net increase of $87.8 million (a reduction of $60.7 million General Fund) ove the 2001 Budget Act. The following significant adjustments are included in the 2002-03 Budget:

- $34.5 million General Fund reduction to reflect reduced state reimbursable mandates claims.

- $133.7 million increase in reimbursements for Early and Periodic Screening, Diagnosis, and Treatment services. This reflects an increase of 31.6 percent in program costs (all fund sources) over the past year (see Figure HHS-17).

Figure HHS-16

Department of Mental Health
State Hospital Year-End Population

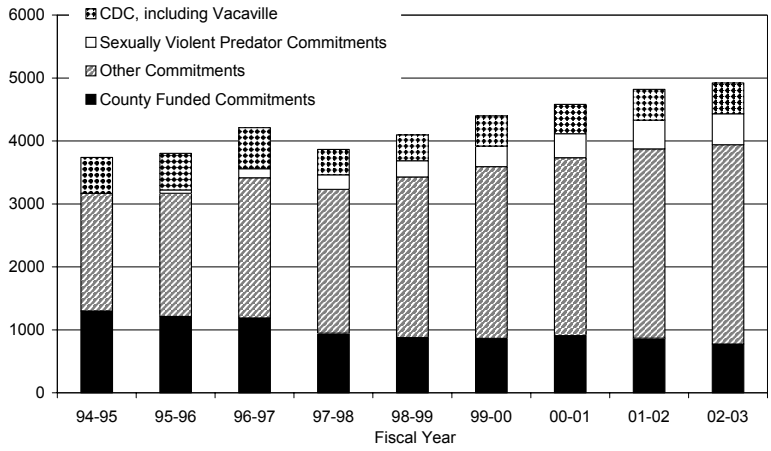
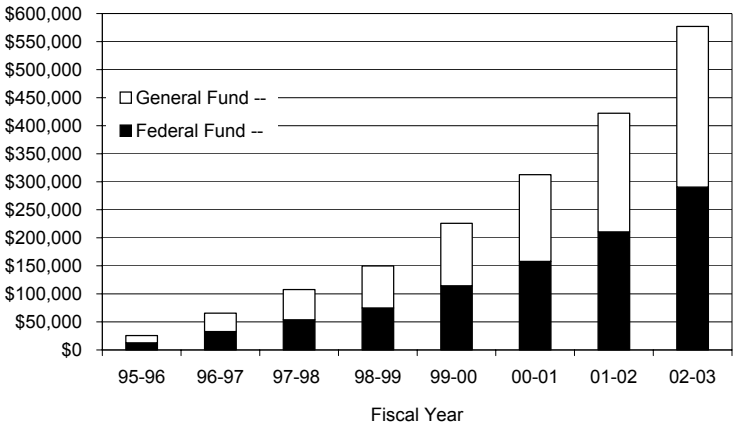


Figure HHS-17

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



- $16.7 million increase in reimbursements for Therapeutic Behavioral Services (TBS). This Medi-Cal benefit is an intensive one-on-one, short-term outpatient treatment intervention for children and youth who are seriously emotionally

disturbed. It is designed to prevent placement in group-home settings, or locked mental health treatment facilities. The TBS may also be provided to enable children to transition to lower levels of care.

- $14.1 million General Fund increase for inpatient and outpatient psychiatric services to be provided by counties through the Medi-Cal Managed Care Program to reflect expected higher caseload.
- $1.9 million in reimbursements to reflect increased costs for the San Mateo Pharmacy and Laboratory Services Field Test.
- $1.2 million General Fund for the second year of a two-year program to provide a supplemental rate for Community Treatment Facilities.

Reductions in categorical programs in response to the State's current fiscal situation include:

- $17.5 million for Supportive Housing Program.
- $12.3 million to eliminate advance payments to counties for mental health services to special education pupils.
- $4.2 million to reduce the Children's Systems of Care (CSOC) program, and eliminate the independent evaluation of the program that has continued since the CSOC began as a pilot. The CSOC program is no longer a pilot and has been expanded statewide.
- $2.7 million for the East Valley Pavilion Institute for Mental Disease that is no longer in operation.
- $1.9 million to eliminate the third and final year of a dual diagnosis pilot project.
- $0.6 million to reflect a reduction in the estimated caseload for the HFP.

Department of Developmental Services

The Budget includes $2.9 billion ($2 billion General Fund), an increase of $159.4 million ($142.9 million General Fund) above the 2001 Budget Act for programs for the developmentally disabled. This increase reflects an additional 9,675 consumers, for a total estimated caseload of 185,890 consumers. Under this Administration, the Department's budget has increased from $1.9 billion in 1998-99 to $2.9 billion in 2002-03 for a total increase of $959.9 million, or 50 percent, primarily for caseload and service utilization increases.

Developmental Centers

The Budget includes the following significant adjustments for 2001-02:

Developmental Center Certification— $13.7 million General Fund and a commensurate decrease in federal funds due to the decertification of the Secure Treatment Program units at Porterville Developmental Center and a delay in certification of the Canyon Springs facility. These adjustments reflect the recent certification of the Sierra Vista facility on April 20, 2001.

Janitorial Contracts—$8.5 million ($4.9 million General Fund) increase to reflect increased health benefits for janitors and increased costs for contracted janitorial services.

The Budget includes the following significant adjustments for 2002-03:

Population—A net decrease of $800,000 ($8,000 General Fund increase) to reflect the projected decrease of 50 consumers in the Developmental Centers. Total 2002-03 caseload is projected to be 3,660. Although the population overall is decreasing, a greater proportion of the population requires increased levels of medical care or requires higher levels of supervision due to behavioral challenges. Therefore, the savings for reduced caseload are partially offset by increased costs per consumer.

Regional Centers

The Budget includes a net increase of $148.3 million ($134.9 million General Fund) for 2002-03 due to increased caseload, higher service utilization rates, and program modifications. The Regional Center population is projected to increase by 9,725 consumers, to a total of 182,230. Significant adjustments include:

Regional Center Purchase of Services— A net increase of $108.7 million ($95.3 million General Fund) for Purchase of Services, which reflects $52 million General Fund savings to be achieved through the implementation of statewide standards across the 21 Regional Centers. The Administration will undertake a collaborative effort, whereby the Department, Regional Centers, and stakeholders will seek to identify opportunities to maximize the $2.2 billion provided for the Community Services program, increase administrative efficiency, and improve consistency of the services provided to consumers throughout the state, while maintaining the entitlement guaranteed under the Lanterman Act.

Community Placement Plan— $20.4 million General Fund increase to improve the method of estimating the cost of transferring consumers from Developmental Centers into community placements. This change in estimate methodology is consistent with the Department's statutory responsibility to ensure that individuals with developmental disabilities live in the least

restrictive setting appropriate to their needs. Previously, the estimate was based on historical service utilization data. Beginning in 2002-03, the estimate will be based on a detailed assessment of the services necessary to support individuals in community placements.

Autism—$17.2 million General Fund increase to maintain services for consumers diagnosed with autism. Due to increased awareness of autism in the health care community and emphasis on early screening of children, the number of autism diagnoses is increasing steadily. The development of effective behavioral and educational programs demonstrates that early intervention leads to measurable improvement in many children with autism. With early, intensive, and comprehensive treatment, many children diagnosed with autism can go on to lead more normal lives.

Special Incident Reporting—$2 million General Fund increase for additional Regional Center staff to fully implement the Special Incident Reporting system. These additional resources are expected to bring the system into compliance with federal requirements to ensure continued federal funding under the Home and Community-Based Services Waiver.

Department of Alcohol and Drug Programs

The Budget includes $544.2 million ($223.2 million General Fund), a decrease of $99 million ($20.1 million General Fund) below the 2001 Budget Act, for substance abuse treatment programs. The Department's community substance abuse prevention and treatment programs have increased from $383.6 million in 1998-99 to $506.3 million in the 2002-03 Budget (including $120 million in Proposition 36 funds), for a total increase of $122.7 million. These funding increases reflect the Administration's efforts to expand services and improve the availability of substance abuse treatment programs.

The 2001-02 Budget includes the following significant adjustments:

Drug Medi-Cal (DMC) Savings— Existing statute automatically reappropriates unspent DMC funds for up to two years to pay claims from prior years. The Department determined that not all of the funds reappropriated for 2000-01 claims are required, and a reduction of $21.5 million ($10.5 million General Fund) is proposed to capture these General Fund savings in the current year.

Drug Medi-Cal Caseload—A reduction of $7.6 million ($3.7 million General Fund) as a result of changes in cost and service utilization. This reduction is due to lower costs for specified services and a change in the types of services utilized.

The 2002-03 Budget includes the following major adjustments:

Drug Medi-Cal Caseload—A reduction of $9.6 million ($3.7 million General Fund) to reflect a change in the mix of DMC services expected to be provided to clients and lower costs for specified services.

Expiration of Limited-Term Programs—A reduction of $4.2 million General Fund to reflect programs expiring June 30, 2002, including the first-round grants under the Drug Court Partnership program.

Reduction for Fiscal Uncertainties— $14.8 million General Fund reduction in local assistance programs as part of the statewide effort to address the State's current fiscal situation. The substance abuse programs proposed for reduction include non-DMC Services, technical assistance contracts, and ending the second-round grants under the Drug Court Partnership program one year early.

Mentoring At-Risk Youth

The Department of Alcohol and Drug Programs continues to be responsible for coordinating the State's mentoring effort. The Budget continues $23.4 million ($22.3 million General Fund, including $10 million Proposition 98) for various state agencies involved in mentoring. These programs are designed to assist at-risk youth to become productive members of society while reducing juvenile crime, teenage pregnancy, gang association, and the school dropout rate. (Figure HHS-18 reflects mentoring funding by department.)

Employment Development Department

The Employment Development Department (EDD) administers the Unemployment Insurance and Disability Insurance programs and collects personal income tax from employers. In addition, it administers a variety of labor exchange and job training programs including the

Figure HHS-18 **California Mentor Initiative 2002-03**

Department	Program	Fund Sources	Amount
Alcohol and Drug Programs	County Grants	Safe and Drug-Free Schools Grant	$1.1
Community Services and Development	Local Programs	General Fund	1.0
Youth Authority-Institutions	Young Men as Fathers	General Fund	1.0
Youth Authority-Counties	Volunteers in Parole	General Fund	0.3
Secretary for Education	Academic Mentoring	Proposition 98	10.0
Education	Academic Mentoring	General Fund	10.0
		TOTAL	$23.4

Job Services, Welfare-to-Work Grant, and Workforce Investment Act programs. The Budget includes $8.7 billion ($28.2 million General Fund) for EDD programs.

Faith-Based Initiative—The Budget continues, for an additional year, an initiative begun during this Administration to engage faith-based organizations more directly in the State's effort to deliver employment services. The Budget provides $4 million for competitive grants to faith-based organizations that are uniquely suited to provide services to individuals facing multiple barriers and thus inhibiting their assimilation into the workforce. In 2001-02, the EDD received 684 proposals from faith-based organizations representing all regions of the state, requesting over $184 million. Final award recommendations are currently under consideration by the Administration.

Job Agent Program—The Budget reflects a General Fund savings of $2.7 million as the result of eliminating the Job Agent program in 2002-03. The program provides employment-related services to economically disadvantaged individuals who have multiple barriers to employment by providing individualized training and employment plan development. However, clients are currently directed by Job Agent staff to other labor exchange services to meet their job training and placement objectives. Clients affected by this reduction would continue to be directed to those other employment programs best able to meet their needs.

Intensive Services Program—The Budget includes savings of $3.6 million EDD Contingent Fund to reflect a reduction in the Intensive Services program in 2002-03. This program provides case management assistance for individuals who face barriers to employment, such as long-term unemployment or lack of job skills. The employment training resources, labor market information, and referrals that are currently provided to Intensive Services clients will continue to be available for affected job seekers through core EDD employment services and the Workforce Investment Act program. In addition, this funding was used to provide services to CalWORKs recipients. Funding for CalWORKs services has been consolidated in a combined program grant, which will be provided to counties. Counties may use this grant funding to continue to provide these services to CalWORKs recipients.

Department of Rehabilitation

The Department of Rehabilitation is responsible for assisting people with disabilities, particularly those with the most significant disabilities, to obtain and retain employment and to maximize their ability to live independently in their communities. The Budget proposes $483.9 million and 2,085 personnel years to carry out the Department's programs in 2002-03.

Vocational Rehabilitation Services Program—The Administration has demonstrated its strong support for

persons with disabilities by providing sufficient funding for continuous service to the Most Significantly Disabled and Significantly Disabled, commencing with the 1999-00 fiscal year. The 2002-03 Budget reflects an increase of $3.3 million ($367,000 General Fund). This will enable the Vocational Rehabilitation (VR) program to serve an additional 2,242 clients. Additionally, the Budget proposes to restructure various service delivery business processes to improve operational efficiency. This restructuring will result in savings of $10.4 million ($2.5 million General Fund). Through the Department's service priority system, the Order of Selection, the Administration proposes to continue to serve the Most Significantly Disabled category, regardless of application date, including those Significantly Disabled applicants who may apply through June 30, 2003, subject to the availability of funds.

Habilitation Services Work Activity and Supported Employment Programs—The Budget includes a net increase of $3.5 million ($4.6 million General Fund and a reduction of $1.1 million reimbursements from the Home and Community-Based Services Waiver) for 2002-03 due to caseload increases in the Habilitation Services Work Activity and Supported Employment Programs. The Budget assumes that the Department will implement a variety of cost containment measures to achieve savings of $7.3 million ($5.9 million General Fund).

The Director of the Department of Rehabilitation will convene a group of Habilitation Service Program stakeholders to consult in the development of appropriate standards and revision of business practices to restructure the program to ensure attainment of these savings.

The Budget includes $15 million in reimbursements from the federal Home and Community-Based Waiver for 2002-03. The Budget also contains an additional $15 million ($12.8 million General Fund) for 2001-02 to address current year entitlement caseload increases.

Office of Statewide Health Planning and Development

The Office of Statewide Health Planning and Development (OSHPD) is responsible for helping California health care systems meet the current and future health needs in the State. The Office ensures health care facilities are capable of continued operation in the event of a disaster, and improves delivery of and accessibility to health care in the State. The Budget proposes $55.5 million and 408 personnel years to carry out the Office's mission in 2002-03.

Coronary Artery Bypass Graft Outcome Reporting—The Budget includes an increase of $1 million California Health Data and Planning Fund, offset by $138,000 in savings to the Hospital Building Fund, to implement the provisions of Chapter 898, Statutes of 2001. Chapter 898 requires the OSHPD to

develop and publish the new Coronary Artery Bypass Graft (CABG) outcome report annually, beginning July 1, 2002.

The CABG outcome report will present risk-adjusted mortality rates for hospitals that regularly perform coronary artery bypass graft surgery. The CABG will annually provide consumer groups and health care purchasers with information regarding a hospital's performance as compared to other hospitals on the CABG procedure. Furthermore, surgeon-level data will be reported every two years to assist consumers and health care purchasers in choosing health care providers by comparing outcomes for the CABG procedure.

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. All counties are scheduled to transfer from the district-attorney-managed system to DCSS by the end of 2002.

The DCSS is designated as the single State agency to administer the statewide program to secure child, spousal, and medical support, and determine paternity. Its primary purpose is the collection of child support payments for custodial parents and their children. The Budget proposes approximately $995 million ($288.5 million General Fund) and 215.3 personnel years for these activities.

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 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.

Between 1999-00 and 2000-01, child support collections grew from a level of $1.8 billion to $2 billion, resulting in General Fund revenues of $267 million and $295 million, respectively. Total collections of approximately $2.3 billion ($337 million General Fund) and $2.4 billion ($353.7 million General Fund) are estimated for 2001-02 and 2002-03, respectively. Child support collections continue to increase even as the DCSS continues to build its capacity to meet program goals and transition local child support agencies to the new child support system.

In addition to generating increased revenue to the State, the Child Support Program also provides additional benefit to the State through public assistance

cost avoidance. For 2000-01, over 66 percent of child support collections were disbursed to families who do not receive public assistance. However, many of these families have income below the poverty level and are considered working poor. These child support collections help these at-risk families avoid the need for public assistance.

State Administration—The Budget proposes total expenditures of $30.7 million General Fund for State administration of the program. Departmental staff ensure a more effective program through expanded State-level direction and supervision of local child support agencies. Specific mandates require increased oversight of local program and fiscal operations.

Federal Incentive Structure—Child Support Program funding is comprised of 66 percent federal financial participation and 34 percent federal and State incentives. Incentive funding is calculated as 13.6 percent of total distributed collections. The federal share of incentive funding is based on the performance of California relative to other states in five performance categories. The Budget includes $39.9 million in federal incentive funding. State funding provides the difference between federal funding and the capped incentive rate, subject to Budget Act appropriation as discussed below.

County Administration—The Budget continues to reflect the Administration's commitment to adequately fund local child support agencies. The Budget proposes expenditures of $252.2 million General Fund for county administration in 2002-03. Although the Budget includes a reduction of $35.3 million General Fund to reflect a realistic estimate of local administrative expenditures for 2002-03, the proposed level of funding reflects a 38 percent increase over actual 2000-01 expenditures.

Child Support Automation—Chapter 479, Statutes of 1999, designated the Franchise Tax Board (FTB) as the agent of the Department for the procurement, development, implementation, and maintenance and operation of the California Child Support Automation System (CCSAS). The State is responsible for all costs associated with developing, implementing, and transitioning all counties onto this new system. As a result of California's delay in implementing a single, statewide-automated system, the federal government has levied significant penalties against the State. In 2001-02, California will pay an estimated $157.5 million General Fund in federal penalties, an increase of $5.5 million over the 2001 Budget Act.

California, other states, and the National Governors Association have been active in lobbying the federal government for changes to the existing penalty structure. Proposed changes to the penalty structure would reduce the base used for calculating the federal penalty, allow states to reinvest penalties in program improvements, and allow the Secretary of the Department of Health and Human Services to waive penalties, provided that states make good faith efforts

to comply with the terms of their individual corrective action plans.

California continues to make good progress on its corrective action plan. Through the joint efforts of the FTB and the DCSS, the CCSAS is currently in the procurement phase, with contract awards targeted for late 2002. Additionally, the Department has successfully converted all but two counties to one of the six federally approved consortia, interim systems. The remaining two counties will convert by April 1, 2002. Consequently, the Administration anticipates that federal legislation will be enacted to provide relief from the penalty in 2002-03 for an estimated $181.3 million in General Fund savings.

The 2000 Budget Act provided funding for the FTB to implement Chapters 478 and 480, Statutes of 1999, which expanded its responsibility for the collection of overdue child support payments until the statewide, automated system is in place. This interim system, known as the California Arrearage Management Process, was designed to provide centralized management of child support arrearages, and was expected to increase child support collections by $70 million annually when fully implemented. However, due to the loss of federal funds for the project and concern that the interim system would delay CCSAS, the FTB ultimately recommended that the interim system be scaled back.

Consistent with that recommendation, Chapter 111, Statutes of 2001, reduced the system requirements of the interim project, which is now called the Child Support Replacement Project, so that child support collections could continue without endangering the statewide project. The 2002-03 Budget proposes an additional 21.9 personnel years to augment the manual collection of child support arrearages, which is expected to generate an additional $19 million in child support payments to families.

Department of Social Services

California Work Opportunity and Responsibility to Kids

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

The CalWORKs program is California's largest cash-aid program for children and families, and is designed to provide temporary assistance to meet basic needs (shelter, food, and clothing) in times of crisis. While providing time-limited assistance, the program also promotes self-sufficiency by establishing work requirements and encouraging personal accountability. The program recognizes the differences among counties and affords them maximum program design and funding flexibility to better ensure successful implementation at the local level.

Program Successes—California has experienced significant success with its CalWORKs program. The number of aid recipients who are employed has increased from 19 percent in 1996, to 50 percent in 2000. The average monthly wage for aided families has grown from $592 prior to CalWORKs to $735. Caseload reductions have occurred in every county. To date, the State has received over $100 million in federal bonuses for its successful operation of the CalWORKs program as compared to other states.

Caseload Trends—After seven consecutive years of decline, caseload is projected to increase by 3.9 percent above the 2001 Budget Act, due to the economic downturn. The revised caseload projections are 520,000 cases and 1,477,000 persons in 2001-02, and 532,000 cases and 1,461,000 persons in 2002-03, reflecting a projected increase in child-only cases as families begin to reach the 60-month time limit. This represents a major improvement from the rapid growth of the early 1990s, when caseload peaked in 1994-95 at 921,000 cases (see Figures HHS-19 and HHS-20). Policy reforms that promote self sufficiency and encourage job skills training, along with increased child care services, financial incentives encouraging work, and until recently, an improved private sector economy, have assisted recipients and potential recipients in finding employment.

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

The State and counties have a federal maintenance-of-effort (MOE) requirement based on federal fiscal year 1994 baseline expenditures for the former

Figure HHS-19 **CalWORKs Caseload Trend 1991-92 Through 2002-03**

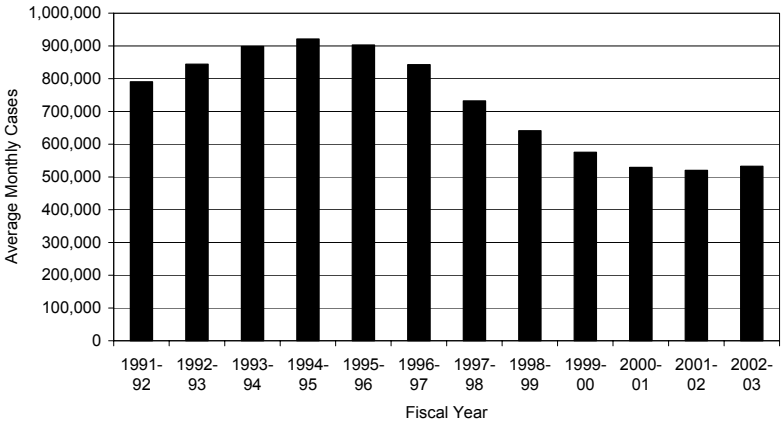


Figure HHS-20 **Annual Percentage Change in CalWORKs Caseload and California Population 1991-92 through 2002-03**

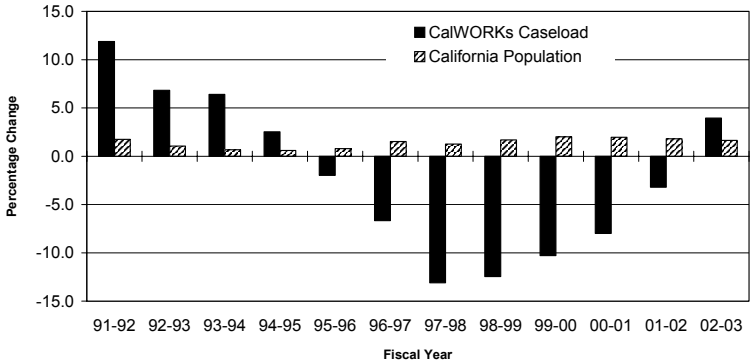


Figure HHS-21

2002-03 CalWORKs Program Expenditures [1]

(Dollars in Millions)

Department of Social Services (DSS):	
Assistance Payments	$3,308
County Program Grant	1,905
County Performance Incentives	431
Kin-GAP	84
DSS Administration	24
Other CalWORKs Costs in DSS[2]	438
Total CalWORKs, DSS	$6,190
Other Agencies:	
Child Care	607
California Department of Education (CDE)	(592)
California Community Colleges	(15)
CalWORKs Costs in Other State Agencies[3]	208
County Share of CalWORKs Expenditures	156
Total CalWORKs, Other Agencies	$970
CDE/DSS Child Care Reserve	165
General Temporary Assistance for Needy Families Reserve	$40
Total CalWORKs Expenditures	**$7,365**

[1] Detail may not add to totals due to rounding.

[2] Includes funding for the Statewide Automated Welfare System, Child Welfare Services, Indian Health Clinics, the Youth Development Services Project, Community Challenge Grants, and Trustline.

[3] Includes funding for general child care in the CDE budget, child support disregard payments in the Department of Child Support Services budget, and the Teenage Pregnancy Prevention Program in the Department of Health Services budget.

AFDC program and the proportion of CalWORKs recipients that are participating in work activities. The 2002-03 CalWORKs budget reflects California's success in having recipients meet the federally-mandated work participation requirements. With that goal being met, the federally-imposed MOE level for California was reduced from 80 percent of the federal fiscal year 1994 baseline expenditures for the former AFDC program ($2.9 billion) to 75 percent ($2.7 billion), saving $181.7 million General Fund for use in other programs.

CalWORKs Expenditures—Total CalWORKs expenditures of $7.4 billion are proposed for 2002-03, including TANF and MOE countable expenditures. This amount includes $6.2 billion budgeted within the Department of Social Services (DSS), $970 million budgeted within other agencies, and $205 million for CalWORKs program reserves. The amount budgeted within DSS includes $5.8 billion for direct CalWORKs program expenditures and $377 million in other DSS programs, including the Statewide Automated Welfare System and Child Welfare Services. The amount budgeted in other agencies includes $607 million in the California Department of Education (CDE) and California Community Colleges (CCC) for child care; $208 million in other departments' budgets; and $156 million in county budgets. Lastly, the $205 million for CalWORKs reserves includes $165 million for a child care reserve and $40 million for a general CalWORKs reserve (see Figure HHS-21).

The following reductions are included in the Budget in order to maintain CalWORKs program expenditures within available resources, while protecting the critical welfare-to-work emphasis of the program and maintaining assistance payments at the current level:

- $36 million General Fund in the CDE for adult education and Regional Occupational Collaborative program (ROC/P) services. CalWORKs recipients can continue to receive these specialized services through county programs or through base CDE instructional programs in adult education and ROC/P. These instructional programs will receive their full allotment of growth and cost-of-living adjustments in 2002-03.

- $58.4 million General Fund in the CCC for job placement services, work-study, and other educational-related work experience. These services can be provided from the CCC apportionments or pursuant to direct contracts between counties and the CCC using county CalWORKs funding. The CCC apportionments will receive additional growth funds in 2002-03 totaling $41.7 million. In addition, $15 million is included in the CCC budget to provide child care for CalWORKs recipients attending community college classes.

- $2.5 million General Fund in the California Department of Corrections to reflect a funding shift related to the Female Offender Treatment and Employment Program. This program will continue to provide services to female offenders by utilizing $2.0 million in federal Workforce Investment Act funds for the portion of the program that relates to employment training.

- $3.6 million Contingent Fund in the EDD to reflect a reduction in the Intensive Services program in 2002-03. The employment training resources currently provided to intensive services clients will continue to be available for affected job seekers through core EDD employment services and the Workforce Investment Act program. In addition, counties may use their funding to provide these services to CalWORKs recipients.

- $5.1 million General Fund in the DSS from eliminating the General Fund portion of CalWORKs Fraud Incentive payments made to counties. A total of $10.2 million ($5.1 million General Fund and $5.1 million TANF Block Grant funds) is estimated to be owed to counties in 2002-03 for their share of savings resulting from the detection of fraud. Eliminating the $5.1 million General Fund share will not affect the TANF funding, which will provide counties with sufficient incentive to identify and collect overpayments.

- $2 million federal funds in the DSS to reflect a reduction in the State operations funding for the program.

In addition, $40 million is set aside as a general TANF reserve for unanticipated program needs. A program reserve allows the State to deal with unforeseen pressures that otherwise could drive program costs above the federally-required MOE.

Grant Levels—The Budget does not include funding to provide a cost-of-living adjustment (COLA) for cash grants. While grant levels will remain at the same level as in the 2001 Budget Act, funding for employment services is provided through county program grants so that recipients can continue to move toward employment. The monthly cash grant level for a family of three is $679 in Region I and $647 in Region II.

In addition, the CalWORKs assistance payment structure continues to reward working families by allowing them to retain earnings in excess of twice the grant amount and still remain enrolled in the program. As an example, a family of three living in Region I can earn up to $1,583 per month before its grant would be reduced to zero. In addition to the grant, the family typically would be eligible for employment services, child care, food stamps, and Medi-Cal.

Performance Incentives—The CalWORKs statute provides for performance incentive payments to counties equaling 50 percent of savings resulting from exits from aid due to employment, grant reductions due to earnings, and diversion of applicants before they enter the program. Pursuant to Chapter 108, Statutes of 2000, incentive earnings are subject to Budget Act appropriation. Counties will have earned $1.2 billion through the end of 2001-02, but have only spent $160.7 million through September 2001. Because the DSS has allocated $1.1 billion to counties, the majority of this funding currently resides in county bank accounts.

Recently, the federal government formally notified the DSS that the State is in violation of the federal Cash Management Act in drawing down federal TANF dollars for fiscal incentive purposes that were not going to be immediately spent by the counties. Under the Cash Management Act, those funds are to remain at the federal level until such time as a state is going to actually expend those funds. The DSS proposes to recover the $600 million that is expected to remain unexpended by the counties, and use $169.2 million as a funding source in 2002-03 to maintain CalWORKs funding within available TANF and MOE funding levels. The remainder, $430.8 million, will be appropriated to counties to be available in 2002-03.

County Program Grant—In an effort to allow more flexibility in providing employment services, administration, child care, and juvenile probation in accordance with local needs and priorities, the Administration proposes to provide a combined CalWORKs program grant to counties. The total amount budgeted for this county program grant may fluctuate each year as the State makes necessary adjustments to balance CalWORKs program needs within available resources.

CalWORKs Child Care—The Budget funds the projected child care need for CalWORKs recipients and reflects

savings attributable to the Administration's Child Care Reform proposal. This proposal includes eligibility changes for CalWORKs child care along with the remainder of the State's subsidized child care system. The budgets for the CDE and the CCC include $592.1 million and $15 million, respectively, to provide CalWORKs child care services. In addition, funding is included as part of the county program grant for Stage I Child Care, in which counties initially place CalWORKs families and continue to provide services until their financial condition stabilizes. The Budget includes a $164.7 million reserve to be used for either DSS or CDE child care providers, as needed.

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.

2002-03 Program—The Budget proposes $3 billion General Fund for the SSI/SSP program in 2002-03. This represents a 7.3 percent increase above the 2001 Budget Act. This increase is the result of caseload growth and the full-year effect of the January 1, 2002, COLA. In January 2003, a 1.8 percent federal COLA will be added to the SSI payment standards. Given the State's current fiscal constraints, it is proposed that the State COLA for the SSP payment standard be suspended. The overall payment standards will still increase to $759 for an individual and $1,347 for a couple (see Figure HHS-22). As reflected in Figure HHS-23, California continues to provide the highest level of support to SSI/SSP recipients among the ten most populous states.

Figure HHS-22
Changes in the California SSI/SSP Maximum Payment

	Independent Living Arrangement Aged and Disabled	
Implementation Date	Individuals	Couples
January 1, 2001, 2.96 Percent COLA	$712	$1,265
January 1, 2002, 5.31 Percent COLA	750	1,332
January 1, 2003, 1.8 Percent SSI COLA	759	1,347

During the tenure of this Administration, the SSI/SSP grant levels have generally increased. For example, the grant amount has increased from $650 to $759 for aged and disabled individuals, and from $1,156 to $1,347 for aged and disabled couples, a 17 percent increase over the period from January 1999 through January 2003. The State SSP portion of the grant has increased by 29 and 23 percent, respectively, for the two recipient catego-

Figure HHS-23

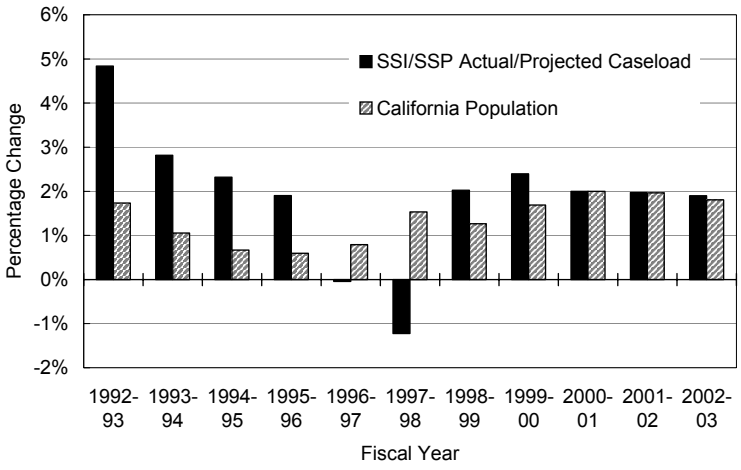
Comparison of the 2001 SSI/SSP Maximum Payments[1] for the Ten Most Populous States

	Independent Living Arrangement			
	Aged and Disabled		Blind	
State	Individuals	Couples	Individuals	Couples
California	$712	$1,265	$771	$1,466
New York	618	900	618	900
New Jersey	562	821	562	821
Pennsylvania	558	840	558	840
Michigan	545	824	545	824
Florida[2]	531	796	532	796
Georgia[2]	531	796	531	796
Texas[2]	531	796	531	796
Illinois[3]	531	796	531	796
Ohio[2]	531	796	531	796

[1] The January 2001 federal maximum payments are $530 per individual (increased to $531 effective August 1, 2001), and $796 for a couple.
[2] Reflects the federal SSI maximum payment only, as these states do not provide supplemental payments for an independent living arrangement.
[3] Illinois does not have a standard SSP allowance. Any supplements are based upon individual needs and circumstances.

Figure HHS-24

Annual Percentage Change in SSI/SSP Caseload and California Population 1992-93 through 2002-03



ries above. Prior to 1999-00, the SSP grant level for those recipients had remained flat for five consecutive years.

Caseload Trends—The caseload in this program is estimated to be 1.1 million recipients in 2002-03, a 1.9 percent increase over the 2001 Budget Act. Figure HHS-24 compares the annual percentage change in California's SSI/SSP caseload and California's population. Except for caseload decreases associated with federal eligibility changes in the mid-1990s, the caseload has grown faster than the general population throughout the 1990s. In 2000-01 through 2002-03, SSI/SSP caseload has grown, or is anticipated to grow, at an equal or slightly higher rate, compared to growth in the general population. The SSI/SSP caseload consists of 30 percent aged, 2 percent blind, and 68 percent disabled persons.

Administrative Fees—The Social Security Administration administers the SSI/SSP benefit payments for a monthly check fee of $8.50. The fee will increase on October 1, 2002, to $8.66. The General Fund cost for SSP administration is estimated to be $118.1 million in 2002-03.

Cash Assistance Program for Immigrants

Chapter 329, Statutes of 1998, established the Cash Assistance Program for Immigrants (CAPI). The Budget includes $113.4 million General Fund for CAPI in 2002-03. This State-only funded program previously provided

benefits only to documented persons in the country prior to August 22, 1996, who were not receiving SSI/SSP benefits on September 30, 1998. Beginning in 1999-00, on a year-by-year basis, the CAPI was expanded to also include documented persons arriving in the country after August 22, 1996, subject to the deeming of sponsor income. Through Chapter 111, Statutes of 2001, the expanded CAPI was made permanent. Because CAPI rates are tied to the SSI/SSP payment standard, the grant for immigrants will increase in 2002-03 proportionate to the increase in the SSI payment standard.

Food Assistance Programs

The Budget includes $656.9 million ($290.3 million General Fund) to support Food Assistance Programs. These programs provide monthly benefits that assist low-income households in purchasing the food they need to maintain adequate nutritional levels. Benefits are issued through the use of coupons, which may be exchanged for food products. In 2002-03, approximately 1.9 million persons are expected to receive food assistance benefits from these programs each month. The Food Assistance Programs also distribute food supplies valued at approximately $70 million to over 2,300 local food banks and soup kitchens. Significant changes to the Food Assistance Programs are highlighted below.

California Food Assistance Program—The 2001 Budget Act included $72.5 million General Fund for the California Food Assistance Program (CFAP), which provides food stamp coupons to documented persons who are not eligible for federal food stamps solely because of their immigration status. Many of these persons were formerly eligible for federal food stamps prior to the enactment of the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996, which excluded them. In 2000, the CFAP was temporarily expanded to include documented persons who entered the country legally on or after August 22, 1996. In 2001, the Administration made this expansion permanent.

The Administration proposes that federal food stamp eligibility for CFAP recipients be restored when Congress reauthorizes the TANF program later this year. Restoring federal eligibility for these persons will result in General Fund savings of $35.1 million, which are reflected in the proposed 2002-03 Budget. As a result, the Budget contains no funding for CFAP in 2002-03 because it is anticipated that the program's recipients will receive food coupons through the federal Food Stamp program.

Food Stamp Employment and Training Program—The Budget includes $46.9 million to support job search, workfare, education, and training activities for food stamp recipients not enrolled in CalWORKs. This is a

$1.4 million, or 3 percent increase over the 2001 Budget Act. Federal funding for this program will increase by $2.7 million in 2002-03, while the Budget proposes General Fund savings of $1.3 million for the State's share-of-cost for the program. In addition, the Budget proposes comprehensive reform of the State's workforce development system, which includes this program. This reform proposal is discussed in greater detail in the Improving California's Workforce Development System section.

Adult Protective Services

Adult Protective Services (APS) is a county-administered program that investigates abuse, neglect, or exploitation of elderly or dependent adults. Chapter 946, Statutes of 1998, established a State-mandated comprehensive system to address the increasing need for APS in California. Services include a 24-hour emergency response system, emergency shelter, food, transportation, and in-home protective care. The Administration continues to support the provision of these services to this vulnerable population. The Budget proposes $78.9 million ($55.3 million General Fund and $23.6 million Title XIX reimbursements) for the APS, an increase of $8.6 million over the 2001 Budget Act. The Budget also includes $18.6 million ($11.5 million General Fund and $7.1 million Title XIX reimbursements) for the County Services Block Grant program that provides funding for the APS, as part of county social service programs.

In-Home Supportive Services

The In-Home Supportive Services (IHSS) program provides support services, such as house cleaning, transportation, personal care services, and respite care to eligible, low-income aged, blind, and disabled persons. These services are provided in an effort to allow individuals to remain safely in their homes and prevent premature institutionalization. The program consists of the State and county-funded Residual Program and the Personal Care Services Program for Medi-Cal eligible individuals.

The 2002-03 average monthly caseload is projected to be 283,600 cases, an increase of 6.5 percent over the 2001 Budget Act. Total IHSS expenditures are projected to be approximately $2.6 billion ($1 billion General Fund), an increase of 9.8 percent above the 2001 Budget Act level. This includes an increase of $77 million ($31 million General Fund), to fund the full-year cost of the January 2002 minimum wage increase of $0.50 per hour.

IHSS Provider Rate Increases—As part of the Aging with Dignity Initiative in 2000-01, the Administration approved an IHSS provider rate increase to further improve the quality of services and strengthen recruitment and retention of IHSS providers, thereby allowing more seniors to live independently at home or with their families. IHSS provider wages were increased by $0.50 in Public Authority (PA) counties in 1999-00. In 2000-01, Administra-

tion-sponsored legislation was enacted to provide for State participation in further hourly compensation increases of $1 over each of the ensuing four years in PA and non-profit consortium counties. This increase is tied to General Fund revenue growth.

The 2001 Budget Act included $106.6 million General Fund for the State share of provider rate increases above the State minimum wage in PA counties. Although the wage increase trigger was not activated, a discretionary augmentation of $23.7 million General Fund was included to increase the maximum provider rate in which the State would share costs from $8.10 per hour to $9.10 per hour ($8.50 for wages, $0.60 for benefits). However, the revised General Fund expenditure level for 2001-02 has been reduced from $106.6 million to $92.5 million, due primarily to delays in county implementation of these provider rate increases. Given the State's current fiscal situation, and the fact that a discretionary increase was provided in 2001-02, it is proposed that no rate increase be provided in 2002-03.

The 2002-03 Budget, however, does include an increase of $11.9 million General Fund to address growth in an estimated number of cases to be served through the PA mode of service delivery and further phase-in by counties of the PA provider rate increases.

The 2001 Budget Act also included $6.4 million General Fund to provide a 2.31 percent rate increase for non-PA individual providers, and $1.3 million General Fund for a 5.31 percent increase in the current Maximum Allowable Contract Rate for that mode of service delivery. However, the proposed Budget for 2002-03 includes a reduction of $7.6 million General Fund for the non-PA individual provider rate, and assumes that 95 percent of the IHSS individual provider caseload will move to PA mode in 2002-03. The Budget also proposes a reduction of $1.4 million General Fund for the contract mode to reflect anticipated expenditures, based on actual wage rates expected to be paid by the counties.

Overall, during its tenure, this Administration has augmented the IHSS program by over $169 million General Fund, or 32 percent, to provide the State share-of-cost for IHSS provider wage and health benefit increases.

Children's Services Programs

The child welfare system in California provides a continuum of services, through various programs, to children who are abused or neglected. The Budget proposes $3.1 billion ($1.3 billion General Fund) to provide assistance payments and services to children under these programs (see Figure HHS-25).

Spending on children services programs has grown from $2.5 billion ($1.2 billion General Fund) to a proposed level of $3.1 billion ($1.3 billion General Fund) for 2002-03, an increase

Figure HHS-25

2002-03 Children's Services Program Funding
(Dollars in Millions)

Program	Total Funds	General Fund
Child Welfare Services	$1,674	$590
Foster Care	962	458
Adoptions	437	221
Child Abuse Prevention	20	13
State Administration	47	28
Total	**$3,140**	**$1,310**

of approximately 24 percent since 1998-99. Significant adjustments are proposed in the following children's services programs.

Child Welfare Services Augmentation— The Budget continues to provide $120.8 million ($74.3 million General Fund) for additional county Child Welfare Services (CWS) workers, expressly targeted for emergency response, family reunification, family maintenance, and permanent placement. This funding will allow counties to reduce the workloads of caseworkers responding to approximately 174,000 cases of abused and neglected children each month. Through its CWS Stakeholders' Group, the Department is continuing a review of existing programs, components, and systems, which is expected to lead to recommendations for improvements over the next three years.

Since 1998-99, this CWS augmentation has increased from $68.4 million ($40 million General Fund) to a proposed level of $120.8 million ($74.3 million General Fund) for 2002-03, an increase of approximately 77 percent.

Child Welfare Services Base Funding Adjustment—The Budget also provides $132.7 million ($62.3 million General Fund) above the level of funding supported by current caseload and caseload standards, to allow counties to maintain higher social worker staffing levels. This represents a $30.4 million ($13 million General Fund) increase over the 2001 Budget Act level.

Foster Youth Programs—The Budget proposes expenditures of $1.1 billion ($494.1 million General Fund) for foster youth, including those exiting foster care into the Kinship-Guardianship Assistance Payment (Kin-GAP) Program. Since 1998-99, expenditures for these various programs have increased by $51.1 million ($18.8 million General Fund), or about 4.9 percent. This is significant in that, during this period, there has been increased emphasis on relative placements and adoption placements. As a result, the number of youth in foster care has declined from an average monthly caseload of 92,902 in 1998-99 to a projected caseload of 70,827 in 2002-03. During the same period, the average monthly caseload for adoption assistance payments has increased from 28,779 to 54,649, and

the average caseload for foster care placements into Kin-GAP has grown to a projected 15,309.

During the tenure of this Administration, a variety of augmentations have been provided that benefit foster youth. The Budget includes funding for the following:

- **Extended Independent Living Program—**$15.2 million General Fund
- **Supportive Transitional Emancipation Program—**$13.9 million General Fund
- **Supplemental Clothing Allowance—**$6.5 million ($3.2 million General Fund)
- **Health Services for Children in Foster Care—**$5.3 million General Fund
- **Emancipated Foster Youth Stipends—**$3.6 million General Fund
- **Kinship/Foster Care Emergency Funds—**$1 million General Fund

The Budget Act of 2001 included $10 million to implement the Transitional Housing Placement Program for foster youth. In the November 2001 *Proposed Reduction in 2001-02 Spending* plan, $4.8 million has been proposed for reversion to the General Fund because these funds would not be required in either 2001-02 or 2002-03, based on current caseload projections. It is anticipated that, of the $5.2 million available, $867,000 would be expended in 2001-02 and $4.3 million would be expended in 2002-03.

Community Care Licensing

The Community Care Licensing program directly licenses and monitors approximately 72,000 community care facilities, and provides oversight, direction, and training to counties that license approximately 13,000 additional facilities. These non-medical facilities, which include child day care facilities, children's residential facilities, and elderly residential and day support facilities, serve approximately 1.3 million clients. The Budget proposes $126.1 million ($44.9 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 $6.2 million ($4.5 million General Fund), or 5 percent, increase over the 2001 Budget Act.

Facility Growth—Program growth trends indicate an overall increase of 1,812 State-licensed community care facilities in 2002-03, an increase of 2.5 percent. The Budget includes an augmentation of $3.2 million ($2.9 million General Fund) to support 19 new positions and the conversion to permanent of 25 expiring limited-term positions for workload associated with facility growth. In addition, $423,000 Technical Assistance Fund is included to continue six limited-term positions that provide training and consultation to newly-licensed community care facility

operators. The Budget also provides $845,000 in reimbursements to continue the Child Care Development Grant/Loan Program in Los Angeles County, a State-county collaborative program that is expanding the availability and quality of child care in that county.

Licensing Reform—The Budget includes an augmentation of $550,000 Technical Assistance Fund and 6.5 positions, starting January 1, 2002, to strengthen family child care home licensing activities and implement Chapter 679, Statutes of 2001. In this Budget, the Administration proposes to streamline licensing procedures for after-school child care facilities, which will result in General Fund savings of $1.5 million and 25.3 positions. With this streamlining, the State will continue to focus on critical core safety functions, including provider fingerprint clearances and background checks.

California Health and Human Services Agency Data Center

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

For the HHSDC's primary facility operations, the Budget includes a net reduction of $6.6 million in HHSDC Revolving Fund authority. For the special projects managed by the HHSDC for the DSS, the Budget proposes a net increase in expenditure authority of $19.9 million over the 2001 Budget Act and the continuation of six limited-term positions.

Automation Projects

The HHSDC manages five major automation projects for the DSS. These systems assist in the administration of the CalWORKs, Food Stamps, CWS, and IHSS programs, and further the Administration's goal of providing quality services as efficiently as possible while preventing fraud and reducing long-term costs. The Budget includes $374.3 million ($136.7 million General Fund) to continue to develop, maintain, and operate these projects.

Statewide Automated Welfare System—The Statewide Automated Welfare System (SAWS) automates welfare eligibility processes and administrative functions for the CalWORKs, Food Stamp, Medi-Cal, Foster Care, Refugee,

and County Medical Services programs through the development of the following four separate systems:

- **Interim SAWS—**This consortium is comprised of 35 counties. The Budget includes $37.7 million ($15.4 million General Fund) for maintenance and operations activities. This represents an increase of $6.1 million ($5.5 million General Fund) over the 2001 Budget Act, due to the acquisition and installation of a replacement mainframe system.

- **Welfare Client Data System—**The Budget maintains the 2001 Budget Act funding level of $79.9 million ($23.6 million General Fund) to continue the implementation of this system in 18 counties.

- **Los Angeles Eligibility, Automated Determination, Evaluation, and Reporting System—**The Budget includes $15.2 million ($5.2 million General Fund) for maintenance and operation of this single-county system. This represents a reduction of $5.2 million ($1.1 million General Fund) below the 2001 Budget Act, due to the completion of countywide implementation in 2001-02.

- **Consortium IV—**The Budget maintains the 2001 Budget Act funding level of $75.5 million ($16.9 million General Fund) to continue implementation of this system in the remaining four counties.

The Budget also includes $5.7 million federal funds for the SAWS Welfare Data Tracking Implementation Project (WDTIP). This represents a reduction of $838,000 due to the completion of county conversion and training activities. The WDTIP allows the four consortia to share CalWORKs time-limit tracking data. In addition, the Budget maintains the current year revised funding level of $7.1 million ($2.5 million General Fund) for the DSS and HHSDC consortium planning, State oversight, and overall statewide management of the SAWS system.

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

The Budget includes $82.5 million ($41.2 million General Fund) for contract-related costs for system maintenance and operations to continue these services, and for reprocurement of a maintenance and

operations vendor. Overall, proposed CWS/CMS maintenance and operations funding for 2002-03 is $14.5 million ($7.2 million General Fund) less than the 2001 Budget Act funding level, due to adjustments for one-time costs related to workstation replacement, workstation software, and upgrades to workstation operating systems.

The Budget also provides one-time funding of $276,000 ($138,000 General Fund) to improve the CWS/CMS infrastructure by replacing application servers that exceed useful service life. Additionally, the Budget includes $736,000 ($368,000 General Fund) to proceed with planning activities necessary to incorporate the expanded adoptions subsystem into CWS/CMS to meet federal guidelines.

Statewide Fingerprint Imaging System— The Statewide Fingerprint Imaging System is a database system that detects and reduces multiple-case fraud in the CalWORKs and Food Stamp programs. The Budget includes $11.3 million General Fund for maintenance and operations activities. This represents a reduction of $396,000, due to the completion of project implementation activities.

Electronic Benefit Transfer—The Electronic Benefit Transfer (EBT) system will deliver public assistance benefits to eligible recipients through electronic funds transfer, automated teller machines (ATM), and point-of-sale terminals in retail outlets. Counties are statutorily required to use the EBT system to deliver Food Stamp benefits, and are also permitted to use the EBT system to deliver CalWORKs benefits. When operational, Food Stamp and CalWORKs recipients will be able to access their benefits via ATM-like cards, in lieu of monthly checks or Food Stamp coupons. The Budget includes $56.8 million ($19.1 million General Fund) to continue statewide implementation. This represents an increase of $38.2 million ($12.8 million General Fund) above the 2001 Budget Act. Federal welfare reform requires states to implement an EBT system to deliver Food Stamp benefits by October 1, 2002. California, however, has received a waiver of this federal requirement provided that the State adheres to current implementation schedules.

Case Management, Information, and Payrolling System—The Case Management, Information, and Payrolling System (CMIPS) processes eligibility determinations of IHSS applicants; provides case management services for recipients; calculates IHSS authorized service hours and issues notices of action to recipients for any change in that service level; provides payroll services for individual providers including income tax and other payroll taxes; audits invoices for third-party contract providers; and produces reports for program management. The Budget proposes $1.5 million ($969,000 General Fund) for contract reprocurement activities, including an augmentation of $175,000 ($63,000 General Fund) for operating expenses. Additionally, the

HHSDC will receive expenditure authority of $247,000 for CMIPS reprocurement project staffing.

California Children and Families Commission

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

The initiative, through its cigarette and other tobacco product taxes, is currently projected to generate $643.5 million in 2001-02 and $634.5 million in 2002-03. Proposition 10 includes provisions which replace the loss of Proposition 99 tobacco tax revenues for health education, research, and breast cancer programs due to the decreased consumption of tobacco products resulting from increased taxes pursuant to Proposition 10. The amounts replaced in 2001-02 and 2002-03 total $25.9 million each year. Proposition 10 provides that 20 percent of funds remaining after the Proposition 99 replacement and tax collection cost are allocated to the State Commission for programs indicated in Figure HHS-26. The initiative also provides that the remaining 80 percent is allocated to county commissions for early childhood development programs including, but not limited to, health care, child care, education, domestic violence prevention, maternal nutrition, and child abuse prevention.

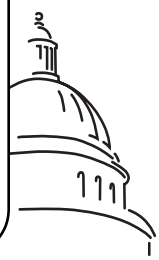
Figure HHS-26

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

	2001-02	2002-03
Total revenues	$643.5	$634.5
Less:		
Board of Equalization tax collection costs	1.7	1.7
Proposition 99 and Breast Cancer funding offset	25.9	25.9
Net revenues	$616.0	$606.9
County Allocation (80 percent)	492.8	485.5
State Commission Allocation (20 percent)	123.2	121.4
Mass Media Communications (6 percent)	37.0	36.4
Education (5 percent)	30.8	30.3
Child Care (3 percent)	18.5	18.2
Research and Development (3 percent)	18.5	18.2
Unallocated (2 percent)	12.3	12.1
Administration (1 percent)	6.2	6.1

Child Development Policy Advisory Committee

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



In developing the 2002-03 Budget, the Administration reviewed a variety of programs for potential restructuring or consolidation to improve the efficiency and effectiveness of State government. Consequently, the Administration will propose legislation to eliminate the Committee effective January 1, 2003, for ongoing savings of approximately $935,000 ($492,000 General Fund). The Budget proposes $396,000 ($227,000 General Fund) to provide half-year funding for the Committee, a savings of $539,000 ($265,000 General Fund).

State-Local Realignment

In 1991-92, State-Local Realignment restructured the state-county partnership by giving counties increased responsibilities and funding for a number of health, mental health, and social service programs. Realignment also provided an ongoing revenue source for counties by establishing a new ½-cent sales tax and an increase in the motor vehicle license fee (VLF). The ½-cent sales tax is a dedicated funding stream for realignment and is not affected by the calendar year 2001 statewide ¼-cent reduction in sales tax. Similarly,

Figure HHS-27

State-Local Realignment
2000-01 Estimated Revenues and Expenditures
(Dollars in Thousands)

Amount	Mental Health	Health	Social Services	Totals
Base Funding				
Sales Tax Account	$826,693	$376,811	$921,507	$2,125,011
Vehicle License Fee Account	158,233	918,024	25,656	1,101,913
Total Base	**$984,926**	**$1,294,835**	**$947,163**	**$3,226,924**
Growth Funding				
Sales Tax Growth Account:	$29,155	$44,258	$88,874	$162,287
Caseload Subaccount	—	—	(84,984)	(84,984)
Indigent Health Equity Subaccount	—	(3,803)	—	(3,803)
Community Health Equity Subaccount	—	(9,311)	—	(9,311)
Mental Health Equity Subaccount	(3,009)	—	—	(3,009)
State Hospital Mental Health Equity Subaccount	(5,342)	—	—	(5,342)
County Medical Services Subaccount	—	(6,535)	—	(6,535)
General Growth Subaccount	(20,804)	(24,609)	(3,891)	(49,304)
Vehicle License Fee Growth Account	50,327	76,398	6,716	$133,441
Total Growth	**$79,482**	**$120,656**	**$95,590**	**$295,728**
Total Realignment [1]	**$1,064,408**	**$1,415,491**	**$1,042,753**	**$3,522,652**

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

the amount of VLF revenue available for realignment is not affected by the 67.5 percent reduction in vehicle license fees that resulted from Chapter 5, Statutes of 2001, because General Fund is provided to backfill these lost VLF revenues. In 2001-02, a special fund backfill was also provided for this purpose. Therefore, local governments are not adversely affected by the lower sales tax and vehicle license fees paid by California citizens.

Realignment revenues for 2001-02 are estimated to total $3.5 billion, which represents a decrease of $35.8 million compared to the 2000 Budget Act. The $3.5 billion is comprised of $2.2 billion in sales tax revenues and $1.3 billion in VLF. The VLF amount includes $585.2 million General Fund and $283.1 million special fund to backfill for lost VLF revenues, as discussed above. Because sales tax revenues are not projected to increase, there will be no growth funding available for distribution to the equity and general growth accounts.

Figure HHS-28

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

Amount	Mental Health	Health	Social Services	Totals
Base Funding				
Sales Tax Account	$820,948	$405,162	$971,479	$2,197,589
Vehicle License Fee Account	208,560	994,422	32,372	1,235,354
Total Base	**$1,029,508**	**$1,399,584**	**$1,003,851**	**$3,432,943**
Growth Funding				
Sales Tax Growth Account:	—	—	—	—
Indigent Health Equity Subaccount	—	—	—	—
Community Health Equity Subaccount	—	—	—	—
Mental Health Equity Subaccount	—	—	—	—
State Hospital Mental Health Equity Subaccount	—	—	—	—
County Medical Services Subaccount	—	—	—	—
General Growth Subaccount	—	—	—	—
Vehicle License Fee Growth Account	20,073	31,150	2,679	$53,902
Total Growth	**$20,073**	**$31,150**	**$2,679**	**$53,902**
Total Realignment[1]	**$1,049,581**	**$1,430,734**	**$1,006,530**	**$3,486,845**

[1] Excludes $14 million in Vehicle License Collection Account moneys not derived from realignment revenue sources. Includes $585.2 million General Fund deemed to be vehicle license fee revenue per Chapter 322, Statutes of 1998 and $283.1 million special funds deemed to be vehicle license fee revenue per Chapter 5, Statutes of 2001.

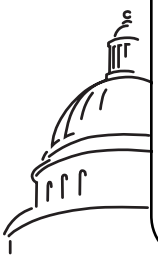
For 2002-03, realignment revenues are estimated to total $3.6 billion, which represents an increase of $157 million above the 2001 Budget Act. This is the sum of the $2.7 billion in VLF and sales tax revenues included in the State-Local Realignment budget, and $905.5 million included in the Tax Relief budget. The $3.6 billion total includes $2.3 billion in sales tax revenues and $1.3 billion in VLF. The VLF amount includes $905.5 million General Fund to backfill for lost VLF revenues (see Figures HHS-27 through HHS-29).

Figure HHS-29

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

Amount	Mental Health	Health	Social Services	Totals
Base Funding				
Sales Tax Account	$820,948	$405,162	$971,479	$2,197,589
Vehicle License Fee Account	228,633	1,025,572	35,051	1,289,256
Total Base	**$1,049,581**	**$1,430,734**	**$1,006,530**	**$3,486,845**
Growth Funding				
Sales Tax Growth Account:	40,290	56,234	5,377	101,901
Indigent Health Equity Subaccount	—	(5,255)	—	(5,255)
Community Health Equity Subaccount	—	(12,868)	—	(12,868)
Mental Health Equity Subaccount	(4,158)	—	—	(4,158)
State Hospital Mental Health Equity Subaccount	(7,382)	—	—	(7,382)
County Medical Services Subaccount	—	(4,104)	—	(4,104)
General Growth Subaccount	(28,750)	(34,008)	(5,377)	(68,135)
Vehicle License Fee Growth Account	21,796	30,422	2,909	$55,127
Total Growth	**$62,086**	**$86,656**	**$8,286**	**$157,028**
Total Realignment[1]	**$1,111,667**	**$1,517,390**	**$1,014,816**	**$3,643,873**

[1] Excludes $14 million in Vehicle License Collection Account moneys not derived from realignment revenue sources. Includes $905.5 million General Fund deemed to be vehicle license fee revenue, per Chapter 322, Statutes of 1998.



Corrections and Law Enforcement

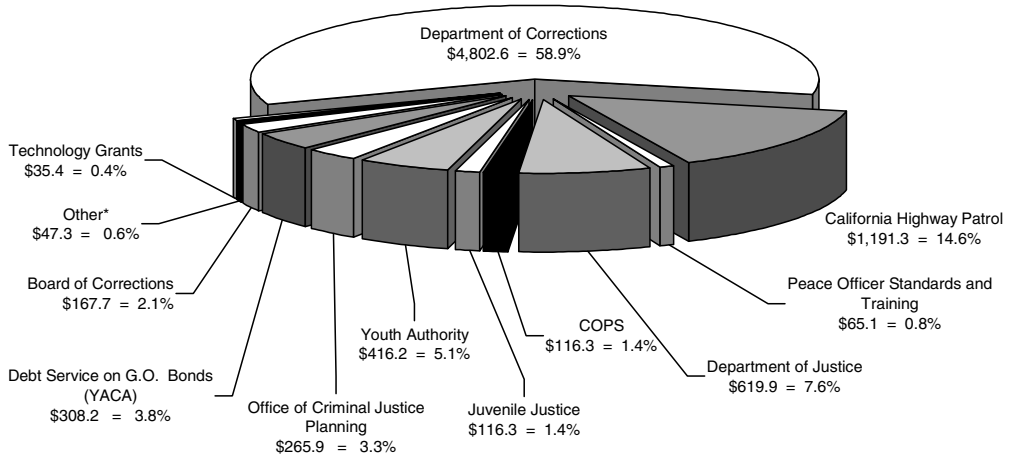
The Governor's Budget includes funding to support the various programs within the Youth and Adult Correctional Agency, Department of Justice, Office of Criminal Justice Planning, Commission on Peace Officer Standards and Training, Office of the Inspector General, and the California Highway Patrol. Funding for these programs will grow to approximately $8.2 billion in total funds, and reflects a 0.7 percent increase over the revised 2001-02 Budget. The level of funding proposed for each of these agencies is shown in Figure CLE-1. Highlights of the more notable funding changes included in the Budget for these programs are further described below.

Youth and Adult Correctional Agency

The Secretary for the Youth and Adult Correctional Agency is responsible for providing day-to-day policy direction and broad administrative guidance to the departments that deliver youth and adult detention services, including the Department of Corrections, Board of Prison Terms, Department of the Youth Authority, Youthful Offender Parole Board, and the Board of Corrections. The Secretary also provides oversight for the Narcotic Addict Evaluation Authority and the Commission on Correctional Peace Officer Standards and Training. Total funding for these

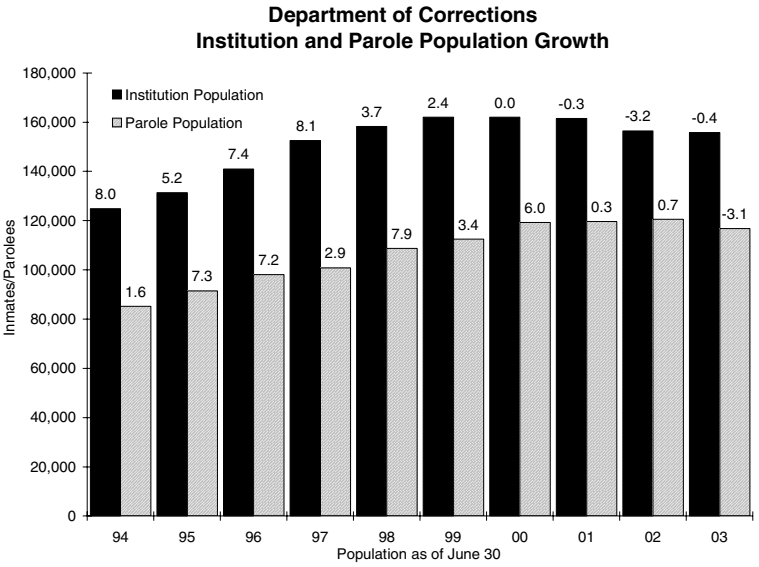
Figure CLE-1

Public Safety Proposed Expenditures for 2002-03
All Funds
(Dollars in Millions)



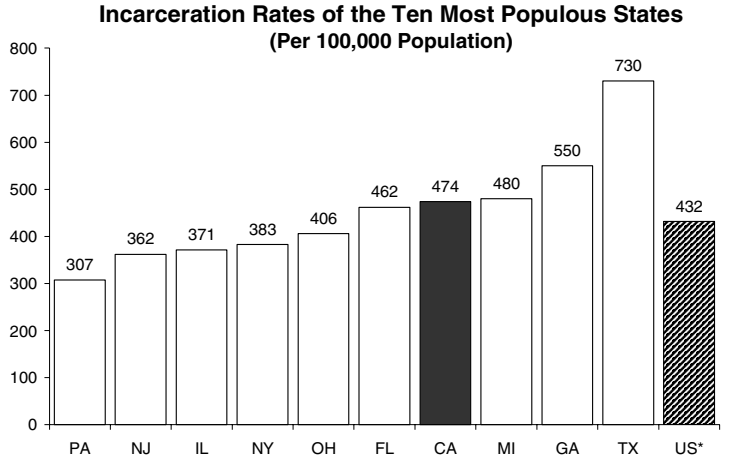
* Includes the Youth and Adult Correctional Agency, Office of the Inspector General, Youthful Offender Parole Board, Board of Prison Terms, and the Commission on Correctional Peace Officer Standards and Training.

Figure CLE-2



Figures above the bars represent the percentage change from the previous year

Figure CLE-3



*Nationwide (States)
Source: Prisoners in 2000; Bureau of Justice Statistics

programs will be approximately $5.4 billion in 2002-03. This amount reflects a 0.4 percent increase over the revised 2001-02 Budget.

Department of Corrections

The Department of Corrections (CDC) is responsible for the incarceration of convicted felons and the supervision of these felons after their release on parole. The CDC is responsible for providing safe and secure detention facilities and providing necessary support services to inmates, including food, clothing, academic and vocational training, and health care.

The CDC's inmate population is projected to decrease from 156,409 on June 30, 2002, to 155,721 by June 30, 2003, a decrease of 688 inmates, or 0.4 percent. The parole population is projected to decrease from 120,523 on June 30, 2002, to 116,811 by June 30, 2003, a decrease of 3,712 parolees, or 3.1 percent (see Figure CLE-2). The Governor's Budget proposes $4.8 billion and 44,926 personnel years for state operations and local assistance programs to accommodate these populations. This results in a savings of $28.3 million and 80.6 personnel years from the revised 2001-02 Budget. In 2002-03, incarceration and parole services will be provided through 33 institutions, 11 reception centers, 38 camps, and 11 community correctional facilities.

California has an incarceration rate of 474 inmates per 100,000 population, compared to a nationwide rate of

432 inmates per 100,000, ranking it thirteenth among the 50 states, and fourth among the ten most populous states (see Figure CLE-3). Adequate funding for state prison operations ensures the safety of the public and the officers and staff who supervise and work with confined criminals.

Preventing Parolee Crime Program Funding Shift—The Budget includes a funding shift related to the Preventing Parolee Crime Program. General Fund savings will be realized by using $10.6 million in federal Workforce Investment Act funds for the portion of the Preventing Parolee Crime Program that relates to employment training, including the Jobs Plus Program, the Offender Employment continuum, a contract with the Employment Development Department, and the Computerized Literacy Learning Centers.

Female Offender Treatment and Employment Program (FOTEP) Funding Shift—The Budget contains a funding shift related to FOTEP. General Fund savings will be realized by using $2 million in federal Workforce Investment Act funds for the portion of FOTEP that relates to employment training.

Replacement and Repair of Electromechanical Door Operating Systems—The Budget proposes to reappropriate $11.7 million related to the Electromechanical Doors project to fund those portions of the project that will take place in 2002-03, due to changes in the implementation schedule.

Additional Security at Patton State Hospital—The Budget proposes $427,000 and seven personnel years to increase perimeter security at Patton State Hospital. This increase in security is for two years, until completion of a new secure perimeter fence.

Medical Evaluations Related to Respiratory Protection Program—The Budget includes $620,000 for medical evaluations of those employees who may be required to wear respirators in the course of employment.

Workers' Compensation Continuing Funding and Fee Increases—The Budget continues $21.3 million in one-time funding from the 2001-02 Budget for increased workers' compensation expenditures, and includes $1.1 million in new funding for increased service fees.

Legal Affairs Division Restructuring—The Budget contains $1.8 million in redirected funding to establish the Major Litigation Unit and the Liability Response Unit within the Legal Affairs Division. These units are designed to assist the Department in addressing major lawsuits as well as identifying potential solutions to problems before they become lawsuits.

Reduction in Legal Settlement Authority—The Budget includes a reduction in the Department's legal settlement authority of $3.2 million, which the CDC indicates will not be needed in 2002-03.

Elimination of Five Expiring Community Correctional Facility (CCF) Contracts—The Budget includes a reduction of $5.1 million and an increase of 200 personnel years related to the elimination of five expiring private CCF contracts. Due to the decline of inmate population and the effects of Proposition 36, these facilities are no longer required. Under the terms of Proposition 36, it is anticipated that parolees who would have returned to incarceration on specified substance abuse parole violations will receive treatment within the community.

Cancellation of Additional 425 Community Correctional Re-entry Center (CCRC) Beds—Due to the declining inmate population and the effects of Proposition 36, the Budget proposes cancellation of 425 additional CCRC beds for a savings of $3.4 million and a net increase of 43 personnel years. It is anticipated that under the terms of Proposition 36, there will be fewer lower classification level inmates (i.e., inmates with short terms of incarceration and those with little history of institutional violence or escapes) entering the prison system, due to the elimination of prosecutions by district attorneys for substance abuse possession. This, in turn, will reduce the number of lower level inmates for programs such as the CCRCs.

Incarceration of Undocumented Persons

The CDC expects to expend approximately $572 million in 2001-02 for incarceration and parole supervision of undocumented persons. Undocumented persons are estimated to comprise 12.4 percent of inmates in State prison and 16.8 percent of parolees in the State in 2001-02. The CDC's costs in 2002-03 are estimated to decrease to $567.2 million, a decrease of 0.8 percent. In addition, the Department of the Youth Authority expects to expend approximately $18.2 million in both 2001-02 and 2002-03, resulting in a total State cost of $590.2 million in 2001-02 and $585.4 million in 2002-03, an overall decrease of 0.8 percent between the two years.

In the past two years, the annual share of federal State Criminal Alien Assistance Program (SCAAP) funding that the State receives has declined significantly, primarily due to the fact that 25 percent more local law enforcement entities have applied for and received funding for the misdemeanants held in their facilities. For 2002-03, it is estimated that California will receive approximately $208.3 million in SCAAP funding. This amount includes an additional $50 million beyond the amount estimated to be received under the current appropriations at the federal level. California will work with other states facing similar unreimbursed costs for undocumented individuals to secure an increase in the amount available at the federal level to provide a greater

level of compensation for these costs. Even with this increase, California will still be receiving reimbursements for significantly less than 50 percent of the cost of incarceration, parole supervision, and related debt service associated with the undocumented population, leaving $377.1 million in costs incurred by the Youth and Adult Correctional Agency departments uncompensated.

Department of the Youth Authority

The Department of the Youth Authority protects the public from criminal activity of youthful offenders by housing wards committed to the Department by juvenile courts. In order to help these youthful offenders become productive California citizens, the Youth Authority provides education, training, and treatment services to the wards.

The Department projects an institution population of 6,360 youthful offenders by June 30, 2002, which is a decrease of 380 from the level anticipated in the 2001 Budget Act. The 2002-03 year-end institution population is expected to decrease by 260 wards, resulting in a June 30, 2003, population of 6,100.

The Youth Authority operates 11 institutions, including 2 reception center/clinics, 6 conservation camps (2 of which are institution-based camps), and 1 institution-to-parole transition program. The total Youth Authority design capacity is 6,692 beds, which includes the institutions, camps, and contract beds.

The Youth Authority supervises parolees through 16 offices located throughout the State. The parole population is projected to be 4,230 by June 30, 2002, and decrease by 75 cases, to 4,155 by June 30, 2003.

The Budget includes a reduction of $3.1 million for the Youth Authority, primarily for operating equipment and expenses, which is spread across the Department's institution, parole, education, and administration programs. This reduction will not affect the Department's ability to provide training and treatment services for youthful offenders committed to its custody.

Program Compliance Unit—The Budget includes $725,000 and five personnel years to enhance management oversight and to monitor staff compliance of policies and procedures within the Youth Authority.

Board of Corrections

The Board of Corrections (BOC) is responsible for establishing standards for the construction and operation of local jails and juvenile detention facilities, compliance inspections, and employment and training for local corrections and probation personnel. In addition, the BOC administers various correctional facility construction and juvenile justice local assistance grant programs.

The Budget includes a reduction of $176,000 and two personnel years for BOC. However, this reduction will not affect the ability of the Board to carry out its core responsibilities which include establishing standards for correctional officer training and correctional facility operations and implementing various local assistance programs.

Crime Prevention Act Administration— The Budget includes $275,000 for the BOC to administer an additional $116.3 million proposed for local juvenile crime prevention programs for at-risk youth and juvenile offenders, pursuant to the Crime Prevention Act of 2000. The Board is responsible for approving local juvenile justice action plans required by this Act.

Community Law Enforcement And Recovery (CLEAR) Program—The Budget includes $3 million for the CLEAR program. This program provides funding to various agencies in Los Angeles for a multi-agency gang intervention program. The agencies work together to provide a flexible and coordinated response to crime perpetrated by criminal street gangs.

Department of Justice

The Attorney General serves as the State's primary legal representative and chief law enforcement officer, and is responsible for ensuring that California's laws are uniformly enforced.

The Budget includes a reduction of $17.6 million General Fund for the Department of Justice, which is spread across various divisions and programs. However, this reduction is not expected to affect the ability of the Department to fulfill its law enforcement mission.

Despite the reduction, the Department's proposed budget reflects an increase of $160.7 million over expenditures for fiscal year 1998-99, including a $67.2 million increase in General Fund resources.

For 2002-03, the Governor's Budget proposes $619.9 million and 5,636 personnel years, including $160.3 million for Law Enforcement programs, $256.1 million for Legal Service programs, $147 million for the Criminal Justice Information System program, $14.6 million for the Gambling Control Division, and $10.9 million for the Firearms Division. The Budget proposes the following major augmentations for 2002-03:

Armed Prohibited Persons Database—$1 million General Fund to implement Chapter 944, Statutes of 2001, which creates a database containing information on persons identified as prohibited from possessing a firearm.

Hate Crime Analysis Tracking and Evaluation (HATE) Database— $596,000 General Fund and four personnel years to expand the HATE crime database to provide timely criminal intelligence information via a state-level automated crime database.

Anti-Reproductive Rights Crime Reporting—$433,000 General Fund and three personnel years to collect and analyze information related to anti-reproductive rights crimes, as well as develop plans to apprehend and prosecute offenders of such crimes pursuant to Chapter 944, Statutes of 2001.

Recreational Entities Fingerprint Submissions—$441,000 General Fund and four personnel years to implement Chapter 777, Statutes of 2001, which requires cities, counties, and special districts to obtain state-level criminal offender record information prior to the employment of persons who will supervise or discipline minors. By implementing this legislation, the Administration seeks to ensure that persons convicted of certain crimes, such as sexual offenses, child abuse, or domestic violence are not allowed to supervise or discipline minors, thus helping to ensure the safety of our children.

Predatory Lending Fraud— $606,000 in reimbursement authority and five personnel years to prevent predatory lending fraud and ensure California consumers are protected against consumer fraud and deceptive and unfair business practices.

Office of Criminal Justice Planning

The mission of the Office of Criminal Justice Planning (OCJP) is to reduce crime and delinquency and lessen its adverse effects upon the victims of crime in California. The OCJP provides financial and technical assistance to State and local criminal justice and victim service agencies and community-based organizations. The Budget proposes $265.9 million and 155 personnel years to continue efforts to enhance victim services programs, improve the criminal justice system, and reduce crime in California.

Since 1998-99, total General Fund resources allocated for OCJP's programs have increased by $27.9 million, or 63 percent. This cumulative increase does not take into account the significant one-time expenditures provided in the form of local assistance grants for the construction and renovation of forensics laboratories, DNA profiling activities, and drug interdiction efforts.

Los Angeles Regional Crime Laboratory—The November 2001 *Proposed Reduction in 2001-02 Spending* proposed to shift $82 million from a $96 million grant authorized in the 2000 Budget Act from General Fund to lease-revenue bonds for the construction of a regional crime laboratory in the Los Angeles area. Since construction of the laboratory is not expected to begin until 2003-04, the Administration will propose legislation authorizing the sale of lease revenue bonds and committing the State resources necessary to ensure the completion of this important facility.

War on Methamphetamine—The Budget continues $15 million General Fund for disbursement to High Intensity Drug Trafficking Areas (HIDTAs) to

combat methamphetamine manufacturing and distribution, with a focus on the Central Valley. HIDTAs are multi-jurisdictional law enforcement groups operating with the goal of eliminating the production and distribution of illegal drugs in California. This local assistance augmentation will continue to provide resources for the purchase of specialized equipment and the support of investigators, agents, and prosecutors specializing in methamphetamine offenses.

High Technology Theft Apprehension and Prosecution Program and Identity Theft Funding—The Budget continues $913,000 State operations and $13.5 million local assistance ($14.2 million General Fund) to combat high technology crimes as well as identity theft. This funding will continue the ability of the task forces to employ local law enforcement officers and agents, provide high technology investigative and forensic training, purchase forensic equipment, and coordinate public awareness efforts with the high technology industry.

California Highway Patrol

The California Highway Patrol (CHP) patrols over 105,000 miles of state highways and county roads, ensures the safe operation of commercial trucks through inspection at weigh stations, and protects State facilities and the people who work and do business in them. For 2002-03, the Budget proposes $1.2 billion and 10,435 personnel years for support of the CHP. Of these personnel, 7,230 are uniformed officers. Since 1998-99, the number of CHP uniformed personnel has increased by 7.2 percent, or 484 officers, reflecting the Administration's strong commitment to public safety.

The Budget includes $39.5 million in 2001-02 and $89.6 million in 2002-03 from federal funds for terrorism-related safety and security, including:

- $34.9 million in overtime for 2001-02 and $32.5 million in 2002-03, for twelve-hour shifts during periods when placed on high alert for response to possible terrorist activities.
- $4.6 million in 2001-02 and $26.4 million and 24 officers in 2002-03 for increased air patrol of state infrastructure and event surveillance, including five additional aircraft in 2002-03.
- $14.4 million and 150 officers and staff at key truck inspection stations for 24-hour, seven-day-a-week operation, in order to increase surveillance for trucks carrying explosives and other potential weapons.
- $3.8 million for 47 officers to protect State facilities, including the State Capitol, health labs, and the TransBay Terminal, and another $4.9 million for 44 officers to protect bridges, nuclear power plants, and other landmarks and public facilities.

- $1.9 million for 24 officers to staff emergency information and command operations and participate in multi-agency task forces.
- $3.3 million and 27 supervisors and other staff to support the additional patrol officers proposed for the CHP.
- $2.5 million (one-time) for specialized protective equipment.

In addition to these terrorism-related augmentations, the Budget proposes:

- $11.9 million for additional workers' compensation costs.
- $87.5 million to fund retirement costs previously funded through Public Employee Retirement System (PERS) investment earnings, and $18.1 million for retirement cost increases.
- $2.4 million to improve the CHP's telecommunications infrastructure.

Cost Pressures on the Motor Vehicle Account (MVA)

The MVA is the major funding source for the California Highway Patrol and the Department of Motor Vehicles. (For a discussion of revenue sources for the Account, see the Revenue Estimates section.) In recent years, the State's retirement system was able to fund the cost of the California Highway Patrol's retirement plan entirely from its investment earnings. With the stock market decline, $107 million in annual retirement plan costs have been shifted to the MVA, reducing resources from the account to support other costs. In addition, other employee costs are scheduled to increase over the next few years.

To help balance the account, the CHP, Department of Motor Vehicles, and Air Resources Board have reduced their MVA programs in 2002-03 for a total savings of $32.1 million. The CHP's share of this total is $8.5 million, as follows:

- $3 million (one-time) for equipment reductions.
- $2 million (ongoing) for operating expenses.
- $1.5 million (one-time) for deferral of special repairs projects.
- $1.5 million for gasoline purchases, because pump prices have fallen.
- $0.5 million for vehicle purchases, in recognition of reduced purchase costs.

In addition, the Budget proposes revising several penalties and fees that contribute revenue to the MVA, raising additional revenue of $67 million in 2002-03 and $96 million in 2003-04. These changes are discussed under the Department of Motor Vehicles in the Business, Transportation, and Housing section.

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California Environmental Protection Agency

Secretary for Environmental Protection (Office of the Secretary)

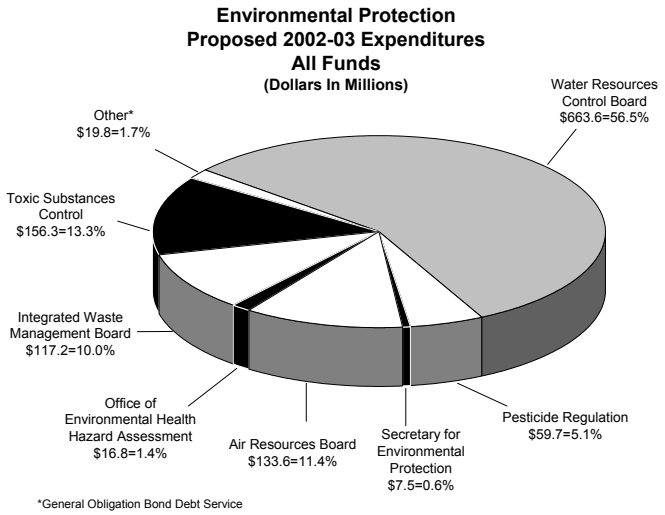
Working with the boards, departments, and office comprising the California Environmental Protection Agency (CalEPA), the Secretary for Environmental Protection coordinates and supervises the State's environmental protection programs—with particular focus on improving cross-media collaboration, enhancing risk assessment, enforcing laws consistently and fairly, and measuring and reporting results.

The Secretary for Environmental Protection oversees: the Air Resources Board, Integrated Waste Management Board, Department of Pesticide Regulation, State Water Resources Control Board (which includes the nine Regional Water Quality Control Boards), Department of Toxic Substances Control, and Office of Environmental Health Hazard Assessment.

Continuing the Administration's strong commitment to California's environment, the Governor's Budget includes $1.2 billion ($203 million General Fund) and 4,966.8 personnel years in support of environmental programs. The Administration has made significant progress advancing California's internationally recognized environmental standards. Among these efforts and ongoing regulatory programs, the Secretary for Environmental Protection coordinates the following activities:

- ❖ Children's Environmental Health
- ❖ California-Mexico Border Environment
- ❖ Environmental Justice
- ❖ Environmental Protection Indicators for California
- ❖ Comprehensive Enforcement
- ❖ Urban Cleanup (Brownfields)
- ❖ Emergency Preparedness and Response

Figure EPA-1



Through various CalEPA departments, boards, and office, the Administration has provided over $9 million for children's environmental health programs and $7.5 million for California-Mexico Border Environment.

California's pioneering environmental laws and programs have successfully reduced pollution from factory smokestacks, vehicles, garbage, and sewage. New strategies—and the participation of all Californians—will be required to further address sources of pollution that impair the health of our people and ecosystems. Accordingly, CalEPA, the Resources Agency, and numerous stakeholders have developed the foundation for a system of environmental indicators—meaningful, objective, and direct measures of the condition or trends in the environment.

For 2002-03, the Administration proposes expenditures in the Office of the Secretary of $7.5 million ($2.9 million General Fund) and 45.1 personnel years.

In light of the current condition of the General Fund, however, the Budget also reflects a reduction of $352,000 General Fund for the Scientific Peer Review Program.

Air Resources Board

The Air Resources Board (Board) helps protect the public health of Californians by ensuring that federal and State health-based air quality standards are achieved and exposure to air pollutants is reduced through controls on mobile and stationary sources of pollution. The Board adopts and enforces emission standards for motor vehicles, fuels, consumer products, and toxic air contaminants. The Board's research, monitoring, and emission inventory programs provide a scientific and technical foundation to support regulatory activities.

The Board oversees 35 local air pollution control districts, which are primarily responsible for controlling and permitting sources of industrial pollution. Each district adopts and enforces its own rules in compliance with applicable federal and State requirements. The Board reviews district rules for effectiveness, approves district clean air plans required under the federal and California Clean Air Acts, and audits district compliance programs. Controlling particulate matter and toxic compounds, investigating health impacts, and developing zero-emission technology are among the challenges for air quality in the State. The Budget proposes $133.6 million ($31 million General Fund) and 1,033 personnel years for support of these ongoing programs.

During this Administration, over $98 million has been expended for programs to reduce diesel emissions, $50 million for the replacement and retrofit of diesel school buses, and $41 million for zero-emission and low-emission vehicles.

In light of the current condition of the General Fund, however, the budget reflects the following adjustments:

- A reduction of $4.4 million General Fund for stationary source programs.
- A reduction of $10.6 million Motor Vehicle Account for mobile source programs.

Integrated Waste Management Board

The mission of the Integrated Waste Management Board (Board) is to reduce waste, promote management of materials to their highest and best use, and protect public health and safety and the environment, in partnership with all Californians. The Board oversees management of solid waste through programs that permit and regulate solid waste facilities, assist local governments, and educate Californians about reducing wastes disposed at landfills. The Board does this by promoting the conservation tenets of "reduce, reuse, recycle, and buy recycled," and by assisting in the development of markets for recycled materials. Over a four-year period, including the proposed 2002-03 Budget, the Administration has provided a cumulative total of $79 million to reduce and prevent stockpiles of waste tires, $10.9 million for waste diversion programs, and over $2 million to increase the recycling and reuse of materials used in businesses.

The Budget proposes $117.2 million ($116,000 General Fund) and 478.3 personnel years for support of these ongoing programs, including additional funding of:

- $1.5 million (special fund) to establish grants and outreach programs to encourage the use of waste for energy generation.
- $1.2 million (special fund) to enforce standards for rigid plastic container recycling and develop programs to encourage the recycling of these containers.

Department of Pesticide Regulation

The Department of Pesticide Regulation protects public health and the environment through the nation's most rigorous and comprehensive program to evaluate pesticides and control their use by regulating pesticide sales and use and fostering reduced-risk pest management. Specific oversight responsibilities also include scientific evaluation of pesticides before they are licensed for sale; local enforcement to ensure that pesticides are used safely; residue testing of fresh produce; environmental monitoring to detect, reduce, and prevent contamination; and programs to encourage the development and use of pest control practices that are environmentally sound. The Budget includes $59.7 million ($17 million General Fund) and 425.6 personnel years for these ongoing programs.

Over the course of this Administration, including the proposed 2002-03 Budget, expenditures to mitigate and reduce future pesticide contamination in surface water, including the development of Total Maximum Daily Loads, have increased a total of $11.4 million.

The Budget also proposes a reduction of $3.5 million General Fund, which will be achieved through program efficiencies. Program funding priorities are: preservation of strong field enforcement and compliance assistance, protection of workers and the public, and food safety.

State Water Resources Control Board

The State Water Resources Control Board (SWRCB) and the nine Regional Water Quality Control Boards are responsible for the preservation, enhancement, and restoration of the quality of California's water resources. SWRCB activities include regulatory oversight of the State's surface, ground, and coastal waters; allocation of unappropriated water; control of unauthorized water diversions; and protection of water quality in watersheds and coastal waters from point and nonpoint sources of pollution. The Budget includes $663.6 million ($87.3 million General Fund) and 1,730.4 personnel years for support of these ongoing programs.

The Budget includes $4.3 million General Fund to continue funding for Phase II of the System for Water Information Management (SWIM II) project, which is designed to provide water resources protection, enhancement, and restoration by building an enterprise information management system to automate core business processes at the SWRCB and the Regional Water Quality Control Boards.

The Budget proposes $70.8 million for grants under the Safe Drinking Water, Clean Water, Watershed Protection and Flood Protection Act of 2000. This amount includes the Water Recycling Program ($2.5 million), the Watershed Protection Program ($21 million), the Nonpoint Source Pollution Control Program ($27 million), the Coastal Nonpoint Source Control Program ($13.2 million), the Southern California Integrated Watershed Program ($7.1 million), and the Lake Elsinore and San Jacinto Watershed Program ($50,000).

The Budget also proposes an increase of $22.4 million Underground Storage Tank Cleanup Fund (USTCF) to reimburse eligible claimants for costs incurred for cleanup activities related to leaking underground storage tanks.

In light of the current condition of the General Fund, however, the Budget reflects a reduction of $2.7 million General Fund for various water quality and water rights programs and a $15 million funding shift for the Core Regulatory Program from the General Fund to the Waste Discharge Permit Fund.

The Budget contains an increase in waste discharge permit fees levied against entities discharging wastes onto land or water. These fees are used to permit and monitor discharges and take enforcement action where dischargers are out of compliance with their permits, thereby protecting water quality throughout the State. The Budget proposes increasing the statutory cap on Core Regulatory Program fees (National Pollution Discharge Elimination System [NPDES], NPDES Stormwater, Chapter 15 Land Disposal, Waste Discharge Requirements, and Section 401 Certification). This increase will shift more of the financial support of the program from the General Fund to fee payers, consistent with the "polluter pays" principle. Support of the program from fees will increase from 34 percent to approximately 50 percent.

This Administration also has provided:

- $38 million over four years (including proposed 2002-03 expenditures) for Total Maximum Daily Load (TMDL) development, which is crucial to determining the extent of pollution in water bodies and identifying measures to ensure that standards are not exceeded.
- $2 million in 1999-00 for Methyl Tertiary Butyl Ether (MTBE) source identification and cleanup. MTBE is a gasoline additive that rapidly pollutes groundwater when underground storage tanks leak.
- $32 million over four years (including proposed 2002-03 expenditures) for efforts related to storm water runoff. Controlling pollution from contaminants in storm water is critical to reaching clean water goals.
- $34 million in 2001-02 for the Clean Beaches Initiative to reduce the number of beach closure days.
- $900,000 over two years (2001-02 and proposed expenditures for 2002-03) for the investigation and cleanup of hexavalent chromium contamination in drinking water supplies.

Department of Toxic Substances Control

The Department of Toxic Substances Control is responsible for the prevention and remediation of environmental damage caused by hazardous wastes. The Department regulates hazardous waste transportation, treatment, storage, and disposal in California; oversees cleanup of contaminated sites; and develops and promotes pollution prevention. Specific programs include site mitigation, hazardous waste management, pollution prevention, waste minimization, and technology development.

The Budget proposes $156.3 million ($31.5 million General Fund) and 1,095.4 personnel years for support of these ongoing programs. The Budget includes:

- $9.3 million (special fund) to cover increased rental costs, the purchase of equipment, and various other expenses.
- $1.5 million (special fund) for replacement of outdated laboratory equipment.
- $910,000 (special fund) to conduct waste stream studies.
- $460,000 (special fund) to provide compliance and technical assistance to jewelry manufacturers in downtown Los Angeles.

Additionally, this Administration, over a four-year period (including proposed 2002-03 expenditures), has provided:

- $10 million in reimbursement authority for oversight and remediation actions at potential school sites that are contaminated with hazardous waste.
- $8 million for the Cleanup Loans and Environmental Assistance to Neighborhoods program, which is designed to encourage cleanup and development of urban brownfield properties.
- $114.5 million in 2001-02 for a settlement with the federal government related to the Stringfellow and Casmalia hazardous waste sites.

Office of Environmental Health Hazard Assessment

The Office of Environmental Health Hazard Assessment (Office) protects public health and the environment through objective, scientific evaluations of risks posed by hazardous substances. The Office conducts risk assessments for various CalEPA programs and organizations as well as other State and local agencies, and develops scientific tools and information that serve as the basis for risk management decisions. Health risk assessments focus on exposure to chemicals in air, water, food, consumer products, hazardous and municipal waste facilities, fish and shellfish, and sediments in bay and estuarine waters. The Office also manages the Environmental Indicators for California program on behalf of CalEPA and the Resources Agency. During the last three budgets, and as proposed in the 2002-03 Budget, the Administration has provided a total of $4.7 million to establish Public Health Goals for the safe level of chemicals in drinking water. The Budget includes $16.8 million ($13.6 million General Fund) and 159 personnel years for these ongoing programs.

In light of the current condition of the General Fund, however, the Budget reflects a reduction of $1.5 million General Fund for risk assessments, research contracts, and scientific studies.

Natural Resources

The Resources Agency, through its various departments, boards, commissions, and conservancies, is responsible for administering programs that conserve, preserve, restore, and enhance the rich and diverse natural and cultural resources of California. The Governor's Budget proposes $4.0 billion and 16,225.1 personnel years for state operations, local assistance activities, and capital outlay.

Secretary For Resources

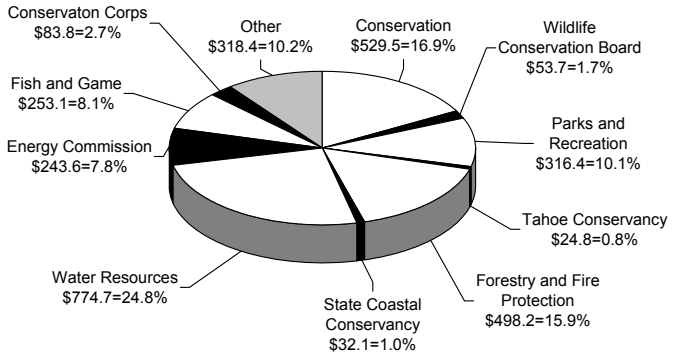
The Secretary for Resources (Secretary) is responsible for administering programs and policies governing the protection of California's natural and cultural resources. The Secretary also administers the Sea Grant Program, the Open Space Subvention Program, the Environmental Enhancement and Mitigation Demonstrations Program, and the Coastal Resources and Energy Assistance program. Other significant programs include:

California Legacy Project—Also known as the California Continuing Resource Investment Strategy Project, this multi-year project will continue its work to develop the first-ever statewide conservation investment strategy, which will help State agencies and the State's conservation partners make better decisions about how to conserve our natural resources. The Budget includes $2 million for the third year of the project.

River Parkway Initiative—In the ongoing effort to develop and protect river parkways in the State, the Budget includes $10 million from the proposed California Clean Water, Clean Air, Safe Neighborhood Parks and Coastal Protection Bond Act to be placed before the voters in March 2002 as Proposition 40.

Figure Res-1

Natural Resources
Proposed 2002-03 Expenditures state operations and local assistance
All Funds
(Dollars in Millions)



California Tahoe Conservancy

In an effort to preserve and restore Lake Tahoe, California entered into the Federal Interagency Partnership on the Lake Tahoe Ecosystem in 1998. This partnership commits the State, the federal government, the State of Nevada, and various other local and governmental entities to a

10-year Lake Tahoe Environmental Improvement Program (EIP). Of its $275.1 million share, California has allocated $158.0 million (57.4 percent) for acquisition and site improvement projects. In addition, the State has also funded $8.4 million for research, monitoring, and related activities that support the EIP but are not a direct part of the commitment. The Budget continues California's commitment to the partnership by providing an additional $25.6 million to continue acquisition, construction, and restoration projects that will further protect air and water quality, preserve and restore wetlands, enhance public access and recreation, preserve fisheries and wildlife habitat, and protect scenic resources with funding provided as follows:

- $20.7 million for the Tahoe Conservancy
- $0.2 million for the State Water Resources Control Board
- $1.0 million for the Department of Parks and Recreation
- $0.4 million for the Air Resources Board
- $3.3 million for the Tahoe Regional Planning Agency

Department Of Forestry And Fire Protection

The Department of Forestry and Fire Protection (CDF) provides fire protection and suppression for non-federal wildlands, responds to emergencies, and protects and enhances forests, range lands, and watersheds. The Budget includes $498.2 million and 5,220.3 personnel years to support CDF. Significant changes include the following:

- Elimination of the Emergency Fund ($55 million General Fund). Instead, the Budget includes language that will allow the Department of Finance to address the actual costs of firefighting through an administrative process.
- $20 million General Fund replaced with reimbursement authority for firefighting infrastructure costs in State Responsibility Areas (SRAs). Population encroachment in SRAs necessitates an examination of the appropriate cost-sharing mechanism with local jurisdictions for response services to incidents such as traffic accidents, house fires, medical emergencies, and other incidents unrelated to wildland fires.
- $1.4 million General Fund and 11.6 personnel year reduction for various resource management and administrative activities.

The Budget also proposes $52.8 million for 21 previously-approved capital outlay projects and one new project. For additional details, see the Capital Outlay Section.

California Conservation Corps

The mission of the California Conservation Corps (CCC) is to engage young men and women in meaningful work, public service, and educational activities that will assist them in becoming more responsible citizens, while protecting and enhancing California's environment and communities. The CCC operates district and satellite facilities, in both residential and nonresidential settings, from the Oregon to the Mexico borders. Since the CCC's creation in 1976, more than 85,000 young men and women between the ages of 18 and 23 have participated in the program. The Budget includes $83.8 million and 546.4 personnel years in support of the CCC. Significant changes include the following:

- $5.3 million General Fund reduction for elimination of the Weatherization and Energy Efficient Rehabilitation program and four energy pilot projects. This reduction will have little effect on the number of Corps members, and the Corps will continue to pursue other funding opportunities.

- $0.8 million General Fund reduction due to the closure of the Mare Island residential facility.

The Budget also proposes $12.9 million for one continuing capital outlay project and for the minor capital outlay program. For additional details, see the Capital Outlay Section.

Tidelands Oil

The State Lands Commission collects revenues from the sale of tidelands oil. Under current law, which will sunset on January 1, 2003, these revenues are allocated to a variety of special funds to support particular programs. The Budget proposes to streamline this process by depositing these revenues into the General Fund and funding these programs directly from the General Fund or other appropriate funding sources.

Specifically, the Budget proposes to fund current programs as follows:

- **Department of Fish and Game—** Replace $2.2 million for the Marine Management program with General Fund, and replace $8 million for salmon habitat projects with Proposition 40 funds.

- **Wildlife Conservation Board—** Replace the $19.7 million transfer to the Habitat Conservation Fund with General Fund.

- **Department of Parks and Recreation—** Replace $10 million for state park deferred maintenance with Proposition 40 funds.

Department Of Fish And Game

Over the last three years, the Administration has more than doubled the General Fund support, and increased other funds by 30 percent, for the Department of Fish and Game to

significantly improve its ability to manage California's diverse fish, wildlife, and plant resources, and habitats for their ecological values and enjoyment by the public. The Budget proposes $253.1 million and 2,443.7 personnel years for state operations and local assistance.

In light of the current condition of the General Fund, however, the Budget reflects the following significant adjustments:

- $2.1 million General Fund reduction for enhanced CEQA reviews.
- $1.2 million General Fund reduction for expanded CALFED activities.
- $1 million General Fund reduction for local conservation planning grants.
- $975,000 General Fund/Fish and Game Preservation Fund reduction for in lieu fees to counties.

State Coastal Conservancy

The State Coastal Conservancy was established to preserve, protect, and restore significant coastal resources and to provide public access along California's 1,100-mile shoreline. Over the past three years, the Administration has expended nearly half a billion dollars and acquired 20,000 acres through various State and local programs to further protect the environment.

The Budget proposes $5.5 million and 60.1 personnel years for state operations and $26.6 million for capital outlay. Significant adjustments include $10 million from Proposition 40 for various CALFED-related projects.

Department Of Parks And Recreation

The Department of Parks and Recreation is responsible for preserving the State's extraordinary biological diversity, natural and cultural resources, and high quality outdoor recreational opportunities. The State Park System consists of 266 units including parks, beaches, trails, wildlife areas, open spaces, off-highway vehicle areas, and historic sites.

Over the past three years, the Administration has added 22,000 acres to the System and has placed particular emphasis on expanding opportunities for urban populations to enjoy the park experience.

The Budget proposes a total of $316.4 million and 3,026.1 personnel years for state operations ($268.2 million) and local assistance ($48.2 million). Significant adjustments include a $17 million General Fund reduction to be partially backfilled with Motor Vehicle Fuel Account revenues ($15 million) that otherwise would have been deposited into the Department of Boating and Waterways' Harbors and Watercraft Revolving Fund.

The Budget also includes $48.2 million in grants to local agencies for recreational facilities, historic preservation projects, and habitat protection efforts, as follows:

- $16.4 million Off-Highway Vehicle Fund
- $17.1 million from the Proposition 12 Park Bond Act
- $8.6 million Federal Funds
- $4.0 million Recreational Trails
- $2.1 million Habitat Conservation Fund

The Budget also proposes $58.2 million for 20 previously approved capital outlay projects and 13 new projects for acquisition, maintenance, and development issues in the park system. For additional details, see the Capital Outlay Section.

CALFED

The CALFED Bay–Delta Program is an unprecedented effort to build a framework for managing California's most precious natural resource—water. California and the federal government have launched the largest, most comprehensive water management and ecosystem restoration program in the world. The CALFED program includes participation by water users, environmentalists, business leaders, and representatives of local governments and tribal communities.

The Budget includes $519.3 million for the State's share of the CALFED Bay-Delta Program ($58.9 million General Fund, $417.0 million bond funds, and $43.4 million other funds) for the following activities:

- $207.5 million for ecosystem restoration programs and projects.
- $103.4 million for surface and groundwater storage.
- $47.8 million for Delta conveyance projects.
- $36.2 million for drinking water quality projects.
- $124.4 million for water use efficiency, environmental water account, science, water transfers, watershed management, and Delta levees.

Department Of Water Resources

The Department of Water Resources (DWR) protects, conserves, and develops the State's water supply. DWR delineates the State's water issues, forecasts future water needs, evaluates and inventories existing water resources, and explores conservation and storage options to meet the needs of the State's growing population. The Budget includes a total of $774.7 million for state operations ($516.5 million) and local assistance activities ($258.2 million) and 2,936.1 personnel years. In

addition, DWR will expend $5.2 billion from the Electric Power Fund for the costs related to the purchase of electric power to help meet the State's electrical needs. These costs are borne by ratepayers.

In light of the current condition of the General Fund, however, the Budget reflects the following adjustments:

- $15.8 million General Fund reduction for expanded CALFED activities.
- $5.8 million General Fund to upgrade a Tahoe-Truckee Sanitation Agency waste water treatment facility. This is the second of a two-year commitment, which will improve water quality in the Truckee River and help ensure that the State secures additional water allocations.
- $3.9 million General Fund reduction for expanded CALFED levee activities.
- $1.4 million General Fund reduction for various water conservation and management activities.

The Budget also proposes $9.6 million for four previously approved capital outlay flood control projects, and includes $510.9 million for the State Water Project. For additional details, see the Capital Outlay Section.

California Energy Resources Scheduling—In early January 2001, suppliers of electricity to California threatened to discontinue the sale of electric power to two of the State's three investor-owned utilities because of the utilities' poor financial condition. To prevent major electricity shortages in the State, DWR began purchasing electric power on behalf of the utilities, which has successfully stabilized energy prices. The Budget includes $28.4 million and 88 positions for various activities including the management of long-term energy contracts and purchasing power on the spot market through December 31, 2002.

Energy Resources Conservation And Development Commission

The mission of the California Energy Commission (Commission) is to ensure a reliable supply of energy to meet California's needs, while complying with environmental, safety, and land use goals. The Commission processes applications to site new power facilities, encourages measures to reduce wasteful and inefficient use of energy, and monitors alternative ways to conserve, generate, and supply energy. The Budget proposes $243.6 million and 535.0 personnel years for state operations and local assistance.

Over the past three years, the Administration has nearly tripled funding for siting energy facilities. The Commission's review of power plant siting proposals ensures that applicants provide an efficient and reliable source of energy while operating in compliance with health, safety, and environmental laws. In addition, the

review process has been streamlined to add additional power plant capacity and reduce bureaucracy.

Over the past three fiscal years, $459 million of the State's total $770.8 million for conservation efforts has been provided to the Commission to promote energy conservation throughout the state. Largely through appropriations from Chapters 7 and 8, Statutes of 2000, First Extraordinary Session (SB 5X and AB 29X, respectively), the Commission has expanded existing and developed new programs to help the State conserve energy. Some of these programs include:
(1) improved building and appliance energy efficiency standards to reduce unnecessary energy consumption;
(2) loans, grants, and technical assistance to schools, colleges, local governments, and the private sector for the installation of energy efficient lighting, insulation, and machinery; and
(3) rebates to energy customers for the installation of energy efficient appliances and renewable energy systems, such as windmills or solar panels.

In 2000, the Public Interest Energy Research (PIER) and Renewable Energy Program were extended through 2012. The PIER program provides $62.5 million annually to public and private entities for research, development, and demonstration activities that promote energy-related technologies. The Renewable Energy Program provides $135 million from the Renewable Resource Trust Fund each year for the continued operation and construction of new renewable energy power plants, and provides assistance to energy customers in purchasing renewable energy.

Public Utilities Commission

The Public Utilities Commission (PUC) is responsible for the regulation of investor-owned utilities, including gas, electricity, telephone, water and railroads, and certain passenger and household goods carriers to ensure the delivery of stable, safe, and economic services. The PUC has traditionally met this responsibility through enforcement of safety regulations, controlling industry rates for services, and promoting energy and resource conservation. The Budget proposes $1.3 billion and 921.9 personnel years for state operations, which includes $1.1 billion and 25.7 personnel years for the administration of the Universal Service Telephone programs; and $123.5 million for the Natural Gas Surcharge program, which provides assistance to low-income customers, supports energy conservation efforts, and sponsors research and development projects.

Over the past three fiscal years, $137.5 million General Fund of the State's total $770.8 million for conservation efforts has been provided to the PUC to promote energy efficiency and conservation throughout the State. Largely through appropriations from Chapter 7, Statutes of 2000, First Extraordinary Session (SB 5X), the Commission has expanded existing and developed new programs to help the

State conserve energy, including: (1) rebates to energy customers for the installation of energy efficient appliances; (2) education of customers, manufacturers, and distributors of energy efficient products in the marketplace; and (3) loans, grants, and technical assistance to public and private sector entities for the installation of energy efficient equipment.

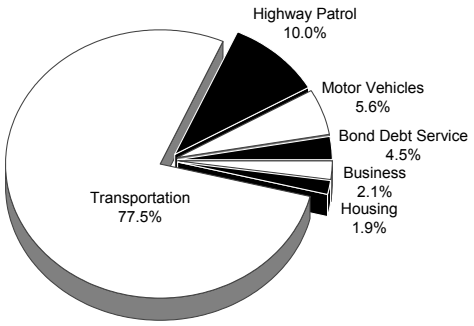
Business, Transportation, and Housing

The Business, Transportation, and Housing Agency includes programs that plan, build, and maintain California's state transportation systems; ensure efficient and fair markets for the real estate industry, health care plans, and certain financial businesses; and assist community efforts to expand the availability of affordable housing for a growing workforce. In addition, the Agency contributes to public safety through the law enforcement activities of the California Highway Patrol and the Department of Alcoholic Beverage Control. Information on the Highway Patrol's budget can be found in the Corrections and Law Enforcement section.

Figure BTH-1 displays the funding proposed in the Business, Transportation, and Housing portion of the Governor's Budget. The majority of the funding is provided from special fund revenues and federal funds. Significant General Fund expenditures are made for general obligation bond debt service for transportation projects and bridge seismic retrofit, and to support a variety of programs in the Department of Housing and Community Development.

Figure BTH-1

Business, Transportation and Housing Agency 2002-03 Expenditures



Transportation

The Department of Transportation, the California Transportation Commission, the California Highway Patrol, the Department of Motor Vehicles, the Office of Traffic Safety, and local government agencies administer transportation and related public safety programs. Transportation funding comes from State and federal fuel taxes, the sales and use tax on fuel, motor vehicle license and registration fees, weight fees for trucks, and local sales taxes. The Budget proposes total expenditures of $11.2 billion in 2002-03 for roads, highways, mass transit and intercity rail, vehicle licensing and registration, and highway law enforcement.

Department of Transportation

The Department of Transportation (Caltrans) constructs, operates, and maintains a comprehensive transportation system with more than 50,000 miles of highway and freeway lanes. In addition, Caltrans provides intercity rail passenger services under contract with Amtrak as well as technical assistance

and development loans to more than 100 of California's public general aviation airports.

The Budget proposes $9.0 billion in 2002-03 expenditures for Caltrans from federal funds, various State funds, and reimbursements, and staffing of 23,479.6 personnel years. This amount includes $2.2 billion for programs that assist local governments in constructing and operating highway, road, and transit systems; and $3.5 billion in spending on capital projects. Since 1999-00, the Administration has spent a total of $34 billion dollars on transportation, an increase of $13 billion over the prior four years. In addition, as described below, the Transportation Congestion Relief Act of 2000 was enacted to increase the funding for transportation by an additional $6.1 billion between 2003-04 and 2007-08.

Transportation projects and operations generally are supported from dedicated funding sources. This approach guarantees funding for multi-year planning processes that need sustained revenues to fund large projects. The four major transportation funding sources are:

- State and federal fuel taxes deposited in the State Highway Account (SHA).
- Certain sales taxes on fuel deposited directly in the Public Transportation Account (PTA), which fund transit and intercity rail capital projects as well as transit operations.
- The Traffic Congestion Relief Fund (TCRF), which supports 142 projects and studies designated in the authorizing statute. The TCRF was established in 2000 with a one-time General Fund appropriation, and beginning in 2003-04 will receive annual allocations of sales taxes on fuel through the Transportation Investment Fund.
- The Transportation Investment Fund, which operates from 2003-04 through 2007-08, providing additional transportation resources from sales taxes on fuel. Resources are allocated by the following statutory formula:
  - 40 percent for the State Transportation Improvement Program (STIP).
  - 40 percent for allocations to cities and counties for local street and road repairs
  - 20 percent to the PTA, in addition to certain sales tax receipts deposited directly into the account.

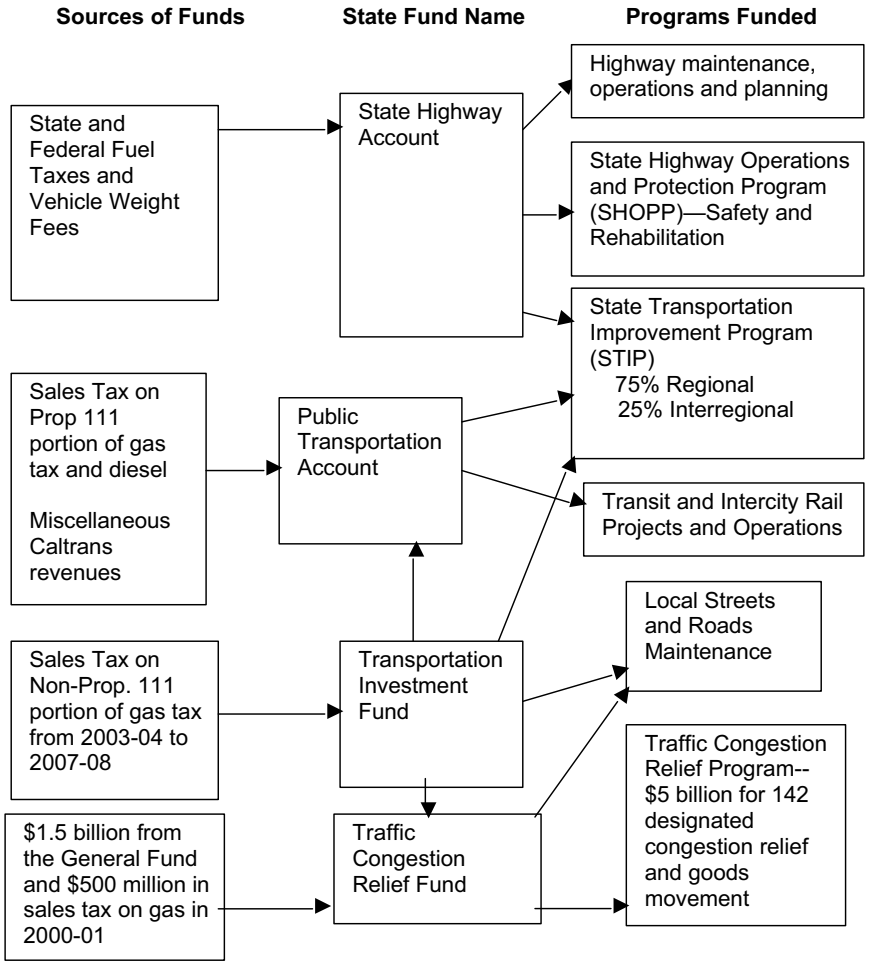
Figure BTH-2 displays the relationships between these programs.

Major Capital Outlay Initiatives And Programs

The Budget estimates $3.3 billion for transportation capital outlay program expenditures, an increase of $1.1 billion over estimated expenditures for 2001-02.

Figure BTH-2

Sources and Uses of Major Transportation Funding



Transportation Congestion Relief Act of 2000—As noted above, in 2000 the Legislature and the Administration enacted the Traffic Congestion Relief Act, creating a six-year funding plan for state and local transportation needs (Chapters 91, 92, and 656, Statutes of 2000). At that time, this plan was expected to provide $6.8 billion from the General Fund—$1.5 billion from an initial General Fund appropriation and $5.3 billion from the transfer of sales taxes on fuel over the life of the Act. In addition, the Act created two new funds mentioned earlier—the Traffic Congestion Relief Fund that would receive $5.4 billion of the $6.8 billion to support 142 projects designed to reduce congestion and enhance goods movement; and the Transportation Improvement Fund (TIF) that would distribute approximately $600 million

for local streets and roads improvements, $600 million to the State Transportation Improvement Program (STIP), and $300 million to the PTA.

As the economy began to slow in early 2001, the Administration and Legislature revised the funding timetable for the Act. The starting date for transferring the sales tax funding was deferred until 2003-04, and the plan was extended through 2007-08 (Chapter 512, Statutes of 2001). This revision to the funding timetable results in the Traffic Congestion Relief Act providing a total of $8.1 billion for transportation projects and operations through 2007-08 (see Figure BTH-3). (Chapter 87, Statutes of 2001, is a constitutional amendment that will be placed before the voters in March 2002 to permanently dedicate sales taxes on fuel to transportation purposes).

Figure BTH-3

Transportation Funding Plan (Dollars in Millions)

Resources	
General Fund appropriation	$1,500
Sales tax on gasoline	$6,596
Total Resources	$8,096
Uses of Funds	
Designated Traffic Congestion Relief Projects	$4,914
State Transportation Improvement Program	1,318
Local Streets and Roads Maintenance	1,308
Public Transportation Account	556
Total Uses of Funds	$8,096

As of December 2001, $2.4 billion of the funding from the Traffic Congestion Relief Program (TCRP) has been authorized since the program began a year ago. A total of 129 of the 142 projects included in the TCRP have been approved for funding.

2002-03 TCRP Cash Management— As part of the 2002-03 General Fund spending plan, the Budget proposes to loan $672 million of TCRP monies to the General Fund and loan $474 million concurrently from SHA cash to the TCRF. The Administration proposes statutory provisions to require that all loans be repaid when funds are needed to meet project cash needs. This loan program will not adversely affect the delivery of any TCRF or SHA funded projects or programs. As part of the overall transportation cash management program, all transportation capital outlay is budgeted on a cash basis. By providing the SHA with the authority to borrow for short-term cash flows needs from the General Fund, a $360 million cash balance in the SHA can be freed up for projects.

Seismic Retrofit of Bridges and the San Francisco-Oakland Bay Bridge Funding—In 1989, the Loma Prieta earthquake in the Bay Area revealed the need for seismic retrofit of California's bridges. SB 60 (Chapter 327, Statutes of 1997) authorized a $2.62 billion financing plan for the retrofit of the seven state toll bridges—San Francisco-Oakland Bay Bridge, Benicia-Martinez Bridge, San Mateo-Hayward Bridge, Richmond-San Rafael Bridge, Carquinez Bridge, Vincent Thomas Bridge, and

the San Diego-Coronado Bridge. In particular, the Bay Bridge required major rebuilding, involving replacing the east span and retrofitting the west span.

However, in early 2001, it became apparent that additional funding would be required to complete the work envisioned under SB 60, particularly for the retrofit and reconstruction of the Bay Bridge. In the summer of 2001, the Administration proposed an innovative financing plan to complete the seismic retrofit of the Bay Bridge. This plan relied partly on revenue bonds and partly on federal funding through the Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA). Chapter 907, Statutes of 2001 (AB 1171), incorporated the majority of this plan, authorizing an additional $2.017 billion for the seven bridges, for a total project cost of $4.637 billion. Chapter 907 also directed the California Infrastructure and Economic Development Bank to issue revenue bonds for the Bay Bridge project on behalf of Caltrans. Debt service and the costs of issuance will be funded from toll revenues.

Work is also continuing on the seismic retrofit of state owned non-toll bridges funded under Proposition 192. In the first phase, seismic problems were corrected on 1,039 bridges statewide (primarily single-column bridges). In the second phase, 1,155 bridges (primarily multiple-column) will be seismically retrofit. Proposition 192 provided $1.35 billion for phase two, and virtually all (1,133) have been retrofit. Of the remainder, four are under construction, and the final 18 are in the design stage.

Bridge Security Upgrades—Current year expenditures reflect the anticipated receipt of $24.2 million in federal funds to reimburse security costs incurred on the state's toll bridges to protect against terrorist attacks.

State Transportation Improvement Program (STIP)—The STIP is a state-regional planning process that identifies projects to be funded from the four major transportation sources described earlier. A new STIP is prepared every two years that covers the next five-year period. By statute, each regional transportation-planning agency is allocated a share of the STIP's programming capacity and nominates projects from its share. In total, regionally programmed projects receive 75 percent of STIP funds. Caltrans identifies projects of interregional benefit using the remaining 25 percent of the funds. In calculating resources available for the STIP, the California Transportation Commission first sets aside funds for highway safety projects and major rehabilitation programmed through the State Highway Operations and Protection Program (SHOPP), as well as funds for Caltrans' operations. In August 2002, the Commission took the first step in creating the 2002 STIP by adopting the "STIP Fund Estimate," which projects that $3.882 billion will be available for programming between 2002-03 and 2006-2007. The 2002 STIP will be adopted in August of 2002.

Local Assistance Programs

Caltrans provides State and federal transportation funds to local agencies through its local assistance budget. Funds are used primarily for local capital projects off the State highway system, mass transit capital improvement projects, and bridge improvement projects. The Budget proposes $2.2 billion in local assistance funding for transportation in 2002-03, including $332.9 million from the SHA, $645.6 million from the Traffic Congestion Relief Fund, $1.2 billion in federal funds, and $32 million from special funds.

State Operations Budget

The Governor's Budget proposes $3.1 billion in state operations funding supporting transportation in 2002-03, including $2.1 billion from the SHA, $425 million in federal funds, and $580 million from special funds. This funding level represents a reduction of $72 million over currently estimated 2001-02 expenditures. Specifically, the Budget includes:

Better Information Systems for Better Project Delivery—$77 million for Caltrans to plan and deliver a series of projects supporting integrated systems of financial management, local project management, land management, and construction contract payments. Other funded efforts include development of a project management office for information technology projects and review of how Caltrans provides its information technology program and services.

Storm Water Compliance—$23.4 million and 167.5 personnel years to implement the Storm Water Management Plan of August 2001, and to comply with the requirements of the Federal Clean Water Act. With this increase, the Budget includes a total of $84.9 million in support costs for compliance with the Act.

Caltrans' Mobile Fleet Greening Strategy—$10 million for Caltrans to continue the replacement and retrofit of its fleet from vehicles that use conventional diesel fuel and gasoline to those that use cleaner burning fuels, reducing emissions that degrade California's air quality.

Freeway Service Patrol—$5 million for a new competitive grant component of the Freeway Service Patrol program. Grants for new or expanded service will be pursuant to specified criteria, including the cost/benefit ratio pursuant to traffic congestion relief.

Litter and Graffiti Removal—$2.8 million for one-time mural restoration in the Los Angeles area; a two-year urban youth training program conducted by the California Conservation Corps (in which trainees will assist Caltrans' crews in their litter and graffiti removal efforts); and a pilot program involving the use of litter removal vehicles.

Caltrans Staffing—The Budget proposes 23,479.6 personnel years in 2002-03 for Caltrans, a net increase of 62.1 personnel years over adjusted 2001-02 expenditures. This increase results primarily from staffing requirements to implement the statewide Stormwater Management Plan. Caltrans' capital outlay support staffing will be re-evaluated for the May Revision, when more accurate information is available on workload for the 2002 STIP.

High-Speed Rail Authority

The Authority is planning the development and implementation of an intercity high-speed rail service that achieves speeds of at least 200 mph and is fully integrated with California's existing intercity rail and bus network. A business plan issued in January 2000 advised that the first step would be a program-level environmental impact report (EIR) that would take an estimated three years and $25 million to complete.

The Authority received $5 million in 2000-01 for the first year of this work and $2.5 million in 2001-02 through an interagency agreement with Caltrans to continue the effort. (An additional $498,000 will be received from Caltrans in 2002-03.) In November 2001, the Authority reduced its estimate of the EIR's cost from $25 million to $17 million, because it determined that one of the technologies that would have been studied for high-speed rail—magnetic levitation—no longer was a viable option.

The 2002-03 Governor's Budget proposes $7 million from the State Highway Account to largely finish the EIR, with full completion expected in 2003-04. At that time, the Authority will develop a long-term funding plan for high-speed rail for the Legislature's consideration, before proceeding further on the project.

Department of Housing and Community Development

The Department of Housing and Community Development (HCD) administers housing finance, rehabilitation, and community development programs; oversees the State's housing planning and code-setting processes; and regulates manufactured housing and mobile home parks. The Budget proposes $210.1 million and 495.9 personnel years for the Department's activities.

The State's housing programs have shared in the windfall revenues created by a very strong stock market. Prior to the Administration's major housing initiative in 2000, many of the State's housing programs were funded through periodic housing bonds and tax credits offered to developers of affordable housing. Due to current economic conditions, the Budget reflects the return to these more traditional sources. Despite this necessity, the Budget proposes $165.5 million local assistance for housing programs, more than 30 percent greater than the 1998-99

level of $126.5 million. Reductions proposed for the current and budget years are summarized below:

Reductions that affect 2001-02 only:

- $59.7 million by eliminating funds for Jobs-Housing Balance Improvement incentive grants. HCD will give priority in the allocation of other 2002-03 housing funding to localities that have increased issuance of housing permits, consistent with the intent of the Jobs-Housing Balance Improvement Program.

Program reductions that affect 2001-02 and 2002-03:

- $3 million for Downtown Rebound project loans and grants.
- $45.1 million for the Multifamily Housing Program in 2001-02, leaving $43.8 million in loan funds in the current year for projects that can begin construction by December 30, 2002. For 2002-03, the Budget eliminates the program's ongoing funding of $29.5 million in anticipation that voters will approve a housing bond in the November 2002 statewide election.

Reductions that begin in 2002-03:

- $3.6 million for Farmworker Housing grants, leaving $14 million for the program, or 300 percent more than the program's 1999-00 base.
- $2 million for Emergency Housing Assistance grants, leaving $11.3 million or 180 percent more than the program's 1999-00 base.
- $2.1 million by eliminating funds for the Self-Help Housing program.
- $300,000 for community affairs programs.
- $1.4 million for childcare facilities loan guarantees.
- $400,000 for housing policy review, planning, and assistance.

Department of Corporations

The Department of Corporations administers and enforces State laws governing the offer and sale of securities and franchise investments; the licensing and regulation of securities broker-dealers and investment advisers; and the licensing and examination of mortgage brokers, finance lenders, and escrow companies. Through these activities, the Department protects the public and helps promote the integrity of the financial services marketplace. The Governor's Budget proposes total expenditures of $35.3 million and 291.8 personnel years to support the Department.

Statewide Outreach on Predatory Practices (STOPP). Predatory investment and lending practices damage investors and borrowers, many of whom are targeted because they are uninformed. These practices also adversely affect the ability of California businesses

to raise capital by diverting investors' money from legitimate investments or by siphoning off borrowers' money through inflated fees or unnecessary financing. The Budget proposes $10 million and 17.3 positions (16.4 personnel years) for the Department of Corporations to increase public awareness and call-center assistance, and for additional investigation and enforcement. This proposal complements augmentations proposed for the Department of Financial Institutions and the Department of Real Estate to combat predatory lending, pursuant to Chapter 731, Statutes of 2001.

The term "predatory lending" generally refers to the practice by some loan companies of encouraging individuals to take out risky or expensive home mortgage loans or some other forms of financing. Potentially vulnerable homeowners, such as the elderly, minorities, and women, are often targeted with offers of high-cost, home-secured credit. If they have trouble repaying the debt, they are often encouraged to refinance the loan into another unaffordable, high-fee loan that provides little or no economic benefit to the consumer. This cycle of high-cost loan refinancing can ultimately deplete the homeowner's equity and result in foreclosure and the loss of the home.

The Department of Corporations will conduct a statewide media campaign that helps seniors, minorities, and other potentially vulnerable populations protect themselves from predatory lending and investments. The augmentation will also support a one-stop contact center to improve the Department's communication with both the public and regulated businesses on these issues. STOPP will also increase investigation and enforcement activities to respond to predatory activities identified through the outreach and education campaign.

Department of Financial Institutions

The Department of Financial Institutions regulates depositary institutions, including commercial banks, savings associations, credit unions, and other providers of financial services. The Department licenses and regulates issuers of payment instruments, including companies licensed to sell money orders and travelers' checks. In addition, companies licensed to transmit money abroad are also licensed and regulated by the Department. Programs are supported by assessment of the various industries and license and application fees. The Governor's Budget proposes total expenditures of $19.5 million and 209.8 personnel years to support the Department.

Predatory Lending. Chapter 732, Statutes of 2001, is intended to reduce predatory lending practices by prohibiting certain types of loans and excessive fees. Chapter 732 requires lending institutions to consider the financial ability of borrowers to repay loans, with violation of this provision subject to a civil penalty.

In support of Chapter 732, the Budget proposes $310,000 and three positions to allow the Department to monitor licensees' compliance with the new law. Through comprehensive on-site examinations, the Department will identify illegal activities and take appropriate enforcement action.

Department of Real Estate

The Department of Real Estate licenses and regulates persons who conduct real estate transactions. The 2002-03 Governor's Budget includes $30.4 million and 304.3 personnel years for this purpose.

Predatory Lending. Effective July 1, 2002, Chapter 732, Statutes of 2001, creates the new Predatory Lending Law, which prohibits certain practices in the mortgage lending industry as described under the Department of Corporations' budget. The Budget includes $224,000 for three staff within the Department of Real Estate to investigate and take enforcement actions against predatory lenders. Augmentations to help deter predatory financial practices have also been proposed for the Department of Corporations and the Department of Financial Institutions.

Department of Managed Health Care

The Governor's Budget proposes a total of $32.5 million and 309.7 personnel years in 2002-03 for the Department of Managed Health Care and the Office of Patient Advocate, established July 1, 2000, by Chapter 525, Statutes of 1999, to regulate health care service plans and address consumer needs.

Specifically, the Budget includes:

- An augmentation of $500,000 for the annual health maintenance organizations (HMO) Report Card of the Office of Patient Advocate. With these funds, the Office will report on medical group performance, add cultural/linguistic indicators and more language interaction, analyze HMO complaint data, and study the feasibility of including information on the quality of care provided to persons covered by the Medi-Cal and Healthy Families programs.
- $234,000 to increase the frequency of routine exams for specialized health care plans from five to three years, in order to identify financially troubled firms more quickly and take corrective action.

Since its inception in 2000-01, the Department has spent $98.2 million on consumer protection activities. On an average annual basis, this is a 111 percent increase over program activities when managed health care oversight was a program within the Department of Corporations. Major changes since 1999-00 include addition of the Office of Patient Advocate and the HMO report card ($2 million), creation of the independent medical review process ($3.7 million), and expansion of financial monitoring of HMOs ($834,000).

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 Department also collects the various fees that are revenues to the Motor Vehicle Account (MVA). The 2002-03 Governor's Budget proposes $666.7 million and 8,602 personnel years for support of the DMV, including the following significant augmentations:

- $10.5 million for retirement cost increases.
- $5 million for additional worker's compensation costs.
- $2.9 million for increased costs for mailing.
- $2.5 million to continue the replacement of obsolete terminals in field offices.
- $2 million to install queuing systems in 33 additional field offices for improved management of customer lines (the second year of a two-year project).
- $1.5 million for replacement of modular furniture systems and moving expenses associated with the headquarters asbestos abatement project.

The MVA is the major funding source for the Department of Motor Vehicles and the California Highway Patrol. As discussed under the California Highway Patrol's budget, the fund is experiencing growth in costs that is proposed to be offset through a combination of expenditure reductions and revisions to fees and penalties. As part of this proposal, the DMV's budget includes the following savings:

- $750,000 ($393,750 MVA) by directly contracting for construction workers rather than contracting for the same workers through the Department of General Services.
- $1,394,000 ($731,850 MVA) by reducing printing costs.
- $626,271 ($89,494 MVA) by automating the clearance of suspended transactions (e.g., when a smog certification is missing from registration papers).
- $2,600,000 ($371,540 MVA) from increased voluntary participation in Filing Electronic Proof of Insurance by insurance companies.
- $5,000,000 ($2,625,000 MVA) from miscellaneous operating expenses.
- $312,207 ($44,614 MVA) from eliminating the Registration Enhancement Development Unit.
- $721,000 (all MVA) by shifting the funding for the Research and Development Unit to reimbursements.

- $339,181 ($178,070 MVA) by eliminating the activity costing unit.
- $229,953 MVA by eliminating on-site occupational license inspections of business locations.
- $5 million MVA by eliminating the use of certified mail for the delivery of orders of suspension and revocation.
- $835,000 ($438,375 MVA) by eliminating student assistant contracts.

The following changes to penalties and fees are also proposed to help resolve the Motor Vehicle Account fund balance problem:

- $25 million from penalty increases for late payments on the $30 vehicle registration fee by an average of 90 percent. The minimum late payment penalty will be raised to $10 from $3. Revenues increase to $50 million beginning in 2003-04 with full-year implementation.
- $2 million from increasing filing fees to the $120 cost of the hearing for driving-under-the–influence (DUI) offenders who appeal their suspensions. This amount increases to $4 million beginning in 2003-04.
- $40 million from increasing fees to $4 per record for information provided to insurers and others who request driver record information.
- $4 million beginning in 2003-04 from the imposition of a $5 fee to retake a driving test.

Technology, Trade, and Commerce

The Technology, Trade, and Commerce Agency (TTCA) promotes business development, job creation, and job retention to help California maintain a strong, globally competitive economy. The Governor's Budget proposes $254.9 million and 320.8 personnel years for the Agency, with services to the business community provided through the Divisions of Economic Development; International Trade and Investment; Science, Technology and Innovation; Tourism; Marketing and Communications; and the California Infrastructure and Economic Development Bank.

Due to current economic conditions, the Budget includes the following General Fund reductions listed below. Even with these adjustments, the Agency's planned expenditures for 2002-03 are $126.4 million or 98 percent higher than the amount budgeted for 1998-99. Through the proposed 2002-03 Budget, this Administration, since its inception, will have provided the Technology, Trade, and Commerce Agency $772.4 million to promote a vibrant business economy.

Reductions that affect 2001-02 only:

- $29.9 million reversion of the balance of the Renewable Energy Loan Guarantee Fund to the General Fund.

Reductions that affect 2001-02 and 2002-03:

- $2 million from the Biomass Grants Program, leaving $6 million to support this program.
- $457,000 from savings in International Trade offices due to not opening the India and Philippines offices.

Reductions that begin in 2002-03

- $600,000 from the Manufacturing Technology Program, leaving $5.4 million, or 90 percent, of the funding for activities that stimulate the growth of California's manufacturing industry.
- $1 million each from the Next Generation Internet Program and the Rural E-commerce Grant Program, maintaining half of the third-year funding for each program.
- $223,000 and 1.8 personnel years (PYs) to eliminate the Major Corporate Projects Program.
- $10 million transferred to the General Fund from the Small Business Expansion Fund ($2 million in 2001-02 and $8 million in 2002-03), leaving $29.5 million to guarantee about $131 million in loans, an increase of $35 million over the current lending level.
- $293,000 and 3.0 PYs to eliminate the Environmental Technology Export Program.

- $400,000 and 5.8 PYs from the Export Finance program. In addition, $8 million will be transferred to the General Fund from the Export Finance Fund.

- $1.2 million and 10.3 personnel years from administrative activities for small business development centers, contract and loan administration, and from economic research.

TTCA's budget provides $1 million to support the consolidated space grant program authorized by Chapter 752, Statutes of 2001 (AB 1382), and retains full funding of $6.1 million for California Technology Improvement Program and $10 million for the Film California First Program. To better support the film industry, the Administration will propose a restructuring to improve program performance as an economic stimulus.

California Infrastructure and Economic Development Bank

In 2002-03, the California Infrastructure and Economic Development Bank (Bank) expects to authorize $150 million in economic development loans. The Bank will loan $105 million of its remaining $143 million in capital in 2001-02. In order to continue its lending program, the Bank will issue a bond, using repayments from the loans it has made from its original capital to pay the debt service. The Bank will use bond proceeds to make additional loans. Of the $150 million expected to be loaned in 2002-03, $30 million will come from the original amount provided from the General Fund plus earnings, while the other $120 million will be from proceeds of the recapitalization bonds. Since January 1999, the Bank has provided a total of $1.1 billion to finance (both loans and conduit revenue bonds) a variety of infrastructure and economic development projects, such as research and technology business parks, police facilities, storm drainage systems, harbor dock renovation, and construction and renovation of cultural facilities.

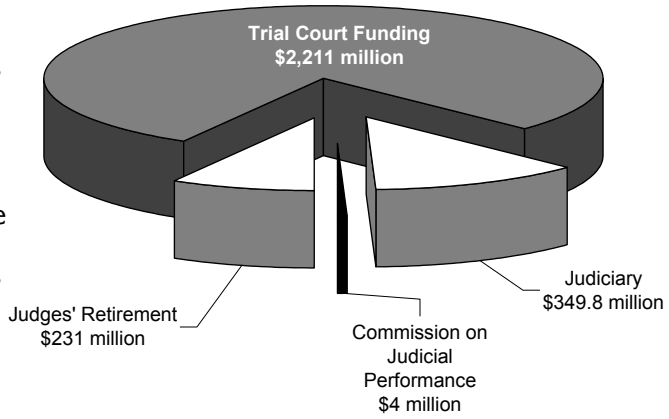
Judicial Branch

The State Constitution vests California's judicial authority in a tripartite court system composed of the Supreme Court, the Courts of Appeal, and the trial courts. The Administrative Office of the Courts (AOC) provides support to the Supreme Court, the Courts of Appeal, the trial courts, and the Judicial Council. The Commission on Judicial Performance administers judicial discipline.

For 2002-03, the Governor's Budget proposes approximately $2.8 billion for the Judicial Branch, in combined General Fund, special funds, federal funds, and reimbursements: $349.8 million ($294.6 million General Fund) for the Judiciary; $4 million General Fund for the Commission on Judicial Performance; $2.2 billion ($1.2 billion General Fund) for the trial courts; and $231.4 million ($116.7 million General Fund) for judges' retirement costs (see Figure JB-1).

Figure JB-1

Total Judicial Branch Expenditures 2002-03



Judicial

The 2002-03 Judicial budget (Supreme Court, Courts of Appeal, AOC, and the Habeas Corpus Resource Center) totals $349.8 million, which includes $289.2 million in State operations and $60.6 million in local assistance. This amount reflects an increase in expenditures of $2.8 million over the revised 2001-02 Budget, and includes the following augmentations:

- $211,000 to provide two human resource positions to provide expertise in labor relations at the AOC.
- $286,000 to provide two attorney positions at the AOC regional offices.
- $122,000 to provide additional security for the Courts of Appeal.

Due to current economic conditions and the decrease in General Fund revenues, the Judicial Branch has identified the following savings and reductions:

- A one-time General Fund savings totaling $7.7 million in 2001-02, including $4.6 million associated

with current vacancies, $1.5 million related to Supreme Court, Court Appointed Counsel workload, and $1.6 million related to Courts of Appeal, Court Appointed Counsel workload.

- A General Fund reduction of $3.9 million in fiscal year 2002-03, including $2.9 million associated with anticipated vacancies and $1 million related to Supreme Court, Court Appointed Counsel workload.

Trial Court Funding

The Trial Court Funding budget includes $1.2 billion General Fund and approximately $1 billion in non-General Fund resources, for a total of $2.2 billion. This represents a decrease of $21.3 million from the revised 2001-02 Budget. The following is included:

- Consistent with the intent of the Legislature, as specified in Budget Act language, $23.2 million in fiscal year 2001-02 and $51.7 million in fiscal year 2002-03 to meet various needs of the trial courts, including salary increases resulting from local memoranda of understanding with recognized bargaining agents. Under the Trial Court Employment Protection and Governance Act (Chapter 1010, Statutes of 2000), trial court employees are employees of each individual court with the right to unionize and negotiate salaries with their individual court. During 2002-03, approximately 71 bargaining agreements will be subject to negotiation in the trial courts.

- $14.4 million to fund increased costs associated with services and benefits provided to the trial courts and trial court employees through the counties, such as mail and janitorial services, health benefit increases, and retirement rate increases.

- $13.4 million to address increased costs associated with providing security at trial court facilities.

- $2.3 million to address increased costs associated with providing court interpreters to assist non-English speaking defendants in trial court proceedings.

- $802,000 for Family and Children services, including case processing and mediators, investigators, and evaluators in a variety of courts.

Due to current economic conditions and the decrease in General Fund revenues, the Judicial Council has identified the following savings, reductions, and transfer of resources from the Trial Court Funding budget:

- One-time General Fund savings totaling $28.3 million in 2001-02, including $7.3 million associated with delayed implementation of new jury reform programs, $8.5 million related to judicial vacancies at the trial courts, and $12.5 million as a result of funding costs for

technology asset management and security from the Trial Court Improvement Fund rather than the General Fund.

- A General Fund reduction in fiscal year 2002-03 of $37.8 million, including $7.2 million associated with delayed implementation of new jury reform programs, $7.4 million as a result of funding one-time costs for technology asset management from the Trial Court Improvement Fund rather than the General Fund, and $23.2 million from reducing the operating budget for each trial court by varying amounts. The Judicial Council intends to achieve these reductions in a way that will have the least impact on each court and the public.

- A transfer of $28.1 million from the Trial Court Improvement Fund to the General Fund on a one-time basis.

Overall, the Judicial Branch will achieve a total of $106 million in General Fund savings, reductions, and a one-time transfer of resources. Despite the reductions reflected in this Budget, Judicial Branch expenditures have increased by $649 million over the course of this Administration.

Criminal Fines and Civil Filing Fees

Currently, criminal fines result in approximately $229 million in annual revenue to local jurisdictions. In addition, for each criminal fine imposed, a penalty assessment equaling the amount of the fine is also imposed. Of these penalty assessments, 30 percent is retained by counties to support trial courts, and 70 percent goes to the State Penalty Fund, from which funding is distributed to a variety of State special funds that support a variety of programs and activities. Approximately $14 million of this revenue is returned to the General Fund.

The Administration is proposing legislation to add a surcharge of 20 percent on all criminal fines, with the proceeds going to the General Fund. It is anticipated that this surcharge would increase General Fund revenue by $45.8 million. This change will not affect the current collection and distribution of fines or penalty assessments.

In addition, civil filing fees result in approximately $152 million in annual revenue to the Trial Court Trust Fund, which is used to support trial court operations.

The Administration is proposing legislation to add a surcharge of 10 percent on civil filing fees, with the proceeds going to the General Fund. It is anticipated that this surcharge will increase General Fund revenue by approximately $15 million annually.

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General Government

Department of General Services

The Department of General Services (DGS) is responsible for management review, control, and support of State agencies as directed by the Governor and specified in statute. The Department provides support services to operating departments to achieve greater efficiency and economy than they can individually achieve. The Budget proposes $853.5 million and 4,124 personnel years for the Department.

Enhanced Emergency Telephone Services—The Budget proposes $147.6 million for Emergency Telephone Services, including the following:

- **Landline 911—**An augmentation of $10.4 million State Emergency Telephone Number Account (SETNA) to fund the increased cost of reimbursing service providers for Public Safety Answering Point (PSAP) equipment and network and database costs associated with providing enhanced emergency telephone services to landline telephone users in California. These enhanced services include Automatic Number Identification (ANI) and Automatic Location Identification (ALI).

- **Wireless 911—**$40 million SETNA to reimburse service providers for PSAP equipment and network and database costs associated with the continued implementation and maintenance of enhanced wireless service for subscribers in California. This funding represents the second year of implementation for this program, which will result in the ability to provide the same emergency telephone services to wireless customers as those provided to landline customers, including ANI and ALI.

California Portal—The Budget includes an augmentation of $5.8 million General Fund to support increased functionality and enhanced operation of the California Portal (www.my.ca.gov). The Portal was expanded in response to a tremendous increase in user traffic resulting from the State's energy challenge, which coincided with the Portal's debut in January 2001. In the past year, millions of Californians have accessed the Portal for information and advice about energy conservation, and having discovered the wide range of additional services available through the Portal, have continued to access it. Prior to the creation of the California Portal, hits on the State's home page averaged 300,000 per day. Upon the January 2001 release of the Portal, average daily hits jumped immediately to 600,000, and have steadily increased to the current level of 2.6 million per day. This unanticipated traffic drove the need for enhanced site security, reinforced system architecture, and increased functionality. Though implemented in response to a crisis, these improvements have strengthened the

ability of the Portal to serve a greater number of Californians—at their convenience. These enhancements provide a stable framework within which individuals can interact with State government, and allow for the rapid dissemination of emergency information to citizens throughout California.

Asset Planning and Enhancement— The Budget includes $2 million Property Acquisition Law Money Account (PAL) in the current year and $1.4 million PAL in the budget year to fund consultant services to assist in the accelerated sale of State property. This proposal will allow DGS to sell another parcel of the Agnews Developmental Center in Santa Clara, the California Institute for Men in Chino, and the Bay Area Research and Extension Center in Santa Clara. The combined sale of these properties is estimated to generate at least $85 million in additional General Fund revenue in 2002-03.

Office of Emergency Services

In time of major emergency or disaster in California, the Office of Emergency Services (OES) coordinates emergency response activities to save lives, reduce property loss, and expedite recovery. The Governor's Budget proposes $644.2 million ($63 million General Fund, $575.4 million federal funds, and $5.8 million other funds) and 511 personnel years for OES.

State Strategic Committee on Terrorism— The Budget proposes $562,000 and three personnel years in 2002-03 for support and coordination of the State Strategic Committee on Terrorism (SSCOT). The Committee was established to address and carry out emergency preparedness and response and recovery activities related to acts of terrorism. This augmentation will provide OES with the necessary resources to coordinate federal, state, and local anti-terrorism programs; conduct assessments of the risks associated with terrorist threats; and provide support to the existing statewide regional mutual aid anti-terrorism working groups. Since the September 11 attacks, SSCOT has been directed to evaluate the potential threat of terrorist attacks on the public and private infrastructure that support and protect the people and economy in California, including food and agriculture, transportation, and public health.

Immediately following September 11, OES deployed several Urban Search and Rescue Task Forces to provide assistance and support in the New York City rescue operations. In addition, OES established a toll-free 24-hour Safety Information and Referral Line to address safety concerns of Californians. The information line provides callers with advice on personal and family preparedness as well as a referral network to obtain additional information.

Franchise Tax Board

The Franchise Tax Board (Board) administers the personal income tax, corporation tax, and several non-tax

collection and audit programs, which together contribute over 64 percent of General Fund revenue. The Governor's Budget proposes total expenditures of $437.4 million and 5,395.8 personnel years to support the Board.

Tax Processing—In 2002-03, the Franchise Tax Board will save $461,000 in tax return processing costs and 17.1 personnel years because more taxpayers are voluntarily filing their returns electronically. The number of electronically filed returns was up 17 percent last year and is expected to climb another 15 percent in 2001-02 and 16 percent in 2002-03. The Governor's Budget provides additional electronic-file savings by proposing that tax practitioners who prepare 100 or more tax returns file their clients' returns electronically. This measure will save $2.2 million and 80 personnel years in 2002-03.

The Board's budget also includes an additional $4.3 million and 53.5 personnel year savings due to other program adjustments. Total reductions, including those that were redirected to generate additional revenue, represent 3 percent of the Board's General Fund budget. This preserves activities needed to ensure collection of the revenues critical to the operation of State government.

The Budget also proposes to augment auditing and collections to address workload that has a revenue-to-cost return greater than 5:1. An audit augmentation of 44.6 personnel years and $4.5 million will return $52.0 million in 2002-03. A collections augmentation of 78.8 personnel years and $6.2 million will return $27.5 million in 2002-03.

In addition, the Budget includes $288,000 for security improvements at the Fresno Field Office.

Child Support Enforcement—Chapter 479, Statutes of 1999, requires the Board to develop a single, statewide, automated child support collection system to track child support cases, collect payments from delinquent parents, and disseminate payments to the appropriate family. This is the California Child Support Automation System (CCSAS). When completed in 2005, CCSAS will meet federal requirements for collecting and distributing child support payments. For 2002-03, the Administration will pursue federal legislation to eliminate the penalties currently imposed. This is discussed in more detail under the Department of Child Support Services.

The 2000 Budget Act provided funding for the Board to implement Chapters 478 and 480, Statutes of 1999, which expanded its responsibility for the collection of overdue child support payments until the statewide, automated system is in place. This interim system, known as the California Arrearage Management Project, was designed to provide centralized management of child support arrearages and was expected to increase child support collections by $70 million annually when fully implemented.

However, due to a loss of federal funds for the project and the concerns that the interim system would delay CCSAS, the Board recommended that the interim system be scaled back.

Consistent with that recommendation, Chapter 111, Statutes of 2001, reduced the system requirements of the interim project, which is now called the Child Support Replacement Project, so that the Board's child support collection could continue without endangering the statewide project. The 2002-03 Budget adds 21.9 personnel years to augment the manual collection of child support arrearages and is expected to generate an additional $19 million in child-support payments to families.

Board of Equalization

The Board of Equalization (Department) administers 21 tax programs, including the sales and use tax and the motor vehicle fuel license tax. These programs generate approximately 30 percent of General Fund revenue. The 2002-03 Governor's Budget proposes total expenditures of $311.7 million and 3,657.9 personnel years for the Department.

In response to the State's fiscal condition, the Governor's Budget proposes a reduction in the Department's budget of $7.6 million ($6.2 million General Fund, $1.4 million reimbursements) and 146 positions. This reduction, which represents three percent of the Board's General Fund budget, preserves activities needed to ensure collection of the revenues critical to the operation of both State and local government.

In addition, the Budget proposes to address cigarette and tobacco tax evasion, which has steadily increased since the passage of Proposition 10 in 1998. The redirection of 9.9 personnel years of sales tax investigators to cigarette and tobacco tax investigation activities will help ensure that cigarette and tobacco product purchases are made from legitimate sources.

California Victim Compensation and Government Claims Board

The Victim Compensation and Government Claims Board (Claims Board) compensates victims of violent crimes and eligible family members for certain crime-related financial costs, considers civil claims against the State, and protects the public against improper acts of state agencies. The Budget proposes $155.4 million and 342 personnel years for the Claims Board.

Hearing Officers—The Budget includes a redirection of $468,000 (Restitution Fund) and five personnel years to implement the use of hearing officers in its victims claim program. The hearing officers will improve the level of services provided to victims by accelerating the timeframes in which appeals can be heard and resolved, traveling to the communities in which victims reside,

and offering additional privacy and personal attention to victims during the appeals process.

Claims Review Units—The Budget includes an augmentation of $966,000 (Restitution Fund) to establish Claims Review Units within the Joint Powers Authority (JPA) counties that administer the victims of crime program locally. This augmentation will ensure the continued allocation of federal funding by providing for the implementation of audit findings resulting from a federal review of the JPAs' claims process.

Department of Veterans Affairs

The Department of Veterans Affairs is responsible for providing services to California veterans and their dependents. The Department administers the Cal-Vet Farm and Home Purchase Program, assists veterans in obtaining State and federal benefits to which they are entitled, and operates veterans homes in Yountville, Barstow, and Chula Vista. The Governor's Budget includes $338.6 million and 1,831 personnel years to support the Department's various programs.

Since 1998-99, the General Fund operating budgets for the veterans homes has increased $23 million, or 60 percent, over actual 1998-99 General Fund expenditures. This increase is attributable to the opening of the Chula Vista Home in 2000 and numerous program improvements that ensure that residents receive quality nursing and medical care. These enhancements demonstrate the Administration's continued commitment to improve the services offered to veterans at the Homes and include patient care staff recruitment and retention incentives, increases in medical and related staff, additional therapeutic and recreational staff, and significant environmental and facility improvements.

Barstow Veterans Home—The 2002-03 Budget for the operation of the Barstow Home anticipates that the Skilled Nursing Facility will achieve certification in early 2002. Additionally, it assumes that the Barstow Home will be fully occupied in all levels of care by September 2002.

Chula Vista Home—The Budget for the operation of the Chula Vista Home assumes the Home will receive Skilled Nursing Facility licensure in early 2002 and full occupancy in all levels of care will be achieved by September 2002.

Military Department

The Military Department is responsible for the command, leadership, and management of the California Army and Air National Guard, whose purpose is to provide military service support to California, as well as the nation. These services are provided through 118 armories, 10 air bases, and 3 army bases located throughout California. The Governor's Budget proposes $95.9 million and 825 personnel years for the Department. The Department also

receives an additional $464.1 million in federal funds that are not deposited in the State treasury.

The Budget includes reductions for the Department totaling $1.4 million and one personnel year as follows:

- $1 million for the Army Division Armory Maintenance program.
- $155,000 for the Youth Programs Division.
- $247,000 and one personnel year for the California Cadet Corps program.

Despite these reductions, the Military Department's proposed budget reflects an increase of $39 million over expenditures in fiscal year 1998-99, including an increase of $11.3 million General Fund to support programs such as the Turning Point Academy, Oakland Military Institute, California Cadet Corps, and the Veteran's Funeral Honor Guard program.

Terrorism/Bridge Guarding Support— The Budget includes $3.9 million federal funds for 2001-02 and $6 million federal funds for 2002-03 to support the cost of providing military security support at the Golden Gate, San Francisco-Oakland Bay, Vincent Thomas, and Coronado bridges in response to the terrorist acts of September 11, 2001.

Turning Point Academy—The Budget includes $3 million General Fund and 32 personnel years to continue the operation of the Turning Point Academy, which is a reduction of $4.4 million for this program. This reduced expenditure level for the budget year is based on a lower projected cadet enrollment. However, the Administration will propose legislation to expand the eligibility criteria for the program.

Department of Industrial Relations

The primary functions of the Department of Industrial Relations (DIR) are to protect the workforce, improve working conditions, and advance opportunities for profitable employment. The Governor's Budget proposes $258.7 million and 2,616 personnel years for DIR. Since 1998-99, the total General Fund resources allocated for DIR programs have increased by $14.1 million, or 10 percent. Specific programmatic enhancements over this period include a 21 percent increase for the Division of Occupational Safety and Health (DOSH), a 61 percent increase for the Division of Labor Standards Enforcement, and a 125 percent increase for the Division of Apprenticeship Standards.

The 2002-03 Budget for DIR reflects a General Fund reduction totaling approximately $17.4 million. The majority of these reductions affect the Division of Workers' Compensation and DIR's administrative programs. General Fund savings is also achieved by maximizing the use of Targeted Inspection and Consultation Funds in DOSH and by

increasing the proportion of wage claims being paid directly from the Uninsured Employers Fund. As a result, DIR's important worker safety, labor standards enforcement, and job training programs are not affected by General Fund reductions in the Department.

Workers' Compensation Studies— The 2002-03 Budget includes $1.2 million for the Commission on Health and Safety and Workers' Compensation to conduct three new research projects related to the improvement of the workers' compensation permanent disability system and benefits. These proposed projects will analyze the use of social welfare programs by injured workers, determine the adequacy of future medical payments, and measure the full employer cost associated with injuries.

Farm Labor Contractor License Verification and Enforcement—The Budget provides $354,000 and four personnel years for the Division of Labor Standards Enforcement to implement Chapter 157, Statutes of 2001. Chapter 157 required the establishment of Farm Labor Contractor Verification and Enforcement Units to assist growers and other contractors with license verifications, and to enforce farm labor licensing requirements. This proposal also increases expenditure authority from the Farmworkers' Remedial Account (FRA) to address anticipated claims increases as a result of Chapter 147, Statutes of 2001, which expanded the types of payments that can be made from the FRA.

Department of Food and Agriculture

The Department of Food and Agriculture (DFA) is responsible for protecting and promoting California's agriculture, providing leadership in the development of agricultural policy, and enforcing weights and measures standards in commerce. The DFA's activities include prevention and eradication of harmful plant and animal pests and disease, marketing and export assistance to the agriculture industry, and assistance to county agricultural commissioners and local fairs. The Governor's Budget proposes $259 million ($103 million General Fund and $156 million in other funds) and 1,937 personnel years for the Department.

Specialty Crop Support Program— The Budget includes an augmentation of $63.8 million in federal funds in 2001-02. Of these available funds, $45 million has been set aside for market promotion and development programs such as "Buy California," an intrastate market promotion program that is currently supported by a General Fund appropriation and industry funds. Other proposed uses include agricultural research and pest management, and competitive grants in areas such as food safety, consumer education, and nutrition (including school nutrition).

Plant Pest Prevention Comprehensive Strategy—The Budget continues $11 million General Fund and 158 personnel years for the Plant Pest Prevention Comprehensive Strategy to reduce

the growing threat to California from invasive pests. This program permanently includes the Mediterranean Fruit Fly Preventative Release Program and related public outreach activities, including the maintenance of an Internet site.

Microbiological Data Program—The Budget includes $700,000 in federal funds and six personnel years for California to participate in a new federal program testing fresh fruits and vegetables at the retail sale level. This data collection effort will allow for more intensive contaminant identification training in DFA chemistry labs. This funding will also allow DFA staff to be better prepared for potential outbreaks of food contamination.

Secretary of State

The Secretary of State (SOS) is the chief election officer of the State and is responsible for the administration and enforcement of election laws. The office is also responsible for the administration and enforcement of laws pertaining to filing documents associated with corporations and limited partnerships and for the preservation of documents and records having historical significance. The Budget proposes $75.8 million and 451 personnel years for the Secretary of State's Office.

Business Automation Program Phase II—The Budget proposes $5.7 million Business Fees Fund to continue funding for the second phase of the Business Automation Program. Phase I of this project, funded in the 2000 Budget Act, will address standardization of the Uniform Commercial Code. Phase II will automate other business processes with overall goals to provide accurate and reliable data, standardize and simplify the processing of business and security interest filings, reduce turnaround time, and provide services through the Internet.

Local Mandate Funding

Article XIII B, Section 6 of the California Constitution, requires the State to provide a subvention of funds to reimburse local governments for the costs of increased levels of service whenever the Legislature or any State agency mandates a new program or higher level of service on any local government entity, unless specified exemptions apply. Over the past several years, appropriations for reimbursable state mandated local programs have been deficient by significant amounts. Because local entities have up to 18 months after the year in which costs were incurred to submit reimbursement claims, these deficiencies are largely due to claims submitted against prior budget acts.

Based on the most recent deficiencies, the 2001 Budget Act includes $18.0 million set aside in the reserve to fund deficient appropriations for reimbursable state mandated local programs, anticipated to be funded in the 2002 Mandates Claims Bill. The 2002-03 Budget proposes an additional $30 million.

Capital Outlay

Recognizing California's current economic condition, public works projects have become increasingly more important. Besides addressing public health, safety, and other critical infrastructure needs throughout the State, construction projects can provide an important economic stimulus for the State's economy. While the 2001 Budget Act provided $1.802 billion for State infrastructure needs, California's current economic situation calls for accelerated public works spending.

Public works spending has long been recognized as a means of strengthening weak economies and balancing macroeconomic fluctuations, when implemented in a timely manner. Infrastructure development stimulates the economy by creating jobs and spurring demand for materials and services, which in turn creates additional economic activity. It is estimated that 19 jobs are created for every $1 million of State infrastructure spending.

Economic Stimulus Package

In an effort to boost the State's economy, the Administration is sponsoring legislation in the current year to authorize and fund an Economic Stimulus Package. This package will appropriate $678.3 million from lease-revenue bonds to accelerate new public works projects that will stimulate the economy and create more than 13,000 new jobs.

The proposed Economic Stimulus Package consists primarily of the acceleration of the construction of educational facilities for higher education. These projects are best positioned to be accelerated because the planning and design phases are substantially complete and the projects are ready to proceed to construction. The package includes $279 million for University of California, $191 million for California State University, and $170 million for the California Community Colleges. In addition, the package includes $7 million to replace aging fire stations for the Department of Forestry and Fire Protection, and $31 million for various other projects.

Capital Outlay Program

In addition to the Economic Stimulus Package, the Governor's 2002-03 Budget proposes $1.235 billion for the capital outlay program, not including funding for transportation, K-12 schools, and State conservancies (the Business, Transportation, and Housing, Education, and Natural Resources sections describe the funding provided for those programs). Of this amount, $979 million is for continuing phases of previously approved projects, and $256 million is for new projects. Funding for this program comes from a number of sources including the General Fund, various special funds, general obligation (GO) bonds, lease-revenue bonds, and federal funds. Figure CO-1 summarizes the proposed

Figure CO-1

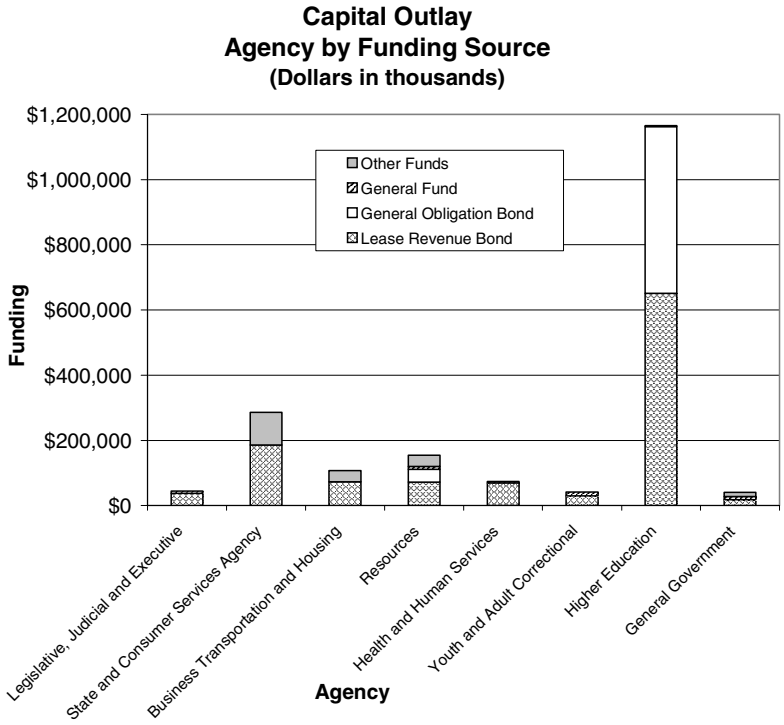
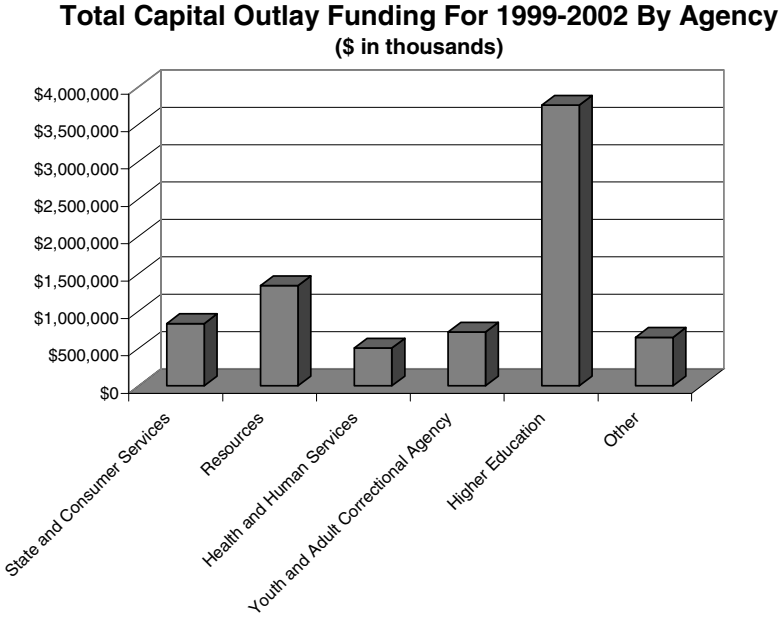


Figure CO-2



capital outlay program and the Economic Stimulus Package, by agency, as well as by funding source. This will result in over $7.336 billion invested in capital outlay during the course of this Administration. Figure CO-2 summarizes the capital outlay program for each agency for the last four years.

2002-03 Highlights

Highlights of the proposed 2002-03 capital outlay program and Economic Stimulus Package are as follows:

Higher Education: The 2002-03 capital outlay program and Economic Stimulus Package total $1.15 billion. This will result in over $3.74 billion of funding for this program area over the last four years.

California State University: $258.8 million—This amount, proposed from future GO bonds, includes $110.4 million for the continuation or completion of 20 previously approved projects at 15 campuses, and $128.4 million for 10 new projects at 9 campuses. The Budget provides an additional $20 million for minor projects at CSU's 23 campuses. CSU's funding places priority on vital infrastructure projects such as critical telecommunications infrastructure improvements at eight campuses. CSU's funding also addresses existing space deficiencies and enrollment growth. Examples of CSU projects include replacing the current Physical Science Building at Los Angeles; constructing a new classroom/

office facility for general academic, business administration, political science, and economic programs at San Marcos; and renovating and replacing engineering and architecture program buildings at San Luis Obispo.

An additional $191.3 million from lease-revenue bonds is proposed as part of the Administration's Economic Stimulus Package to accelerate three projects.

California Community Colleges: $169.4 million—Funding includes $166.4 million for the continuing phases of 76 projects at 53 campuses, and $3 million to begin three new fire, life, and safety projects at three campuses. The total includes $7.6 million Higher Education Capital Outlay Bond Fund of 1998 (Proposition 1A) funding and $161.8 million in proposed GO bonds. These projects will correct seismic deficiencies, provide programmatic upgrades in instructional and library facilities, and construct new classrooms and laboratories for growth.

An additional $170.5 million lease-revenue bonds is proposed as part of the Administration's Economic Stimulus Package to accelerate 11 projects.

University of California: $85.9 million—This amount includes $46.7 million for 15 new and $39.2 million for 5 continuing projects at the 9 existing campuses and the new campus at Merced. The total includes $8.6 million Proposition 1A bonds and $74 million in proposed GO bonds. The remainder consists of $356,000 General Fund for the Thurman Laboratory seismic correction at Davis and $3 million Water Bond for the Watershed Science Research Center at Davis.

The Budget proposes projects to address three primary areas: replacement of aging facilities; renovations to address fire, life, and safety, and seismic concerns; and construction of new facilities to accommodate enrollment growth. Examples of new UC projects include seismic projects at Berkeley, Davis, and Los Angeles; enrollment growth projects including the construction of a new computer science facility at Irvine, renovation and expansion of the biomedical library at San Diego, and construction of a new Humanities and Social Sciences Facility at Santa Cruz. Continuing projects include the construction of a Biological Sciences Building at Riverside and an Engineering and Science building at Santa Cruz.

An additional $279 million from lease-revenue bonds is proposed as part of the Administration's Economic Stimulus Package to accelerate seven projects.

Hastings College of Law: $831,000—This amount addresses health and safety deficiencies at the college's San Francisco instructional facility.

California State Library—The Administration's Economic Stimulus Package includes $10.5 million to renovate space for the Sutro Library as part of a joint library project with California State University at San Francisco.

State and Consumer Services—The 2002-03 capital outlay program and Economic Stimulus Package total $286.3 million.

Department of General Services (DGS): $174 million—Funding for DGS is comprised of two major programs—the Statewide office building program and the seismic retrofit program:

Statewide Office Building Program: $152.9 million—This amount of lease-revenue bonds is to continue the renovation of the Food and Agriculture Building at 1220 N Street, the Education Building, and Office Building 8 concurrently with Office Building 9.

An additional $13.2 million of lease-revenue bonds is proposed to accelerate the Bonderson building renovation project as part of the Administration's Economic Stimulus Package.

Seismic Retrofit Program: $21.1 million—DGS administers the State's seismic retrofit program to minimize risk to life resulting from major earthquakes by rehabilitating State-owned buildings. The criteria and evaluation process developed by DGS has been used to assess the relative risk of State buildings, and to fund those buildings that pose the greatest risk to the occupants during a major earthquake. The 1990 Seismic Bond Act provided $250 million in GO bonds for the purpose of earthquake safety improvements of State buildings.

This budget includes the final $21.1 million of the $250 million in Seismic Bond proceeds to ensure that existing seismic retrofit projects will not be terminated, thereby maintaining the State's efforts to address this critical safety issue. A total of $46.6 million General Fund will be needed in 2003-04 to complete those projects already started, and an additional $54.9 million General Fund will be needed in the future to complete the retrofit of the remaining State facilities currently identified as seismic risks.

California Science Center: $96.9 million—This amount includes $19.1 million from lease-revenue bonds and an anticipated $77.8 million from private sources and other governmental funds for the construction of Phase II of the California Science Center. The project is a four-story addition to the existing California Science Center, which combines science exhibits with live animal exhibits, including a two-story reef tank.

Franchise Tax Board: $288,000—This General Fund amount is for security improvements at the Fresno Field Office to complete standardization of security measures at the Board's various office buildings.

Resources Agency—The 2002-03 capital outlay program and Economic Stimulus Package total $154.4 million. This will result in over $1.341 billion in capital outlay funding for this agency over the last four years.

Department of Parks and Recreation: $58.2 million—This amount includes $51.6 million ($34.8 million bond funds, $8.2 million reimbursements, $7 million special funds, and $1.5 million federal funds) for 20 previously approved projects and 13 new projects; $6.1 million ($2.2 million special funds and $3.9 million bond funds) for minor projects; and $530,000 ($500,000 bond funds and $30,000 special funds) for project planning. The new projects include acquisitions, historical restorations, development and maintenance of existing day use and campground parks, environmental restoration at existing parks, and wastewater improvements.

Department of Forestry and Fire Protection (CDF): $52.8 million—This amount includes $52.4 million lease-revenue bonds for 21 continuing projects, and $485,000 General Fund for one minor capital outlay project. One of the continuing projects will relocate CDF's South Operations Headquarters to a site at March Air Force Base.

As part of the Administration's Economic Stimulus Package, $6.5 million lease-revenue bonds will be proposed to accelerate four projects.

California Conservation Corps: $12.9 million—This amount includes $12.3 million lease-revenue bonds for one continuing project and $659,000 General Fund for the minor capital outlay program. The continuing project is to replace a residential facility due to a lease expiration.

Department of Boating and Waterways: $9.8 million—This Harbors and Watercraft Revolving Fund amount includes $4.3 million for various phases of three Boating and Instruction Safety Centers, $366,000 for the planning phases of two major boat launching facility projects, $135,000 for project planning, and $5 million for the minor capital outlay program.

Department of Water Resources: $9.6 million—This amount includes $7.2 million General Fund and $2.4 million from local reimbursements for four previously approved flood control projects.

Department of Fish and Game: $3.9 million—This amount includes $250,000 Park Bond and $14,000 federal funds for the planning phases of a new Research and Education Center at the Elkhorn Slough Ecological Reserve, and $3.5 million various special funds for minor capital outlay projects.

Business, Transportation, and Housing—The 2002-03 capital outlay program and Economic Stimulus Package total $106.9 million.

Department of Transportation: $86.4 million—This amount includes $2.3 million for one new project to replace the Marysville District Office Building. Also included is $72.6 million

to replace the San Diego District Office Building, and $11.5 million to complete two seismic projects. The total is comprised of $72.6 million lease-revenue bonds and $13.8 million State Transportation Fund.

Department of the California Highway Patrol: $12.2 million—This amount includes funding for three continuing projects to replace field offices in Monterey, South Lake Tahoe, and Williams.

Department of Motor Vehicles: $8.3 million—This amount includes $7.3 million for the Sacramento Headquarters Building 3rd Floor Asbestos Removal and Seismic Retrofit as well as three other projects.

Health and Human Services Agency—The 2002-03 capital outlay program and Economic Stimulus Package total $73 million.

Department of Health Services (DHS): $47.7 million—This amount includes $47.5 million lease-revenue bonds for the continuing phase of the Phase III office building at the Richmond Laboratory Campus. The office building will be the third and final phase of the Laboratory Campus, and will house all administrative and support staff associated with Bay Area laboratory programs. Also included is $150,000 General Fund to complete a study that will identify DHS' future laboratory needs in Southern California.

Department of Mental Health: $21.5 million—This amount includes $21.4 million lease-revenue bonds for continuing phases of three projects, and $94,000 General Fund for one new project. The new project will make upgrades to the electrical generator plant at Patton State Hospital.

Department of Developmental Services: $3.7 million—This General Fund amount will complete security improvements at the Lanterman Developmental Center.

Legislative, Judicial, and Executive—The 2002-03 capital outlay program and Economic Stimulus Package total $44.1 million.

Judicial Council: $31.9 million—This amount, from lease-revenue bonds, provides for the continuation of two new courthouse projects for the Fourth Appellate District in Santa Ana and the Fifth Appellate District in Fresno.

Department of Justice: $10.5 million—This amount includes $5 million General Fund for the Statewide DNA Laboratory, and $5.5 million lease-revenue bonds for the Santa Barbara Replacement Laboratory.

Office of Emergency Services: $1.6 million—This General Fund amount provides for the design and construction of a perimeter fence for the new Headquarters and Control Center.

Youth and Adult Correctional Agency—The 2002-03 capital outlay program and Economic Stimulus Package total $41.5 million.

California Department of Corrections: $22.5 million—This amount includes $4.3 million General Fund and $12.8 million lease-revenue bonds for the continuing phases of 10 previously approved projects; $1.9 million General Fund to begin 2 new projects; $3 million General Fund for statewide minor projects; and $500,000 General Fund for statewide budget packages. The proposed new projects address critical infrastructure deficiencies at California Institution for Men and Salinas Valley State Prison.

Department of the Youth Authority: $19 million—This amount includes $2.3 million General Fund for minor capital outlay projects and master planning, and $16.7 million lease-revenue bonds for the continuing phases of four previously approved projects.

General Government—The 2002-03 capital outlay program and Economic Stimulus Package total $41.5 million.

Department of Food and Agriculture: $21.2 million—This amount includes $11.2 million lease-revenue bonds and $10 million State Highway Account Funds for the continuation the Yermo and Dorris agriculture inspection stations.

Military Department: $9.5 million—This amount includes $6.3 million General Fund for the continuing phases of two projects, $2.3 million General Fund for one new project, and $855,000 for minor capital outlay projects. In addition, the federal government will be contributing another $13.9 million for the Azusa and Lancaster armories.

Department of Veterans Affairs: $2.6 million—This amount will fund major and minor projects at the Yountville Veterans' Home, including $2 million ($253,000 General Fund, $617,000 Veterans' Home Fund, and $1,145,000 Federal Funds) for two previously approved projects, and $359,000 ($126,000 Veterans' Home Fund and $233,000 Federal Funds) for two new projects. The new projects consist of renovating a 1.25 million gallon capacity water system and the Memorial Chapel. The Budget also includes $273,000 General Fund for minor projects.

Current year adjustments include $6.6 million in reimbursement authority as part of the Administration's Economic Stimulus Package to renovate the Lincoln Theater.

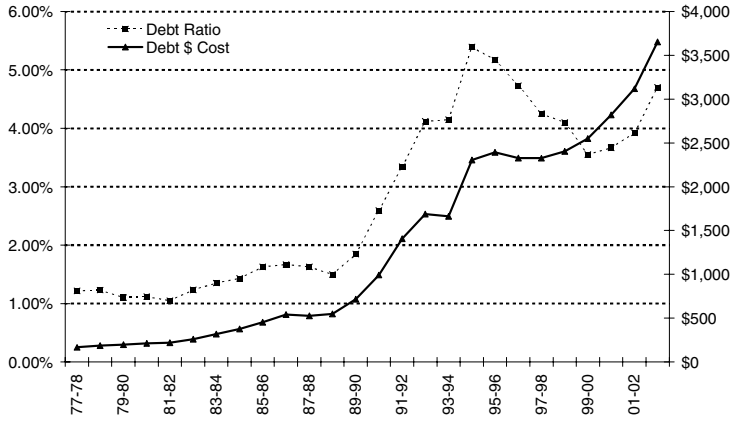
Debt Service On Bonds

The debt service cost displayed in Figure CO-3 represents the combination of the annual cost of general obligation bonds and lease payments for lease-revenue bonds. Total annual debt service costs are $3.250 billion in 2001-02, and are estimated to be $3.653 billion in 2002-03.

General Obligation Bonds—California currently owes $20.5 billion in principal on outstanding non-self liquidating general obligation (GO) bonds as of the end of calendar year 2001. The State General Fund cost for the payment of interest and redemption on these bonds is $2.5 billion in 2001-02, and is estimated at $2.6 billion in 2002-03.

Figure CO-3

Debt Service Cost as Compared to the Percentage of General Fund Revenues
(Dollars in millions)



Lease-Revenue Bonds—The State also uses lease-revenue bonds to supplement the GO bond program. The lease-revenue method of financing projects has been used for higher education facilities, State prison construction, general-purpose office buildings, and other types of projects when a lease can be created that provides a marketable security for the issuance of the bonds.

Outstanding lease-revenue bonds totaled $6.379 billion as of December 1, 2001, and are estimated to total $6.749 billion as of June 30, 2002, and $6.510 billion as of June 30, 2003. The cost for lease payments (principal and interest) was $533.1 million in 2000-01, and is estimated to be $525.7 million in 2001-02 and $555.1 million in 2002-03.

A common measure of bonded indebtedness is the ratio of net tax-supported debt to General Fund revenues. Using this measure, California's General Fund debt ratio for 2001-02 is 4.6 percent and would rise to a maximum of 5.4 percent in 2003-04. This increase is the result of education and resources general obligation bonds authorized by voters statewide up through 2000.

Statewide Issues

The fiscal effect of the following issues is reflected in statewide items rather than in individual budgets. These amounts will be allocated to individual budgets in the future.

2001-02 Operating Expenses and Equipment Reduction

The Governor's October 2001 Executive Order D-49-01 directed State departments to initiate various cost savings measures to effect a minimum $150 million statewide reduction in 2001-02 operating expenses and equipment costs. The cost savings measures included canceling or postponing non-essential travel; reducing, canceling, or postponing any new contract or agreement for the purchase of goods or services; and, when possible, canceling and disencumbering the balance of any existing contract or purchase agreement. Departments have reported savings of approximately $178 million as a result of this directive. This amount will be reverted from individual appropriations pursuant to urgency legislation to implement the proposals contained in the *Proposed Reduction in 2001-02 Spending* plan released in November 2001.

1999-00 and 2000-01 Disencumbrances

The Governor's Executive Order D-49-01 also directed State departments to review 1999-00 and 2000-01 encumbrances, for which goods and services had not been received, for potential disencumbrance and reversion. Departments reported potential disencumbrances for both years of approximately $40 million as a result of this review. This amount will be reverted from individual appropriations pursuant to urgency legislation relating to the *Proposed Reduction in 2001-02 Spending* plan released in November 2001.

2001-02 Local District Projects

The *Proposed Reduction in 2001-02 Spending* plan released in November 2001 proposed to revert $30 million of the approximately $65.5 million General Fund appropriated for local district projects. An exemption mechanism was established to ensure projects for which resources have been obligated are not jeopardized if the absence of State funding would result in a loss of jobs or matching funds and resources. A reversion item to capture the General Fund savings will be proposed through urgency legislation.

Hiring Freeze

In response to the State's continuing fiscal difficulties, the Governor issued Executive Order D-48-01 in October 2001, requiring State agencies and departments to implement a hiring freeze through June 2003. The Univer-

sity of California and the California State University are requested to comply with the hiring freeze; however, participation is limited to a level that will not interfere with meeting their core educational missions. The hiring freeze prohibits the use of new hires to fill State positions, excluding specified positions related to public health, safety, security, and other positions producing State revenues. The hiring freeze is estimated to result in General Fund savings of up to $13 million in 2001-02 and $20 million in 2002-03.

Pro Rata Assessments

The 2002-03 Pro Rata plan includes additional allocations to special funds that have not been assessed in the past, but should appropriately be assessed. These special funds receive services from the central service agencies and should share in the cost of these services.

These additional allocations are displayed in the Fund Condition Statement of specific governmental cost funds and in Item 9900 (Statewide General Administrative Expenditures). The additional allocations will increase recoveries to the General Fund by an estimated $24 million.

Anti-Terrorism Costs

The Governor's 2002-03 spending plan includes $350 million from the federal government to help offset or fund the costs of anti-terrorism activities. The Budget proposes $129 million of federal appropriations in 2001-02 and 2002-03 for protection and interdiction efforts by the California Highway Patrol that would otherwise be funded from the Motor Vehicle Account. Additionally, $24 million of federal funding is proposed for bridge security system improvements that Caltrans made in 2001-02, and $9.9 million for the Military Department's bridge security efforts.

The Budget proposes a statewide control section to allocate the remaining $187 million in federal funds to State departments and local agencies. Of this amount, the Budget reflects $10 million expended in 2001-02 and $10 million in 2002-03 through reimbursement of General Fund expenditures, and authorizes the allocation of the remaining federal funds to various high priority needs in 2002-03. See the section on Assuring the Public Safety for more information on California's response to terrorism.

Employee Compensation

The Administration successfully negotiated Memoranda of Understanding (MOUs) with 15 of the 21 Collective Bargaining Units (Units). Of the 15 negotiated MOUs, 8 have been ratified, and the remaining 7 are awaiting ratification by both the membership of the Units and the Legislature. The Administration is continuing negotiations with the remaining 6 Units without MOUs. Generally, for excluded employees, the Administration authorized salary and benefit adjustments similar to those provided to corresponding represented employees.

The Budget includes $64.3 million ($41.8 million General Fund) in 2001-02 to fund compensation and benefit adjustments for represented employees in the Units with MOUs pending ratification, and for represented employees in the 6 units that are anticipated to reach agreement. For 2002-03, the Budget includes $209.7 million ($130 million General Fund) for the continuation costs of employee compensation adjustments for both represented and excluded employees. Approximately one-half of the ongoing cost for employee compensation is attributable to increases in the employer's maximum monthly contribution for health benefits.

Health and Dental Benefits for Annuitants

The Budget includes an increase of $67.9 million General Fund (from $485.8 million to $553.7 million) for annuitant health and dental benefits in 2002-03 due to health premium increases and enrollment growth.

Controlling the Growth of State Government

The Administration has made and is continuing to make a concerted effort to contain the growth of State government and to reduce the number of excess vacant positions in State service.

The Administration first addressed vacant positions in spring 2000, when it reduced 3,500 excess vacant positions from the 2000-01 Budget. These reductions resulted from a review of 29 of the largest State departments (i.e., those with over 1,000 personnel years). In addition, 600 vacant positions expired or were eliminated in 2000-01. The Administration also supported a law change to eliminate any position continuously vacant for six months within the fiscal year. For the 2001-02 Budget, the Administration reviewed the 50 largest State departments (i.e., those with over 300 personnel years, including the original 29 departments), and reduced another 2,500 vacancies, for a total of 6,600 vacancies eliminated over the two-year period.

As a result of the Administration's efforts, the number of continuously vacant positions eliminated increased from 94 to 536 due to of the six-month limitation on continuously vacant positions. In addition, for the 29 largest departments, the percentage of excess vacancies decreased from 5.4 percent in 1998-99 to 5.1 percent in 2000-01.

In light of the first year's results, the next phase of the Administration's effort to reduce excess vacancies will consist of the following four actions:

- In spring 2002, the Administration will review 11 of the original 29 departments that experienced problems with excess vacancies in 2000-01, such as the excess vacancy rate remaining high, or the number of excess vacancies either increasing or not decreasing as expected. The 11 departments to be further reviewed include:

Department of Fish and Game
Department of Water Resources
State Water Resources Control Board
Department of Toxic Substances Control
Department of Mental Health
Employment Development Department
Department of Rehabilitation
Department of Corrections
Department of Youth Authority
Department of Industrial Relations
Department of Food and Agriculture

❖ In spring 2002, the Administration will review vacant positions in the following 25 departments that have from 75 to 300 personnel years and have not yet been reviewed:

Department of Information Technology
Office of the Inspector General
Office of Planning and Research
State Treasurer's Office
California Science Center
State Personnel Board
Department of Financial Institutions
Department of Corporations
California Housing Finance Agency
Department of Managed Care
State Lands Commission
Department of Boating and Waterways
Office of Environmental Health Hazard Assessment
Area Boards on Developmental Disabilities
Department of Aging
Department of Community Services and Development
Department of Child Support Services
Board of Prison Terms
State Library
Commission on Teacher Credentialing
California Community Colleges
Office of Criminal Justice Planning
State Public Defender
Department of Personnel Administration
Fair Political Practices Commission

❖ The Administration will examine the feasibility of a law change that would eliminate positions continuously vacant for six months, regardless of fiscal year. Such a change would require a significant and potentially costly change to the nearly thirty-year old position control system in the State Controller's Office (SCO). A new Human Resources Management system would have replaced this system, but this project has been suspended due to the State's current fiscal situation. The SCO's costs to comply with a pending law change will be evaluated, and if feasible, the funding will be addressed in the spring.

❖ In spring 2003, the Administration will review those departments among the second group of 50 that had problems with excess vacancies in 2001-02.

The current hiring freeze is expected to increase vacancies across all departments. Additionally, the two current year operating expense and

equipment reductions may affect vacancies, as departments may have to suspend critical hiring to ensure they make their reductions. These reductions may complicate the review of excess vacancies. However, it still should be possible to identify and address underlying problems.

The Administration remains committed to controlling the growth of State government and maximizing the use of existing personnel to meet the service demands of the citizens of the State.

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Appendix & Schedules

Appendix and Schedules

Appendix/Schedules
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Glossary of Budget Terms
Description of Fund Classifications in the Treasury
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Schedule 2 ..... Total State Spending Plan
Schedule 3A .... Total State Spending Plan by Generally Accepted Accounting Principles (GAAP) Fund Classification
Schedule 3B ..... Comparison of California's Current Fund Structure and GAAP Fund Structure
Schedule 4 ..... Personnel Years and Salary Cost Estimates
Schedule 5A .... Statement of Estimated Accounts Payable and Accounts Receivable
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Schedule 12E ... Expenditures Excluded from the State Appropriations Limit

Budgetary Process

The Governor's Budget is the result of a process that begins more than one year before the budget becomes law. When presented to the Legislature on January 10 of each year, the Governor's Budget incorporates revenue and expenditure estimates based upon the most current information available through late December. In the event that the Governor wants to change the budget presented to the Legislature, including adjustments resulting from changes in population, caseload, or enrollment estimates, the Department of Finance (Finance) proposes adjustments to the Legislature during budget hearings through Finance Letters. During late spring, usually May, Finance submits revised revenue and expenditure estimates for both the current and budget years to the Legislature. This update process is referred to as the May Revision. Finance also prepares monthly economic and cash revenue updates during the fiscal year. Listed below are the key documents used in the budget process.

Title	Purpose	Prepared/Issued By	When
Budget Letters and Management Memos	Convey Administration guidelines for budget preparation to agencies and departments.	Governor/Finance	January through December
Budget Change Proposal	Document that proposes to maintain or change the existing level of service.	Agencies and departments submit to Finance for analysis	July through September
Governor's Budget	Governor's proposed budget for the upcoming fiscal year.	Governor/Finance	January 10
Governor's Budget Summary	A summary of the Governor's Budget.	Governor/Finance	January 10
Budget Bill	Requests spending authorization to carry out Governor's expenditure plan (legislative budget decision document).	Finance/Legislature	January 10
Budget Analysis	Analysis of the budget, including recommendations for changes to the Governor's Budget.	Legislative Analyst	February
May Revision of General Fund Revenues and Expenditures	Update of General Fund revenues, expenditures, and reserve estimates based on the latest economic forecast.	Finance	Mid-May
Budget Act	The primary annual expenditure authorization as approved by the Governor and Legislature, including a listing of Governor's vetoes.	Legislature/Governor	Late June
Final Budget Summary	Update of the individual Budget Act items with changes by the Governor's vetoes, including budget summary schedules.	Finance	Late July–August
Final Change Book	Update of changes to the detailed fiscal information in the Governor's Budget.	Finance	Late July–August

Glossary of Budget Terms

The following budgetary terms are used frequently throughout the Governor's Budget, the Governor's Budget Summary, and the annual Budget (Appropriations) Bill. Definitions are provided for terminology that is common to all publications. For definitions of terms unique to a specific program area, please refer to the individual budget presentation.

Administration Program:

The general program name used by departments for an accounting of central management costs such as the Director's Office, Legal Office, Human Resources, Accounting, and Business Services functions that generally serve the whole department, i.e., indirect or overhead costs.

``Administration-distributed'' is the general program name for the distribution of indirect costs to the direct program activities of a department. In most departments, all administrative costs are distributed to other programs.

Allocation:

A distribution of funds or an expenditure limit established for an organizational unit or function.

Appropriation:

An authorization from a specific fund to a specific agency or program to make expenditures/incur obligations for a specified purpose and period of time. The Budget Act contains many appropriations or items. These appropriation items are limited to one year, unless otherwise specified. Appropriations are made by the Legislature in the annual Budget Act and in other legislation. Continuous appropriations (see definition below) can be provided by legislation or the California Constitution.

Augmentation:

An increase to an appropriation, as provided by various control sections, Budget Bill language, or legislation.

Authorized Positions:

Regular ongoing positions approved in the final budget of the preceding year less positions abolished because of continued, extended vacancy. The detail of authorized positions by classification is published in the Salaries and Wages Supplement for State organizations. Changes in authorized positions are listed following each department's budget presentation in the Governor's Budget. (See Proposed New Positions.)

Balance Available:

Generally, the portion of a fund balance that is available for appropriation. It is the excess of assets of a fund over its liabilities and reserves; or commonly called amount available for appropriation. It is also the unobligated balance of an appropriation.

Baseline Budget:

A baseline budget reflects the anticipated costs of carrying out the current level of service or activities as authorized by the Legislature. It may include an adjustment for cost increases, but does not include changes in level of service over that authorized by the Legislature.

Budget, Program/Traditional:

A plan of operation for a specific period of time expressed in financial terms. A *program budget* expresses the operating plan in terms of the costs of activities to be undertaken to achieve specific goals and objectives. A *traditional budget* expresses the plan in terms of the costs of the goods or services to be used to perform specific functions.

The Governor's Budget is primarily a program budget. However, a summary of proposed expenditures for goods and services (Summary by Object) is included for State Operations.

Budget Bill/Act:

The initial Budget Bill is prepared by the Department of Finance (Finance) and is submitted to the Legislature in January, accompanying the Governor's Budget. It is the Governor's proposal for spending authorization for the subsequent fiscal year. The Constitution requires the Legislature to pass the Budget Bill and forward it by June 15 to the Governor for signature. After signature by the Governor, the Budget Bill becomes the Budget Act. The Budget Act is the main legal authority to spend or obligate funds.

Budget Change Proposal (BCP):

A BCP is a proposal to change the level of service or funding sources for activities authorized by the Legislature, or to propose new program activities not currently authorized.

Budget Year (BY):

The next fiscal year, beginning July 1 and ending June 30, for which the Governor's Budget is submitted. The year following the current fiscal year.

Capital Outlay (CO):

The expenditure of funds to acquire land or pay the cost of planning and construction of new buildings, or additions to and modification of existing buildings, and the equipment which is related to such construction.

Carryover Appropriations:

The balance of appropriations available for expenditure in years subsequent to the year of enactment.

Category:

A grouping of related objects of expenditure (goods or services), such as Personal Services, Operating Expenses and Equipment, and Special Items of Expense.

Changes in Authorized Positions:

A schedule included in each budget presentation in the Governor's Budget which reflects personnel staffing changes made subsequent to the adoption of the current year budget (transfers, positions established, and selected reclassifications). It also includes proposed new positions and reductions of positions for the budget year.

Character of Expenditure:

A classification identifying the purpose of the expenditures. (See State Operations, Local Assistance, and Capital Outlay.)

Codes, Uniform:

A set of codes, used in all major fiscal systems of California State government. These codes identify organizations, programs, funds, appropriation structures, receipts, and line-item objects of expenditure. The Uniform Codes Manual, published by Finance, lists all such uniform codes. (See Section 1.50 of the Budget Act for an explanation of the codes used for Budget Act appropriation items.)

Continuous Appropriation:

An amount, specific or estimated, available each year under a permanent constitutional or statutory expenditure authorization that exists from year to year without further legislative action. The amount available may be a specific, recurring sum each year; all or a specified portion of the proceeds of specified revenues that have been dedicated permanently to a certain purpose; or whatever amount is required for the purpose as determined by formula—such as school apportionments.

Control Sections, Budget Act:

The Budget Act is divided into sections. Section 1.00 establishes a citation for the legislation. Section 1.50 provides a description of the format of the act. Section 2.00 contains the itemized appropriations. Sections 4.00 through 99.50 are general sections, also referred to as control sections, that generally provide additional authorizations or place additional restrictions on one or more of the itemized appropriations contained in Section 2.00.

Cost of Living Adjustments (COLAs) Statutory/Discretionary:

Increases provided in State-funded programs that include periodic adjustments predetermined in State law (statutory), e.g., K–12 education apportionments; and adjustments that may be established at optional levels (discretionary) by the Legislature each year.

Current Year (CY):

A term designating the operations of the present fiscal period, as opposed to the past or future periods (i.e., the time period we are in now). For the State, the fiscal year begins July 1 and ends the following June 30.

Deficiency:

A lack or shortage of (1) money in a fund, (2) expenditure authority due to an insufficient appropriation, or (3) expenditure authority due to a cash problem, e.g., reimbursements not received on a timely basis.

Encumbrance:

An obligation placed on an appropriation to pay for goods or services that have been ordered by means of contracts, salary commitments, etc., but not yet received.

Expenditure:

Generally, this term designates the amount of an appropriation used for goods and services whether paid or unpaid, including expenses, provisions for debt retirement not reported as a liability of the fund from which retired, and capital outlays where the accounts are kept on an accrual basis or a modified accrual basis. Where the accounts are kept on a cash basis, the term designates only actual cash disbursements.

Enrollment, Caseload, & Population (ECP):

Adjustments that occur due to increases/decreases in enrollment for the educational segments, caseload adjustments for programs such as Medi-Cal and human services programs, and population adjustments for State hospitals and youth and correctional facilities.

Federal Funds:

In State budget usage, this term describes all funds received directly from an agency of the federal government but not those received through other State departments. Generally, State departments must initially deposit such federal funds in the Federal Trust Fund, a fund in the State Treasury.

Final Budget:

The final budget is the Governor's Budget as amended by action taken on the Budget Bill. A Final Change Book is published by Finance after enactment of the Budget Act to reflect the changes made by the Legislature in their review of the Budget Bill and by the Governor by power of line item veto. It includes a detailed list of changes by item number.

Finance Letters:

Proposals made by the Director of Finance to the chairpersons of the committees in each house of the Legislature that consider appropriations to amend the Budget Bill and Governor's Budget from that submitted January 10 to reflect a revised plan of expenditure for the Current or Budget Year.

Fiscal Year (FY):

A 12-month State accounting period that varies from the calendar year and the federal fiscal year. In California State government, the fiscal year runs from July 1 through the following June 30. It is the period during which obligations are incurred, encumbrances are made and appropriations are expended. The Governor's Budget presents three years of detailed fiscal data for the past, current, and budget years.

The State fiscal year is often referenced by the first calendar year of the fiscal year, e.g., ``'02'' or ``2002'' means the 2002–03 fiscal year. By contrast, the federal fiscal year is referenced by the last calendar year of the fiscal year, e.g., ``'03'' or ``2003'' means the 2002–03 fiscal year, and lasts from October 1, 2002 through September 30, 2003.

Fund:

A legal entity that provides for the segregation of moneys or other resources in the State Treasury for specific activities or obligations in accordance with specific restrictions or limitations. A separate set of accounts must be maintained for each fund to show its assets, liabilities, reserves, and fund balance, as well as, its income and expenditures. The assets of a fund may also be placed into separate accounts to provide for limitations on specified fund income or expenditures.

(See ``Description of Fund Classifications in State Treasury,'' which follows in this volume.)

Fund Balance:

Excess of the assets of a fund over its liabilities. (See ``Balance Available.'')

Fund Condition Statement:

A statement included in the Governor's Budget for the General Fund, special funds, special accounts in the General Fund, selected bond funds, and selected nongovernmental cost funds to disclose beginning reserves, revenues and transfers, expenditures, fund balance, and ending reserves.

General Fund (GF):

The General Fund is the predominant fund for financing State government programs. It is used to account for revenues that are not specifically designated to be accounted for by any other fund. The primary sources of revenue for the General Fund are the personal income tax, sales tax, and corporation taxes. A complete itemization of the revenue sources are listed in Summary Schedule 8. The General Fund is used as the major funding source for education (K–12 and higher education), health and human services programs, youth and adult correctional programs, and tax relief. Summary Schedule 9 provides a listing of expenditures for the General Fund.

Intraschedule Transfer:

A control section of the Budget Act authorizes Finance to augment or reduce any program, project, or function by transfer from any other

program, or project or function within the same appropriation.

Generally, transfers cannot exceed, in the aggregate, 20 percent of the amount scheduled. Lower limits exist for appropriations which exceed $2,000,000.

Item:

(See ``Appropriation.'')

Governmental Cost Funds:

(See ``Special Funds.'')

Limited-Term Positions:

A limited-term position is any position that has been authorized for a specific length of time with a set termination date. Limited-term positions may be authorized during the budget enactment process or in transactions approved by Finance.

Line-Item:

(See ``Objects.'')

Local Assistance:

Expenditures made for the support of local government activities.

Local Mandates:

(See ``State-Mandated Local Program.'')

May Revision:

An annual update to the Governor's proposed January budget containing revised General Fund revenues, and specified expenditures for the Governor's Budget. Finance is required to submit its May Revision to the Legislature by May 14.

Merit Salary Adjustment:

A cost factor resulting from the periodic increase in salaries paid to personnel occupying authorized positions. Personnel generally receive a salary adjustment of five percent per year to recognize proficiency in the work performed up to the upper salary limit of the classification.

Minor Capital Outlay:

Minor Capital Outlay consists of construction projects or equipment acquired to complete a construction project estimated to cost less than $250,000.

Objects (line-items):

A subclassification of expenditures based on type of goods or services. For example, the Personal Services category includes the objects of Salaries and Wages and Staff Benefits. These may be further subdivided into line items such as State Employees' Retirement, Workers' Compensation, etc. Objects do not reflect a function or purpose to be served by the expenditure. A Summary by Object is provided for each department's budget in the Governor's Budget for State Operations and Local Assistance, where applicable. Finance publishes a Uniform Codes Manual which reflects the standard line-item objects of expenditure.

Past Year (PY):

The fiscal year just completed. (See Fiscal Year.)

Personnel Years:

The actual or estimated portion of a position expended for the performance of work. For example, a full-time position that was filled by an employee for half of a year would result in an expenditure of 0.5 personnel years.

Positions:

(See ``Authorized Positions.'')

Programs:

The activities of an organization grouped on the basis of common objectives. Programs are comprised of elements that can be further divided into components and tasks (the lowest defined program activity).

Proposed New Positions:

A request for an authorization for the employment of additional people for the performance of work. Proposed new positions may be for limited time periods (limited-term) and for full or less than full-time. Proposed new positions may be for an authorization sufficient to employ one person, or for a sum of funds (blanket) from which several people may be employed.

Proposition 98:

An initiative passed in the November 1988, and amended in the June 1990, election that provides a minimum funding guarantee for school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs for Kindergarten through grade 14 (K–14) beginning with fiscal year

1988–89. Also, used to refer to any expenditures that fulfill the guarantee.

Reappropriation:

The extension of the availability of an appropriation for expenditure beyond its set termination date, usually for the same purpose. Reappropriations are usually authorized by the Legislature for one year extensions at a time.

Receipts:

Describes an increase in the assets of a fund including revenues, as well as, transfers from other funds, federal receipts, and fund reimbursements.

Reconciliation With Appropriations:

A statement in each budget presentation that sets forth the source and amount of appropriations, by fund, available to the department and the disposition of such appropriated funds. Statements are presented by fund for each character of expenditure, i.e., State Operations, Local Assistance, and Capital Outlay.

Reimbursements:

An amount received as a repayment of the cost of work, or service performed, or of other expenditures made for, or on behalf of, another governmental unit or department. Reimbursements represent the recovery of an expenditure. Reimbursements are available for expenditure in accordance with the budgeted amount (scheduled in an appropriation).

Reserve:

An amount set aside in a fund balance to provide for expenditures from the unencumbered balances of continuing appropriations, economic uncertainties, future apportionments, pending salary or price increase appropriations, and appropriations for capital outlay projects.

Revenue:

The addition of cash or other current assets of governmental costs funds (receipts) that do not increase any liability or reserve and do not represent the recovery of an expenditure, i.e., reimbursements. Generally, revenue is derived from taxes, licenses and fees, or investment earnings. Revenues are deposited in a fund for future appropriation.

Reversion:

The return of the unused portion of an appropriation to the fund from which the appropriation was made. The undisbursed portion of an appropriation reverts two years (four years for federal funds) after the last day of availability for encumbrance. The Budget Act often provides for the reversion of unused portions of appropriations when such reversion is to be made prior to the statutory limit.

Salary Savings:

Salary savings reflect personnel cost savings resulting from vacancies and downward reclassifications as a result of turnover of employees. The amount of budgeted salary savings is an estimate generally based on past experience.

Special Fund for Economic Uncertainties:

Statutes and the control sections of the Budget Act provide for the establishment of a Special Fund for Economic Uncertainties in the General Fund and a reserve for economic uncertainties in each special fund to provide for emergency situations.

Special Funds:

Special funds is a generic term used for ``governmental cost funds'' other than the General Fund. Governmental cost funds are commonly defined as those funds used to account for revenues from taxes, licenses, and fees where the use of such revenues is restricted by law for particular functions or activities of government. Examples of special funds are the transportation funds, fish and game funds, and the professions and vocations funds. Revenues, expenditures, and the condition of special funds are summarized in Schedules 8, 9, and 10 in the Governor's Budget Summary.

Staff Benefits:

An object of expenditure for the State costs of contributions for employees' retirement, OASDI, health benefits, workers' compensation, unemployment insurance, industrial disability leave benefits, and nonindustrial disability leave benefits.

State Appropriations Limit (SAL):

The State Appropriations Limit is defined in Section 8 of Article XIII B of the California Constitution. It was enacted by the passage of Proposition 4 at the November 6, 1979, general election. This initiative imposed a limit on the annual growth in the level of certain appropriations from tax proceeds. The growth in the appropriations limit is calculated using the prior year's limit, adjusted for

changes in the cost of living and the change in population. Other adjustments may be made for such reasons as the transfer of services from one governmental entity to another.

State-Mandated Local Program:

State reimbursements to local governments for the cost of activities required by legislative and executive acts. This requirement was established by Chapter 1406, Statutes of 1972 (SB 90) and further ratified by the adoption of Proposition 4 (a constitutional amendment) at the November 6, 1979, general election. (See ``Governor's Budget: 8885 Commission on State Mandates.'')

State Operations:

Expenditures for the support of State government, exclusive of capital outlay, and expenditures for local government activities.

Summary by Object:

A summary of past, current, and budget year expenditures for goods and services for each organization presented for State Operations, Local Assistance, and Capital Outlay expenditures.

Summary of Program Requirements:

At the front of each departmental budget is a Summary of Program Requirements. It presents the various departmental programs by title, dollar totals, personnel years, and source of funds for the past, current, and budget years.

Summary Schedules:

The Governor's Budget Summary includes schedules which summarize State revenues, expenditures, and other fiscal and personnel data for the past, current, and budget years.

Tax Expenditures:

Subsidies provided through the taxation systems.

Transfers:

As reflected in fund condition statements, transfers reflect the movement of resources from one fund to another based on statutory authorization or specific legislative transfer authority.

Unencumbered Balance:

The balance of an appropriation after encumbrances (balances on Controller's records after accruals are posted).

Description of Fund Classifications in the Treasury

Revenues and expenditures in the program budget and the summary schedules reflect the activities of many separate funds. Summary Schedule 10 provides a complete list of governmental cost funds. The Index lists those funds for which Fund Conditions are included in the budget and references the page number. General Fund and Special Fund expenditures represent the cost of government and are included in budget totals, and along with selected Bond Funds, are included in the overall expenditure totals.

General Fund. Used to account for all revenues and activities financed therefrom that are not required by law to be accounted by any other fund. Most State expenditures are financed from the General Fund. Normally, the only difference between the General Fund and the other governmental costs funds is the restriction placed on the use of the other governmental cost funds.

Special Funds. Consists of governmental cost funds used to account for taxes and revenues that are restricted by law for particular functions or activities of government. The funds included in these classifications are primarily for the regulation of businesses, professions, and vocations; transportation; law enforcement; and capital outlay.

General Fund Special Accounts. Legislatively created accounts or dedicated revenues within the General Fund. Moneys credited to such accounts may be used only for the purposes specified in the legislation. As a result of Chapter 942, Statutes of 1977, these special accounts are treated as special funds, and revenues and expenditures are included in the special fund totals in the summary schedules of the budget. They are therefore excluded from the General Fund unrestricted revenues, expenditures, and reserves.

Other Funds. Expenditures from funds that do not represent a cost of government are not included in the budget totals. They consist of moneys that were derived from sources other than general or special taxes, licenses, fees, or other state revenues. Included are receipts from the federal government, funds created for accounting purposes, receipts from sale of lands, or moneys held in trust. These funds are segregated into the following classifications:

Working Capital and Revolving Funds. Funds created to finance internal service activities rendered by a State agency to other State agencies or to local governments for which charges are made at cost. The charges are reflected as expenditures in the budget of the agency receiving the commodity or service.

Public Service Enterprise Funds. Self-supporting activities operated by the State for the benefit of the public. Funds are derived from charges to those who use the service and no support is derived from taxes, licenses, or other State revenues.

Bond Funds. Used to account for the receipt and disbursement of proceeds from the sale of bonds and to finance projects for which the bonds were authorized. Expenditures are considered a cost of government at the time interest payments are made and as the bonds are redeemed.

Retirement Funds. Moneys held in trust by the State for retirement benefit payments.

Trust and Agency Funds. Funds holding moneys in trust pending disbursements to trustors, moneys received from the federal government to be expended for specific purposes, and other funds that do not derive their sources from taxes or other State revenues, or are in the nature of transitory funds created for the convenience of accounting receipts or disbursements that are not necessarily revenues or expenditures.

Selected Bond Funds. Selected bond funds are General Obligation Bond funds that are nonself-liquidating. Included in the overall expenditure totals of Schedules 1 and 9 for budget purposes are expenditures from the selected bond funds. The following page provides a complete listing of those selected bond funds.

Fund No.	Fund Name
6004	Agriculture and Open Space Mapping Subaccount
6011	Arroyo Pasajero Watershed Subaccount
0546	Bay-Delta Ecosystem Restoration Account
6026	Bay-Delta Multipurpose Water Management Subaccount
0743	Bond Proceeds Account, State School Building Lease-Purchase Fund
0404	Central Valley Project Improvement Subaccount
0703	Clean Air and Transportation Improvement Fund
0740	Clean Water Bond Fund, 1984 State
0737	Clean Water and Water Conservation Fund, State
0764	Clean Water and Water Reclamation Fund, 1988
6029	Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund, California
0730	Coastal Conservancy Fund of 1984, State
6022	Coastal Nonpoint Source Control Subaccount
6018	Coastal Watershed Salmon Habitat Subaccount
0297	Community and Economic Development Fund
6025	Conjunctive Use Subaccount
0796	County Correctional Facility Capital Expenditure and Youth Facility Bond Fund, 1988
0409	Delta Levee Rehabilitation Subaccount [1]
0414	Delta Recreation Subaccount
0423	Delta Tributary Watershed Subaccount [1]
0422	Drainage Management Subaccount [1]
0788	Earthquake Safety and Housing Rehabilitation Bond Account, Housing Rehabilitation Loan Fund, California
0768	Earthquake Safety and Public Building Rehabilitation Fund of 1990
0445	Feasibility Projects Subaccount [1]
6006	Flood Control Subvention Subaccount
6003	Floodplain Mapping Subaccount
6005	Flood Protection Corridor Subaccount
0748	Fish and Wildlife Habitat Enhancement Fund
0710	Hazardous Substance Cleanup Fund
0782	Higher Education Capital Outlay Bond Fund
0785	Higher Education Capital Outlay Bond Fund, 1988
0791	Higher Education Capital Outlay Fund, June 1990
0705	Higher Education Capital Outlay Bond Fund of 1992
0658	Higher Education Capital Outlay Bond Fund of 1996
0574	Higher Education Capital Outlay Bond Fund of 1998
6028	Higher Education Capital Outlay Bond Fund of 2002
0714	Home Building and Rehabilitation Fund
6027	Interim Water Supply and Water Quality Infrastructure and Management Subaccount
6017	Lake Elsinore and San Jacinto Watershed Subaccount
0720	Lake Tahoe Acquisition Fund
0443	Lake Tahoe Water Quality Subaccount [1]
0794	Library Construction and Renovation Fund, California
0543	Local Projects Subaccount [1]
6019	Nonpoint Source Pollution Control Subaccount
0722	Parkland Fund of 1984
0751	Prison Construction Bond Fund, 1990
0746	Prison Construction Fund, 1986
6000	Public Library Construction and Renovation Fund, California
0545	River Parkway Subaccount [1]
6015	River Protection Subaccount
0544	Sacramento Valley Water Management and Habitat Project Subaccount [1]
6001	Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Bond Fund
0707	Safe Drinking Water Fund, California
0793	Safe Drinking Water Fund of 1988, California
0005	Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Fund
6016	Santa Ana River Watershed Subaccount
6009	San Lorenzo River Flood Control Subaccount
0424	Seawater Intrusion Control Subaccount [1]
0653	Seismic Retrofit Bond Fund of 1996
0418	Small Communities Grant Subaccount [1]

Fund No.	Fund Name
0413	South Delta Barriers Subaccount [1]
6008	State Capital Protection Subaccount
0417	State Revolving Fund Loan Subaccount [1]
6020	State Revolving Fund Loan Subaccount
0119	State School Facilities Fund, 1998
0797	Unallocated Bonds Funds-Select
6007	Urban Stream Restoration Subaccount
0701	Veterans' Home Fund
6021	Wastewater Construction Grant Subaccount
6014	Water and Watershed Education Subaccount
6023	Water Conservation Account
0446	Water Conservation and Groundwater Recharge Subaccount [1]
0790	Water Conservation Fund, 1988
0744	Water Conservation and Water Quality Bond Fund, 1986
0419	Water Recycling Subaccount [1]
6013	Watershed Protection Subaccount
0786	Wildlife, Coastal and Park Land Conservation Fund of 1988, California
6010	Yuba Feather Flood Protection Subaccount

[1] Account or subaccount of Safe, Clean, Reliable, Water Supply Fund

Description of Key Schedules

The Budget Summary includes summary information in various schedules. The following schedules are those that may be the most useful for the public, private sector, or other levels of government.

SCHEDULE 1. *General Budget Summary*—Provides for a summary of total statewide revenues and expenditures for the General Fund and special funds plus expenditure totals for the selected bond funds.

SCHEDULE 2. *Total State Spending Plan*—Provides in a single schedule the State's total spending plan. In addition to the General Fund, special funds, and selected bond funds, expenditures from nongovernmental cost funds, federal funds, and reimbursements are shown.

SCHEDULE 3A. *Total State Spending Plan by Generally Accepted Accounting Principles (GAAP) Fund Classification*—Provides in a single schedule the State's Total Spending Plan (Schedule 2) rearranged into GAAP Fund Classifications.

SCHEDULE 3B. *Comparison of California's Current Fund Structure and GAAP Fund Structure*—Provides a comparison of California's Current Fund Structure to GAAP Fund Classifications.

SCHEDULE 4. *Personnel Years and Salary Cost Estimates*—Provides personnel year data and corresponding dollar amounts by functional breakdown and position classifications. This schedule reflects net data after salary savings.

SCHEDULE 5A. *Statement of Estimated Accounts Payable and Accounts Receivable*—Provides actual payable and receivable amounts as of June 30, 2001, and estimated amounts for June 30, 2002, and June 30, 2003.

SCHEDULE 5B. *2000–01 Cashflow Statement*—Provides actual receipts, disbursements, borrowable resources, and loan balances for fiscal year 2001–02.

SCHEDULE 5C. *2001–02 Cashflow Statement*—Provides projected receipts, disbursements, borrowable resources, and loan balances for fiscal year 2001–02.

SCHEDULE 5D. *2002–03 Cashflow Statement*—Provides projected receipts, disbursements, borrowable resources, and loan balances for fiscal year 2002–03.

SCHEDULE 6. *Summary of State Population, Employees, and Expenditures*—Provides historical data of state population, employees, and expenditures.

SCHEDULE 7. *General Fund: Statement of Financial Condition*—Provides the financial condition of the General Fund as of June 30 from the most recently available information from the State Controller.

SCHEDULE 8. *Comparative Statement of Revenues*—Provides General Fund and special fund revenue detailed amounts within three main breakdowns of: (1) major taxes and licenses, (2) other revenues, and (3) transfers.

SCHEDULE 9. *Comparative Statement of Expenditures*—Provides a listing of expenditures in the same order as the printing of budgets displayed in the Governor's Budget for the General fund, special funds, selected bond funds, and federal funds for State Operations, Local Assistance, Capital Outlay, and Unclassified.

SCHEDULE 10. *Summary of Fund Condition Statements*—Provides for the General Fund and each special fund the beginning reserve, income, expenditures, transfers, and ending reserve for each of the three fiscal years displayed in the Governor's Budget.

SCHEDULE 11. *Statement of General Obligation Bond and Commercial Paper Debt of the State of California*—Provides a listing of all general obligation bonds including maturity dates, authorized amount of bond issues, amounts of unissued bonds, redemptions, and outstanding issues. It also provides a listing of authorized and outstanding commercial paper which is issued in-lieu of general obligation bonds.

SCHEDULE 12A. *State Appropriations Limit (SAL) Summary*—Provides a summary of Schedules 12B through 12E, calculates the SAL Appropriations, displays the SAL Limit, and calculates the SAL Limit Room or Surplus.

SCHEDULE 12B. *Revenues to Excluded Funds*—Provides a listing of revenues to special funds that are not included in the calculation of total appropriations subject to the State Appropriations Limit.

SCHEDULE 12C. *Non-tax Revenues in Funds Subject to Limit*—Provides a total of nontax revenues for General and special funds deposited in funds that are included in the calculation of total appropriations subject to the State Appropriations Limit.

SCHEDULE 12D. *State Appropriations Limit, Transfer from Excluded Funds to Included Funds*—Provides the detail of transfers between funds that are used in calculating the appropriations subject to the State Appropriations Limit.

SCHEDULE 12E. *Excluded Appropriations*—Provides a distribution of exclusions from appropriations subject to the State Appropriations Limit.

SCHEDULE 1

GENERAL BUDGET SUMMARY [1]
(In Thousands)

2000–01	Reference to Schedule	General Fund	Special Funds	Selected Bond Fund Expenditures	Expenditure Totals
Prior year resources available	10	$9,407,564	$5,594,348		
Revenues and transfers	8	71,428,156	16,990,945		
Expenditures	9	78,052,949	13,971,535	$4,357,076	$96,381,560
Fund Balance [2]	10	$2,782,771	$8,613,758		
Reserve for Liquidation of Encumbrances [4]		*1,473,192*	–		
Reserves for Economic Uncertainties [3]		–	*8,613,758*		
Special Fund for Economic Uncertainties [3]		*1,309,579*	–		
2001–02					
Prior year resources available	10	$2,782,771	$8,613,758		
Revenues and transfers	8	77,082,627	16,473,524		
Expenditures	9	78,379,889	19,940,567	$4,588,710	$102,909,166
Fund Balance [2]	10	$1,485,509	$5,146,715		
Reserve for Liquidation of Encumbrances [4]		*1,473,192*	–		
Reserves for Economic Uncertainties [3]		–	*5,146,715*		
Special Fund for Economic Uncertainties [3]		*12,317*	–		
2002–03					
Prior year resources available	10	$1,485,509	$5,146,715		
Revenues and transfers	8	79,304,508	15,528,081		
Expenditures	9	78,805,549	19,112,549	$2,113,387	$100,031,485
Fund Balance [2]	10	$1,984,468	$1,562,247		
Reserves for Liquidation of Encumbrances [4]		*1,473,192*	–		
Reserves for Economic Uncertainties [4]		–	*1,562,247*		
Special Fund for Economic Uncertainties [3]		*511,276*	–		

[1] The General Budget Summary includes the revenues and expenditures of all State funds that reflect the cost of State government and selected bond fund expenditures. The transactions involving other nongovernmental cost funds are excluded. The amounts included in this schedule for expenditures and revenues may not agree with those shown in Schedules 8, 9 and 10 due to rounding.

[2] The Fund Balance for the General Fund includes amounts for unencumbered balances of continuing appropriations at the end of the 2000–01, 2001–02, and 2002–03 fiscal years of $1,446,075; $1,013,003; and $276,396 (in thousands) respectively.

[3] The Special Fund for Economic Uncertainties and the Reserves for Economic Uncertainties provide sources of funds to meet expenditures.

[4] The Reserve for Liquidation of Encumbrances represents an amount which will be expended in the future for State obligations for which goods and services have not been received. This Reserve treatment is consistent with accounting methodology prescribed by Generally Accepted Accounting Principles (GAAP) and Government Code Section 13306.

Schedule 2
TOTAL STATE SPENDING PLAN

This Schedule is included for informational purposes to show in one place the expenditures of all funds which are accounted for by the State.

A basic premise in a consolidation such as this is that the State is the financial unit and individual funds are subsidiary units to the State. This is similar to financial units in the private sector in which diversified commercial corporations with several subsidiaries report their operation on a consolidated basis—but is a contrast to traditional governmental accounting, which has held that the individual funds are the financial units and should not be consolidated with other funds or types of funds. A total consolidation presents both theoretical and practical problems because of the individual nature of each fund. In essence, each fund is a separate fiscal and legal entity that operates under the specific legal provisions that created it. Examples of problems which may arise from an unqualified consolidation are: (1) funds are accounted for in a different manner, (2) duplication of expenditures results, (3) expenditures from non-state funds are included, and (4) expenditures are included for quasi-state operations such as Workers' Compensation and for payment of retirement benefits for other governmental units.

In order to minimize misinterpretations, this Schedule is displayed in three parts. Part A summarizes the total State spending plan, including nongovernmental cost funds. Part B summarizes only expenditures from the funds which are collectively identified as nongovernmental cost funds. Reimbursements received from the public or other levels of government are deducted from State expenditures. Part C summarizes these reimbursement expenditures.

TOTAL STATE SPENDING PLAN—PART A
GOVERNMENTAL COST, SELECTED BOND FUNDS, AND FEDERAL FUNDS

As stated above, Part A summarizes expenditures from funds which are traditionally included as part of State expenditure summaries in the Governor's Budget and other State financial reports, as well as nongovernmental cost funds. The major portion of the expenditures shown in Part A is for the General Fund and the various special funds, which are commonly referred to as ``governmental cost funds''. This term is used because these funds are used to account for moneys which are derived from general and special taxes, licenses, fees, or other revenue sources to provide financing for State activities which are for the general purposes of State government.

The selected bond funds are included in Part A because of the historical legislative interest in showing these expenditures in budget totals. It should be noted that there is a duplication in showing these expenditure amounts from bond proceeds because the expenditures are included both when bond proceeds are spent and when debt service is paid.

The federal funds have also been included in Part A because of interest in the level of the State's expenditure of federal funds. The detail of expenditures by department for the General Fund, special funds, selected bond funds and federal funds is shown in Schedule 9.

TOTAL STATE SPENDING PLAN—PART A
(in Thousands)

Fund Type	2000–01 State Spending	2001–02 State Spending	2002–03 State Spending
GOVERNMENTAL COST FUNDS			
GENERAL FUND	78,052,949	78,379,889	78,805,549
SPECIAL FUNDS	13,971,535	19,940,567	19,112,549
SELECTED BOND FUNDS	4,357,076	4,588,710	2,113,387
TOTAL FUND CLASSIFICATION GOVERNMENTAL COST FUNDS	$96,381,560	$102,909,166	$100,031,485
NONGOVERNMENTAL COST FUNDS			
PUBLIC SERVICE ENTERPRISE FUNDS	14,648,802	16,211,052	14,166,831
WORKING CAPITAL AND REVOLVING FUNDS	1,456,270	2,889,143	2,301,876
BOND FUNDS—OTHER	37,025	32,525	8,378
RETIREMENT FUNDS	10,371,223	11,154,897	12,000,928
OTHER NONGOVERNMENTAL COST FUNDS	26,275,417	27,647,152	28,617,550
TOTAL FUND CLASSIFICATION NONGOVERNMENTAL COST FUNDS	$52,788,737	$57,934,769	$57,095,563
FEDERAL FUNDS			
FEDERAL FUNDS	41,272,772	46,516,299	47,557,516
TOTAL FUND CLASSIFICATION FEDERAL FUNDS	$41,272,772	$46,516,299	$47,557,516
TOTAL	$190,443,069	$207,360,234	$204,684,564

TOTAL STATE SPENDING PLAN—PART B
NONGOVERNMENTAL COST FUNDS

Nongovernmental cost funds are used to account for moneys which are derived from sources other than general or special taxes, licenses, fees, or other Sate revenues. Although federal funds and bond funds are classified as nongovernmental costs funds, they are included in Part A for reasons cited therein. The nongovernmental cost funds shown in Part B are segregated into the following classifications.

PUBLIC SERVICE ENTERPRISE FUNDS

Public Service Enterprise Funds are used to account for the transactions of self-supporting enterprises which render services for a charge primarily to the general public.

Activities which are accounted through Public Service Enterprise Funds include toll bridges, harbor facilities, disability insurance, college housing, and veterans farm and home loan financing. Bond funds and sinking funds related to a public service enterprise are included in this classification.

Public Service Enterprise Funds differ from Working Capital and Revolving Funds in that, in the latter, fees for services rendered are largely from other State agencies or local governments.

It should be noted that expenditures shown below from the Compensation Insurance Fund do not include benefit payments to State employees because the State is self-funded. The expenditures shown are benefits paid from funding provided through insurance premiums and therefore are not true State costs.

WORKING CAPITAL AND REVOLVING FUNDS

Working Capital and Revolving Funds are used to account for the internal service activities rendered by a State agency to other State agencies or to local governments. Activities which are accounted through Working Capital and Revolving Funds include centralized purchasing for stores, consolidated data center services, printing, architectural services, manufacturing, surplus money investment, payroll disbursement, automotive management, and building operations.

Working Capital and Revolving Funds differ from the Public Service Enterprise Funds, which render services primarily to the general public. To the extent that services are provided to other State agencies, expenditures shown in Working Capital and Revolving Funds are duplicative of expenditures shown in the agencies.

BOND FUNDS

Bond Funds are used to account for the receipt and disbursement of bond proceeds. They do not account for bond retirement since the liability created by the sale of bonds is not a liability of these funds. Bonds are retired and the interest obligations thereon are paid through the provisions specified in the bond act.

Bond Funds related to a public service enterprise are included in the Public Service Enterprise Fund classification.

RETIREMENT FUNDS

Retirement Funds are used to account for employer and member contributions received by various retirement systems, the investment of these moneys, annuity payments, refunds to members, and other receipts and disbursements. The amounts shown below reflect both administrative costs and benefits paid to annuitants. For the Public Employees' Retirement Fund and the Teachers' Retirement Fund, funding includes non-state sources and expenditures therefrom are not true State costs. Also, costs funded from amounts transferred into these funds from other State agencies are duplicative of expenditures shown in the agencies.

OTHER NONGOVERNMENTAL COST FUNDS

For selected programs, the State budget has traditionally included funding provided by county funds and university funds for informational purposes. Because of inclusion in the budget, these expenditures are shown in Schedule 2. The balance of funds shown in this classification are for Trust and Agency Funds which are used to account for moneys and properties that are received from other than federal sources and which are held and disbursed from the State Treasury by the State as trustee or custodian.

The following provides detail for the significant funds and amounts which comprise the various categories of Nongovernmental Cost Funds:

TOTAL STATE SPENDING PLAN—PART B
(in Thousands)

Funds	2000–01 Amount	2001–02 Amount	2002–03 Amount
PUBLIC SERVICE ENTERPRISE FUNDS			
Housing Finance Fund, California	15,567	18,425	18,425
Water Resources Development Bond Fund	846,025	367,024	368,384
Central Valley Water Project Const Fund	72,796	126,717	125,170
Central Valley Water Project Revenue Fd	249,929	259,943	266,271
Compensation Insurance Fund	3,020,453	4,035,085	4,652,558
Employment Training Fund	163,226	148,988	117,270
Harbors and Watercraft Revolving Fund	68,183	104,228	85,583
Health Facility Const Loan Insurance Fd	13,875	5,468	4,710
Univ Continuing Education Revenue Ed, St	151,992	127,827	127,827
Univ Dormitory Revenue Fd, Calif State	96,296	112,799	112,799
University Parking Revenue Fund, State	41,975	46,241	46,241
Unemployment Compensation Disability Fd	2,494,852	2,893,656	2,798,780
Veterans Farm & Home Building Fund 1943	231,117	229,630	221,995

Funds—Continued	2000–01 Amount	2001–02 Amount	2002–03 Amount
Child Care Facilities Revolving Fund	–18,225	28,239	23,000
Safe Drinking Water State Revolving Fd	–90,319	16,868	16,060
Dept Water Resources Electric Power Fund	7,292,994	7,657,231	5,155,309
OTHERS	–1,934	32,683	26,449
TOTAL PUBLIC SERVICE ENTERPRISE FUNDS	$14,648,802	$16,211,052	$14,166,831
WORKING CAPITAL AND REVOLVING FUNDS			
Architecture Revolving Fund	28,905	37,553	34,260
Charter School Revolving Loan Fund	–17,088	18,536	–
Equipment Service Fund	149,198	152,305	154,341
HHS Agency Data Ctr Revolving Fund, CA	243,091	307,851	317,868
Mobilehome Manufactured Home Revolv Fd	17,038	17,152	17,394
Public Buildings Construction Fund	358,933	1,685,811	1,095,129
Service Revolving Fund	620,330	572,816	581,661
Water Quality Control Fund, State	7,166	12,298	11,004
Stephen P Teale Data Center Revolv Fd	88,023	87,678	93,882
OTHERS	–39,326	–2,857	–3,663
TOTAL WORKING CAPITAL AND REVOLVING FUNDS	$1,456,270	$2,889,143	$2,301,876
BOND FUNDS—OTHER			
School Building Aid Fund, State	37,025	32,525	8,378
TOTAL BOND FUNDS—OTHER	$37,025	$32,525	$8,378
RETIREMENT FUNDS			
Judges' Retirement Fund	99,807	109,460	114,914
Public Employees' Retirement Fund	6,092,559	6,447,966	6,754,363
Teachers' Retirement Fund	4,171,363	4,589,646	5,123,282
OTHERS	7,494	7,825	8,369
TOTAL RETIREMENT FUNDS	$10,371,223	$11,154,897	$12,000,928
OTHER NONGOVERNMENTAL COST FUNDS			
Indian Gaming Revenue Share Trust Fund	24,901	1	46,000
Infrastructure & Economic Devl Bank, Cal	96,271	106,859	151,712
Emerg Serv & Supplemental Payments Fund	659,412	669,676	688,993
Student Loan Operating Fund	123,367	90,870	90,870
Lottery Education Fund, Calif State	889,397	976,085	976,085
Flexelect Benefit Fund	15,021	15,873	16,007
Public Employees' Health Care Fund	565,088	637,843	688,535
Medi-Cal Inpatient Pymt Adjustment Fund	1,030,775	1,028,288	993,056
University Lottery Education Fund, Cal S	35,984	60,085	37,700
School Employees Fund	32,299	37,566	39,097
Inmate Welfare Fund	45,164	46,013	45,825
Farmworker Housing Grant Fund	–12,918	13,939	2,857
Forest Resources Improvement Fund	16,918	12,580	14,836
Housing Rehabilitation Loan Fund	–94,178	42,468	8,902
Trial Court Trust Fund	769,900	924,082	928,098
Special Deposit Fund	12,492	15,603	19,847
Public Employees Contingency Res Fd	9,162	12,175	16,071
Local Property Tax Revenues	12,526,357	13,562,842	14,605,858
Various Other Unallocated NGC Funds	211	11,449	–68,139
Higher Education Fees and Income—UC/CC	1,169,121	1,253,962	1,264,423
University Funds—Unclassified	4,747,889	4,978,547	5,135,949
Other Unclassified Funds	2,277,729	1,335,857	1,034,177
Teachers' Health Benefits Fund	447	22,347	26,007
Child Support Collections Recovery Fund	–	344,164	347,636
Renewable Energy Loan Loss Reserve Fund	–39,970	10,031	–
Extramural Nonfederal Unclassified Funds	1,359,900	1,383,429	1,424,366
Extramural Funds	7,240	8,578	26,516
OTHERS	7,438	45,940	56,266
TOTAL OTHER NONGOVERNMENTAL COST FUNDS	$26,275,417	$27,647,152	$28,617,550
TOTAL	$52,788,737	$57,934,769	$57,095,563

TOTAL STATE SPENDING PLAN—PART C
REIMBURSEMENTS
(in Thousands)

Funds	2000–01 Amount	2001–02 Amount	2002–03 Amount
REIMBURSEMENTS	5,566,972	5,798,947	5,674,208

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

State funds are classified or grouped for financial reporting using two different perspectives. One perspective is based upon legal/budgetary requirements and is the perspective used in Governor's Budget presentations. The second is in accordance with generally accepted accounting principles (GAAP) for governments.

The objective of GAAP is to standardize the accounting and financial reporting of organizations regardless of customs and jurisdictional legal provisions. GAAP provides a uniform set of rules so that financial reports are consistent from year to year and comparable between governmental entities.

The following two charts illustrate the effect of conversion of legal/budgetary fund classifications to GAAP fund classifications:

Schedule 3A shows the ``Total State Spending Plan'' data shown in Schedule 2 rearranged into the GAAP classifications.

Schedule 3B uses 2002–03 Governor's Budget totals to show California's legal/budgetary fund structure compared to GAAP classifications.

SCHEDULE 3A
TOTAL STATE SPENDING PLAN
BY GAAP FUND CLASSIFICATION
(In Thousands)

GAAP Fund Structure	2000–01	2001–02	2002–03
Governmental Funds			
General Funds	78,052,949	78,379,889	78,805,549
Special Revenue Funds	45,386,165	53,695,036	54,062,072
Capital Project Funds	582,341	393,954	263,398
Total Governmental Funds	$124,021,455	$132,468,879	$133,131,019
Proprietary Funds			
Enterprise Funds	12,426,802	14,968,928	12,460,938
Internal Service Funds	1,119,832	1,139,842	1,166,846
Total Proprietary Funds	$13,546,634	$16,108,770	$13,627,784
Fiduciary Funds			
Retirement Funds	10,370,746	11,154,238	12,000,248
Trust and Agency Funds—Other	11,002,043	14,154,541	10,946,807
Trust and Agency Funds—Federal	3,905,959	5,273,183	5,661,239
Total Fiduciary Funds	$25,278,748	$30,581,962	$28,608,294
Funds Outside State Treasury			
Other	27,596,232	28,200,623	29,317,467
Total Funds Outside State Treasury	$27,596,232	$28,200,623	$29,317,467
TOTAL SPENDING, ALL FUNDS	$190,443,069	$207,360,234	$204,684,564

SCHEDULE 3B

COMPARISON OF CALIFORNIA LEGAL/BUDGETARY FUND STRUCTURE AND GAAP FUND STRUCTURE USING 2002–03 BUDGET TOTALS

(In Thousands)

	FUND STRUCTURE BASED ON GAAP CLASSIFICATIONS									
	Governmental Funds				Proprietary Funds		Fiduciary Funds			
CURRENT FUND STRUCTURE	General Fund	Special Revenue Funds	Capital Project Funds	Total Govern-mental Funds	Enterprise Funds	Internal Service Funds	Retirement Funds	Trust and Agency Funds	Funds Outside State Treasury	Totals
Governmental Cost Funds										
General Fund	78,805,549	–	–	78,805,549	–	–	–	–	–	78,805,549
General Fund Special Accounts	–	1,235,018	–	1,235,018	72,696	19,094	–	27,490	–	1,354,298
Transportation Funds	–	5,786,485	–	5,786,485	–	–	–	2,502,909	–	8,289,394
Feeder Funds	–	–	–	–	–	–	–	35,896	–	35,896
Other Governmental Cost Funds	–	9,421,628	1,333	9,422,961	–	–	–	10,000	–	9,432,961
Total Governmental Cost Funds	$78,805,549	$16,443,131	$1,333	$95,250,013	$72,696	$19,094	–	$2,576,295	–	$97,918,098
Selected Bond Funds	–	667,173	225,877	893,050	–	–	–	1,220,162	175	2,113,387
Total Governmental Cost Funds and Selected Bond Funds	$78,805,549	$17,110,304	$227,210	$96,143,063	$72,696	$19,094	–	$3,796,457	$175	$100,031,485
Nongovernmental Cost Funds										
Public Service Enterprise Funds	–	–	1,603	1,603	11,249,178	–	–	2,916,050	–	14,166,831
Working Capital and Revolving Funds	–	17,394	34,260	51,654	1,091,466	1,147,752	–	11,004	–	2,301,876
Bond Funds—Other	–	–	–	–	–	–	–	8,378	–	8,378
Trust and Agency Funds:										
Retirement Funds	–	–	–	–	–	–	12,000,248	680	–	12,000,928
Trust and Agency Funds—Federal	–	36,002,135	–	36,002,135	–	–	–	5,661,239	5,894,142	47,557,516
Trust and Agency Funds—Other	–	932,239	325	932,564	47,598	–	–	4,214,238	–	5,194,400
Other Nongovernmental Cost Funds	–	–	–	–	–	–	–	–	23,423,150	23,423,150
Total Nongovernmental Cost Funds	–	$36,951,768	$36,188	$36,987,956	$12,388,242	$1,147,752	$12,000,248	$12,811,589	$29,317,292	$104,653,079
TOTAL SPENDING, ALL FUNDS	$78,805,549	$54,062,072	$263,398	$133,131,019	$12,460,938	$1,166,846	$12,000,248	$16,608,046	$29,317,467	$204,684,564

SCHEDULE 4
PERSONNEL YEARS AND SALARY COST ESTIMATES
(Excludes Staff Benefits)
(Dollars in Thousands)

	Personnel Years			Dollars		
	Authorized 2000–01	Estimated 2001–02	Proposed 2002–03	Authorized 2000–01	Estimated 2001–02	Proposed 2002–03
Under Administration Control						
Executive	13,671.8	13,861.6	13,594.1	$716,743	$733,179	$731,776
State and Consumer Services	13,233.0	13,283.0	13,228.5	610,461	626,119	631,684
Business, Transportation and Housing						
Business and Housing	2,310.9	2,286.0	2,308.8	119,855	119,133	122,332
Transportation	42,693.2	42,815.1	42,960.0	2,259,071	2,331,694	2,350,935
Technology, Trade and Commerce Agency	364.0	339.0	318.5	19,238	18,207	17,590
Resources	14,355.7	14,787.5	14,551.9	733,268	765,606	757,221
California Environmental Protection Agency	4,983.3	4,957.7	4,921.7	274,932	279,512	282,213
Health and Human Services Agency	31,966.7	31,832.9	31,910.7	1,529,222	1,561,217	1,582,360
Youth and Adult Correctional Agency	51,517.9	50,486.3	50,269.6	2,828,231	2,788,420	2,825,983
Education						
K thru 12 Education	2,942.1	2,999.5	2,971.1	149,838	152,547	153,534
Higher Education-Community Colleges/Other	524.7	533.3	499.7	27,493	28,891	27,641
General Government	10,071.2	10,039.7	9,926.2	490,149	502,062	509,306
NET TOTALS, SALARIES AND WAGES	188,634.5	188,221.6	187,460.8	$9,758,501	$9,906,587	$9,992,575
Not Under Administration Control						
Legislative	737.0	744.7	733.7	$49,168	$50,192	$51,122
Judicial	1,480.7	1,564.0	1,549.1	118,321	131,603	134,309
Public Employees' Retirement System	1,543.5	1,659.0	1,664.7	79,806	86,005	87,800
State Teachers' Retirement System	523.5	539.6	566.5	25,168	26,209	27,919
Forestry and Fire Protection	1,445.4	1,540.2	1,639.2	82,067	82,130	87,838
Employment Development Department	10,616.3	11,033.5	11,281.9	478,939	492,728	504,326
University of California	64,714.0	70,294.9	71,596.7	3,265,048	3,600,720	3,701,909
Hastings College of the Law	223.1	223.1	223.1	15,947	17,505	17,684
California State University	39,765.9	41,155.7	41,155.7	2,049,433	2,153,549	2,153,549
Workers' Compensation Benefits	6,538.0	8,443.0	8,700.0	298,619	357,267	396,511
Bureau of State Audits	146.0	145.0	144.0	8,367	8,498	8,509
TOTALS	127,733.4	137,342.7	139,254.6	$6,470,883	$7,006,406	$7,171,476

SCHEDULE 4—Continued
PERSONNEL YEARS AND SALARY COST ESTIMATES
(Excludes Staff Benefits)
(Dollars in Thousands)

	Personnel Years	Dollars
	Actuals 2000–01	Actuals 2000–01
Under Administration Control		
Executive	12,609.4	$676,920
State and Consumer Services	12,693.1	585,300
Business, Transportation and Housing		
Business and Housing	2,159.0	112,168
Transportation	41,873.5	2,260,043
Technology, Trade and Commerce Agency	314.8	17,131
Resources	13,485.6	730,828
California Environmental Protection Agency	4,390.4	254,375
Health and Human Services Agency	30,082.0	1,492,297
Youth and Adult Correctional Agency	48,619.9	2,896,939
Education		
K–12 Education	2,772.4	141,896
Higher Education-Community Colleges/Other	468.2	25,636
General Government	8,912.4	454,280
NET TOTALS, SALARIES AND WAGES	178,380.7	$9,647,813
Not Under Administration Control		
Legislative	672.5	$46,087
Judicial	1,277.6	108,466
Public Employees' Retirement System	1,376.6	75,271
State Teachers' Retirement System	464.7	23,318
Forestry and Fire Protection	1,415.5	80,374
Employment Development Department	9,368.3	443,990
University of California	69,542.3	3,494,611
Hastings College of the Law	223.5	15,663
California State University	42,067.2	2,102,259
Workers' Compensation Benefits	6,325.0	276,666
Bureau of State Audits	125.0	6,996
TOTALS	132,858.2	$6,673,701

	Personnel Years	Dollars
	Proposed 2002–03	Proposed 2002–03
Position Classification		
Civil Service	210,105.5	$10,997,875
Constitutional	123.0	18,705
Statutory	178.3	21,243
Exempt		
Various Departments	3,333.1	253,086
Higher Education		
University of California	71,596.7	3,701,909
Hastings College of the Law	223.1	17,684
California State University	41,155.7	2,153,549
NET TOTALS, SALARIES AND WAGES	326,715.4	$17,164,051

SCHEDULE 5A
CASHFLOW STATEMENTS
STATEMENT OF ESTIMATED ACCOUNTS PAYABLE AND ACCOUNTS RECEIVABLE
GENERAL FUND

(Dollars in Thousands)

	Actual 2000–01 Fiscal Year Accruals [1]			Estimated 2001–02 Fiscal Year Accruals			Estimated 2002–03 Fiscal Year Accruals		
	Accounts payable June 30, 2001	*Accounts receivable June 30, 2001*	*Net accruals June 30, 2001*	*Accounts payable June 30, 2002*	*Accounts receivable June 30, 2002*	*Net accruals June 30, 2002*	*Accounts payable June 30, 2003*	*Accounts receivable June 30, 2003*	*Net accruals June 30, 2003*
STATE OPERATIONS									
Legislative/Judicial/Executive	$288,644	$141,890	$146,754	$297,303	$146,147	$151,156	$306,222	$150,531	$155,691
State and Consumer Services	100,992	84,483	16,509	104,022	87,017	17,005	107,143	89,628	17,515
Business, Transportation and Housing	106,435	3,961	102,474	109,628	4,080	105,548	112,917	4,202	108,715
Technology, Trade and Commerce	41,060	9,214	31,846	42,292	9,490	32,802	43,561	9,775	33,786
Resources	979,409	6,519,149	–5,539,740	1,008,791	318,046	690,745	1,039,055	327,587	711,468
California Environmental Protection	124,136	58,789	65,347	127,860	60,553	67,307	131,696	62,370	69,326
Health and Human Services:									
Health and Human Services	80,278	274,348	–194,070	82,686	282,578	–199,892	85,167	291,055	–205,888
Developmental Services	48,978	73,316	–24,338	50,447	75,515	–25,068	51,960	77,780	–25,820
Mental Health	158,723	197,520	–38,797	163,485	203,446	–39,961	168,390	209,549	–41,159
Other Health and Human Services	249,353	177,126	72,227	256,834	182,440	74,394	264,539	187,913	76,626
Education:									
Department of Education	213,679	51,048	162,631	220,089	52,579	167,510	226,692	54,156	172,536
University of California	276,676	0	276,676	284,976	0	284,976	293,525	0	293,525
California State University	291,984	112,842	179,142	300,744	116,227	184,517	309,766	119,714	190,052
Other Education	66,965	10,208	56,757	68,974	10,514	58,460	71,043	10,829	60,214
Youth and Adult Correctional	1,018,874	709,849	309,025	1,049,440	731,144	318,296	1,080,923	753,078	327,845
General Government	–297,665	140,486	–438,151	–306,595	144,701	–451,296	–315,793	149,042	–464,835
Totals, State Operations	**$3,748,521**	**$8,564,229**	**–$4,815,708**	**$3,860,976**	**$2,424,477**	**$1,436,499**	**$3,976,806**	**$2,497,209**	**$1,479,597**
LOCAL ASSISTANCE									
Public Schools K–12	$1,210,848	$289,272	$921,576	$1,247,173	$297,950	$949,223	$1,284,588	$306,889	$977,699
California Community Colleges	231,638	40,593	191,045	238,587	41,811	196,776	245,745	43,065	202,680
Other Education	17,253	1,982	15,271	17,771	2,041	15,730	18,304	2,102	16,202
Alcohol and Drug Abuse	11,580	34,253	–22,673	11,927	35,281	–23,354	12,285	36,339	–24,054
Health Services	1,525,278	182,899	1,342,379	1,571,036	188,386	1,382,650	1,618,167	194,038	1,424,129
Developmental Services	258,499	340,080	–81,581	266,254	350,282	–84,028	274,242	360,790	–86,548
Mental Health	25,264	140,766	–115,502	26,022	144,989	–118,967	26,803	149,339	–122,536
Social Services	101,531	196,925	–95,394	104,577	202,833	–98,256	107,714	208,918	–101,204
Other Health and Human Services	68,306	22,546	45,760	70,355	23,222	47,133	72,466	23,919	48,547
General Tax Relief	3,300	330	2,970	3,399	340	3,059	3,501	350	3,151
Other Local Assistance	223,589	53,457	170,132	230,297	55,061	175,236	237,206	56,713	180,493
Totals, Local Assistance	**$3,677,086**	**$1,303,103**	**$2,373,983**	**$3,787,398**	**$1,342,196**	**$2,445,202**	**$3,901,021**	**$1,382,462**	**$2,518,559**
TOTALS, ALL CHARACTERS	**$7,425,607**	**$9,867,332**	**–$2,441,725**	**$7,648,374**	**$3,766,673**	**$3,881,701**	**$7,877,827**	**$3,879,671**	**$3,998,156**

[1] Information per the State Controller's Office.

Note: Numbers may not add due to rounding.

SCHEDULE 5B
CASHFLOW STATEMENTS
ACTUAL 2000–01 FISCAL YEAR CASHFLOW
GENERAL FUND

(Dollars in Millions)

2000–01 FISCAL CASHFLOW	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE	TOTAL
BEGINNING CASH BALANCE	**$8,531**	**$5,648**	**$4,711**	**$6,190**	**$3,163**	**$2,763**	**$3,712**	**$7,139**	**$5,281**	**$99**	**$5,356**	**$4,641**	**$8,531**
RECEIPTS:													
Alcoholic Beverage Excise Tax	$27	$23	$27	$16	$32	$26	$22	$10	$33	$21	$28	$20	$285
Corporation Tax	214	250	1,355	292	–19	965	301	102	1,056	1,006	89	934	6,546
Cigarette Tax	11	11	11	5	15	13	10	0	19	12	9	11	127
Inheritance, Gift and Estate Taxes	56	71	86	90	72	76	233	77	110	86	74	78	1,110
Insurance Tax	9	8	306	8	11	303	7	8	27	484	12	318	1,501
Personal Income Tax	2,103	2,448	4,265	2,495	2,084	3,836	7,854	1,801	1,162	10,192	2,881	3,651	44,772
Retail Sales and Use Tax	796	2,705	1,778	787	2,632	1,735	967	3,002	1,745	446	2,963	1,734	21,291
Income from Pooled Money Investments	54	56	40	106	62	57	78	72	59	95	44	115	837
Other	40	100	69	106	215	37	243	190	60	608	146	52	1,861
TOTAL, Receipts	**$3,310**	**$5,672**	**$7,937**	**$3,905**	**$5,104**	**$7,048**	**$9,715**	**$5,262**	**$4,271**	**$12,950**	**$6,246**	**$6,913**	**$78,330**
DISBURSEMENTS:													
State Operations:													
University of California	$327	$209	$225	$243	$276	$269	$255	$302	$349	$337	$267	$100	$3,160
Debt Service	–5	214	308	515	143	106	1	203	540	–15	122	133	2,265
Other State Operations	976	1,107	1,106	959	1,121	1,025	883	950	941	1,186	890	829	11,973
Social Services	1,075	645	670	902	694	511	405	486	272	607	355	327	6,949
Medi-Cal Assistance	545	816	658	646	647	712	823	607	949	795	752	813	8,763
Other Health and Human Services	30	25	44	44	9	36	2	50	66	50	30	57	443
Schools	1,940	2,882	2,407	2,593	1,925	2,329	2,626	3,433	4,095	2,758	2,182	1,557	30,729
Teachers' Retirement	587	0	0	139	0	0	88	0	0	88	0	0	902
Energy Purchases	0	0	0	0	0	0	400	500	1,500	1,100	1,702	1,000	6,202
Other	718	710	1,039	891	689	1,110	805	589	740	787	661	3,343	12,081
TOTAL, Disbursements	**$6,193**	**$6,608**	**$6,458**	**$6,932**	**$5,504**	**$6,099**	**$6,288**	**$7,120**	**$9,452**	**$7,693**	**$6,961**	**$8,159**	**$83,467**
EXCESS RECEIPTS/(DEFICIT)	**–$2,883**	**–$937**	**$1,478**	**–$3,027**	**–$400**	**$949**	**$3,427**	**–$1,859**	**–$5,181**	**$5,257**	**–$715**	**–$1,246**	**–$5,137**
NET TEMPORARY LOANS:													
Special Fund for Economic Uncertainties	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other Internal Sources	0	0	0	0	0	0	0	0	0	0	0	0	0
2000–01 Revenue Anticipation Notes	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL, Net Temporary Loans	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
ENDING CASH BALANCE	**$5,648**	**$4,711**	**$6,190**	**$3,163**	**$2,763**	**$3,712**	**$7,139**	**$5,281**	**$99**	**$5,356**	**$4,641**	**$3,394**	**$3,394**
AVAILABLE/BORROWABLE RESOURCES:													
Special Fund for Economic Uncertainties	$816	$816	$816	$816	$816	$816	$816	$816	$816	$308	$228	$204	$204
Other Internal Sources	8,762	9,852	9,497	8,904	9,165	9,203	9,119	9,328	9,138	9,247	9,589	12,138	12,138
2000–01 Revenue Anticipation Notes	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL, Available/Borrowable Resources.	**$9,578**	**$10,668**	**$10,313**	**$9,720**	**$9,980**	**$10,019**	**$9,934**	**$10,143**	**$9,953**	**$9,555**	**$9,817**	**$12,342**	**$12,342**
CUMULATIVE LOAN BALANCES:													
Special Fund for Economic Uncertainties	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other Internal Sources	0	0	0	0	0	0	0	0	0	0	0	0	0
2000–01 Revenue Anticipation Notes	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL, Cumulative Loan Balances	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
UNUSED BORROWABLE RESOURCES	**$9,578**	**$10,668**	**$10,313**	**$9,720**	**$9,980**	**$10,019**	**$9,934**	**$10,143**	**$9,953**	**$9,555**	**$9,817**	**$12,342**	**$12,342**

Note: Numbers may not add due to rounding.

SCHEDULE 5C
CASHFLOW STATEMENTS
ESTIMATED 2001–02 FISCAL YEAR CASHFLOW
GENERAL FUND
(Dollars in Millions)

2001–02 FISCAL CASHFLOW	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE	TOTAL
BEGINNING CASH BALANCE	**$3,394**	**$389**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$3,394**
RECEIPTS:													
Alcoholic Beverage Excise Tax	$31	$24	$27	$23	$26	$25	$26	$18	$20	$23	$24	$24	$290
Corporation Tax	148	48	1,076	252	–67	808	65	113	854	803	172	965	5,238
Cigarette Tax	11	6	17	9	12	11	11	9	9	10	10	10	124
Inheritance, Gift and Estate Taxes	88	47	72	108	86	80	80	81	81	80	81	77	962
Insurance Tax	6	9	334	12	10	337	8	9	182	312	8	333	1,560
Personal Income Tax	2,122	2,205	3,636	2,338	1,890	3,151	6,762	1,455	896	8,362	2,111	3,672	38,599
Retail Sales and Use Tax	857	2,707	1,430	947	2,798	1,733	1,119	2,526	1,602	946	2,669	1,757	21,092
Income from Pooled Money Investments	54	48	61	0	104	30	18	22	27	14	12	–12	379
Energy Repayments	116	0	0	0	0	0	0	0	0	0	0	6,499	6,615
Other	52	712	362	145	455	200	115	493	93	179	125	–55	2,875
TOTAL, Receipts	**$3,485**	**$5,806**	**$7,015**	**$3,834**	**$5,314**	**$6,375**	**$8,204**	**$4,726**	**$3,764**	**$10,729**	**$5,212**	**$13,270**	**$77,734**
DISBURSEMENTS:													
State Operations:													
University of California	$282	$245	$241	$328	$274	$313	$279	$290	$322	$364	$280	$101	$3,318
Debt Service	–2	850	–35	412	124	164	–5	196	293	227	150	169	2,541
Other State Operations	1,070	1,419	1,311	1,312	1,232	879	987	877	878	1,203	1,010	1,122	13,300
Social Services	829	1,035	988	917	185	559	563	562	342	594	410	474	7,457
Medi-Cal Assistance	762	975	738	853	855	873	844	788	884	883	796	727	9,977
Other Health and Human Services	10	68	59	18	48	37	18	28	50	47	40	28	451
Schools	1,930	3,150	2,561	3,891	2,267	3,498	3,280	3,927	2,681	2,841	2,012	1,427	33,465
Teachers' Retirement	583	0	0	96	0	0	96	0	0	0	0	0	776
Transfer to Special Fund for Economic Uncertainties	0	0	0	0	0	0	2,406	0	0	0	0	0	2,406
Other	1,026	516	803	1,219	783	1,074	598	608	879	481	388	694	9,073
TOTAL, Disbursements	**$6,490**	**$8,258**	**$6,666**	**$9,046**	**$5,768**	**$7,397**	**$9,066**	**$7,276**	**$6,329**	**$6,640**	**$5,086**	**$4,742**	**$82,764**
EXCESS RECEIPTS/(DEFICIT)	**–$3,005**	**–$2,453**	**$349**	**–$5,212**	**–$454**	**–$1,022**	**–$862**	**–$2,549**	**–$2,565**	**$4,090**	**$126**	**$8,527**	**–$5,031**
NET TEMPORARY LOANS:													
Special Fund for Economic Uncertainties	$0	$204	$0	–$15	$0	$0	$2,406	$0	$0	$0	$0	–$960	$1,636
Other Internal Sources	0	1,859	–349	–474	454	1,022	–1,544	2,549	2,565	–4,090	–126	–1,868	0
2001–02 Revenue Anticipation Notes	0	0	0	5,700	0	0	0	0	0	0	0	–5,700	0
TOTAL, Net Temporary Loans	**$0**	**$2,063**	**–$349**	**$5,211**	**$454**	**$1,022**	**$862**	**$2,549**	**$2,565**	**–$4,090**	**–$126**	**–$8,528**	**$1,636**
ENDING CASH BALANCE	**$389**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
AVAILABLE/BORROWABLE RESOURCES:													
Special Fund for Economic Uncertainties	$204	$204	$204	$190	$190	$190	$2,596	$2,596	$2,596	$2,596	$2,596	$2,596	$2,596
Other Internal Sources	11,998	12,132	11,876	11,669	11,440	9,889	9,499	9,292	9,179	8,933	9,148	8,747	8,747
2001–02 Revenue Anticipation Notes	0	0	0	5,700	5,700	5,700	5,700	5,700	5,700	5,700	5,700	0	0
TOTAL, Available/Borrowable Resources.	**$12,202**	**$12,336**	**$12,080**	**$17,559**	**$17,329**	**$15,778**	**$17,795**	**$17,588**	**$17,475**	**$17,229**	**$17,444**	**$11,343**	**$11,343**
CUMULATIVE LOAN BALANCES:													
Special Fund for Economic Uncertainties	$0	$204	$204	$190	$190	$190	$2,596	$2,596	$2,596	$2,596	$2,596	$1,636	$1,636
Other Internal Sources	0	1,859	1,511	1,037	1,491	2,513	968	3,518	6,083	1,993	1,868	0	0
2001–02 Revenue Anticipation Notes	0	0	0	5,700	5,700	5,700	5,700	5,700	5,700	5,700	5,700	0	0
TOTAL, Cumulative Loan Balances	**$0**	**$2,063**	**$1,715**	**$6,927**	**$7,381**	**$8,403**	**$9,264**	**$11,814**	**$14,379**	**$10,289**	**$10,164**	**$1,636**	**$1,636**
UNUSED BORROWABLE RESOURCES	**$12,202**	**$10,272**	**$10,365**	**$10,631**	**$9,949**	**$7,376**	**$8,531**	**$5,775**	**$3,096**	**$6,940**	**$7,280**	**$9,707**	**$9,707**

Note: Numbers may not add due to rounding.

SCHEDULE 5D
CASHFLOW STATEMENTS
ESTIMATED 2002–03 FISCAL YEAR CASHFLOW
GENERAL FUND
(Dollars in Millions)

2002–03 FISCAL CASHFLOW	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE	TOTAL
BEGINNING CASH BALANCE	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$31**	**$0**
RECEIPTS:													
Alcoholic Beverage Excise Tax	$26	$23	$25	$24	$24	$25	$26	$18	$20	$23	$24	$24	$282
Corporation Tax	217	134	1,077	252	9	850	96	120	872	892	188	1,129	5,836
Cigarette Tax	11	11	11	10	11	10	10	9	9	10	10	10	122
Inheritance, Gift and Estate Taxes	86	86	87	58	58	59	58	58	59	58	58	58	783
Insurance Tax	9	10	366	9	9	368	8	9	193	317	8	350	1,656
Personal Income Tax	2,256	2,214	3,973	2,417	1,949	3,947	6,948	1,786	1,241	8,910	2,523	4,000	42,164
Retail Sales and Use Tax	986	2,453	1,710	1,160	2,598	1,905	1,244	2,752	1,720	1,016	2,859	2,318	22,721
Income from Pooled Money Investments	15	15	15	16	15	14	17	21	26	16	13	42	225
Transfer from Special Fund for Economic Uncertainties	0	0	0	0	0	0	2,085	0	0	0	0	0	2,085
Other	1,430	2,521	107	98	190	140	122	139	101	187	137	288	5,461
TOTAL, Receipts	**$5,036**	**$7,467**	**$7,371**	**$4,044**	**$4,863**	**$7,318**	**$10,614**	**$4,912**	**$4,241**	**$11,429**	**$5,820**	**$8,219**	**$81,335**
DISBURSEMENTS:													
State Operations:													
University of California	$349	$218	$279	$267	$289	$322	$288	$299	$331	$364	$281	$70	$3,359
Debt Service	–5	192	450	485	157	167	–3	192	309	253	167	208	2,572
Other State Operations	1,262	1,160	1,153	1,035	1,138	931	933	952	975	1,005	942	1,003	12,491
Social Services	783	806	829	780	532	553	683	612	502	693	575	727	8,075
Medi-Cal Assistance	679	856	775	796	745	845	817	762	856	866	781	795	9,572
Other Health and Human Services	29	42	50	30	14	38	20	29	50	44	38	53	436
Schools	2,136	2,986	2,809	3,158	1,909	3,556	3,124	3,794	2,541	2,764	2,020	2,170	32,967
Teachers' Retirement	521	0	0	0	0	0	0	0	0	0	0	0	521
Transfer to Special Fund for Economic Uncertainties	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	1,509	716	1,145	728	929	1,103	600	461	872	531	388	737	9,718
TOTAL, Disbursements	**$7,263**	**$6,976**	**$7,490**	**$7,279**	**$5,713**	**$7,515**	**$6,462**	**$7,101**	**$6,436**	**$6,520**	**$5,192**	**$5,763**	**$79,711**
EXCESS RECEIPTS/(DEFICIT)	**–$2,227**	**$491**	**–$118**	**–$3,234**	**–$850**	**–$198**	**$4,152**	**–$2,189**	**–$2,195**	**$4,909**	**$627**	**$2,456**	**$1,624**
NET TEMPORARY LOANS:													
Special Fund for Economic Uncertainties	$960	$0	$0	$0	$0	$0	–$2,085	$0	$0	$0	–$511	$12	–$1,624
Other Internal Sources	1,268	–491	118	734	850	198	–2,067	2,189	2,195	–4,909	–85	0	0
2002–03 Revenue Anticipation Notes	0	0	0	2,500	0	0	0	0	0	0	0	–2,500	0
TOTAL, Net Temporary Loans	**$2,228**	**–$491**	**$118**	**$3,234**	**$850**	**$198**	**–$4,152**	**$2,189**	**$2,195**	**–$4,909**	**–$596**	**–$2,488**	**–$1,624**
ENDING CASH BALANCE	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$31**	**$0**	**$0**
AVAILABLE/BORROWABLE RESOURCES:													
Special Fund for Economic Uncertainties	$2,596	$2,596	$2,596	$2,596	$2,596	$2,596	$511	$511	$511	$511	$511	$511	$511
Other Internal Sources	7,647	8,440	8,278	7,512	7,711	6,860	6,735	6,834	6,802	6,724	7,026	6,669	6,669
2002–03 Revenue Anticipation Notes	0	0	0	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	0	0
TOTAL, Available/Borrowable Resources.	**$10,243**	**$11,036**	**$10,874**	**$12,608**	**$12,807**	**$11,956**	**$9,746**	**$9,845**	**$9,813**	**$9,735**	**$10,037**	**$7,180**	**$7,180**
CUMULATIVE LOAN BALANCES:													
Special Fund for Economic Uncertainties	$2,596	$2,596	$2,596	$2,596	$2,596	$2,596	$511	$511	$511	$511	$0	$12	$12
Other Internal Sources	1,268	777	895	1,630	2,480	2,677	610	2,799	4,994	85	0	0	0
2002–03 Revenue Anticipation Notes	0	0	0	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	0	0
TOTAL, Cumulative Loan Balances	**$3,864**	**$3,373**	**$3,491**	**$6,726**	**$7,576**	**$7,773**	**$3,621**	**$5,810**	**$8,005**	**$3,096**	**$2,500**	**$12**	**$12**
UNUSED BORROWABLE RESOURCES	**$6,380**	**$7,663**	**$7,383**	**$5,882**	**$5,231**	**$4,183**	**$6,125**	**$4,035**	**$1,808**	**$6,639**	**$7,537**	**$7,168**	**$7,168**

Note: Numbers may not add due to rounding.

SCHEDULE 6
SUMMARY OF STATE POPULATION, EMPLOYEES, AND EXPENDITURES

Year	Population [1] (Thousands)	Employees	Employees Per 1,000 Population	Personal Income (Billions)	Revenue: General Fund (Millions)	Revenue: Total (Millions)	Expenditures: General Fund [2] (Millions)	Expenditures: Total [3] (Millions)	Expenditures per Capita: General Fund [2]	Expenditures per Capita: Total [3]	Expenditures per $100 of Personal Income: General Fund [2]	Expenditures per $100 of Personal Income: Total [3]
1950–51	10,643	61,000	5.7	$20.0	$672	$994	$587	$1,006	$55.15	$94.52	$2.94	$5.03
1951–52	11,130	63,860	5.7	23.2	734	1,086	635	1,068	57.05	95.96	2.74	4.60
1952–53	11,638	65,720	5.6	25.7	774	1,151	714	1,177	61.35	101.13	2.78	4.58
1953–54	12,101	69,928	5.8	27.6	798	1,271	809	1,381	66.85	114.12	2.93	5.00
1954–55	12,517	74,099	5.9	28.4	879	1,434	852	1,422	68.07	113.61	3.00	5.01
1955–56	13,004	77,676	6.0	31.2	1,005	1,578	923	1,533	70.98	117.89	2.96	4.91
1956–57	13,581	88,299	6.5	34.2	1,079	1,834	1,030	1,732	75.84	127.53	3.01	5.06
1957–58	14,177	98,015	6.9	36.8	1,111	1,751	1,147	1,891	80.91	133.39	3.12	5.14
1958–59	14,741	101,982	6.9	38.6	1,210	1,925	1,246	1,932	84.53	131.06	3.23	5.01
1959–60	15,288	108,423	7.1	42.4	1,491	2,198	1,435	2,086	93.86	136.45	3.38	4.92
1960–61	15,863	115,737	7.3	44.8	1,598	2,338	1,678	2,525	105.78	159.18	3.75	5.64
1961–62	16,412	122,339	7.5	47.5	1,728	2,451	1,697	2,406	103.40	146.60	3.57	5.07
1962–63	16,951	128,981	7.6	51.3	1,866	2,668	1,881	2,703	110.97	159.46	3.67	5.27
1963–64	17,530	134,721	7.7	54.8	2,137	3,057	2,064	3,182	117.74	181.52	3.77	5.81
1964–65	18,026	143,896	8.0	59.4	2,245	3,295	2,345	3,652	130.09	202.60	3.95	6.15
1965–66	18,464	151,199	8.2	63.5	2,509	3,581	2,580	4,059	139.73	219.83	4.06	6.39
1966–67	18,831	158,404	8.4	69.1	2,895	4,073	3,017	4,659	160.21	247.41	4.37	6.74
1967–68	19,175	162,677	8.5	74.4	3,682	4,927	3,273	5,014	170.69	261.49	4.40	6.74
1968–69	19,432	171,655	8.8	81.6	4,136	5,450	3,909	5,673	201.16	291.94	4.79	6.95
1969–70	19,745	179,583	9.1	89.5	4,330	5,743	4,456	6,302	225.68	319.17	4.98	7.04
1970–71	20,039	181,581	9.1	96.4	4,534	5,919	4,854	6,556	242.23	327.16	5.04	6.80
1971–72	20,346	181,912	8.9	102.4	5,395	6,897	5,027	6,684	247.08	328.52	4.91	6.53
1972–73	20,585	188,460	9.2	112.2	5,780	7,366	5,616	7,422	272.82	360.55	5.01	6.61
1973–74	20,869	192,918	9.2	124.1	6,978	8,715	7,299	9,311	349.75	446.16	5.88	7.50
1974–75	21,174	203,548	9.6	138.7	8,630	10,405	8,349	10,276	394.30	485.31	6.02	7.41
1975–76	21,538	206,361	9.6	152.7	9,639	11,567	9,518	11,452	441.92	531.71	6.23	7.50
1976–77	21,936	213,795	9.7	171.4	11,381	13,463	10,467	12,632	477.16	575.86	6.11	7.37
1977–78	22,352	221,251	9.9	191.5	13,695	15,962	11,686	14,003	522.82	626.48	6.10	7.31
1978–79	22,836	218,530	9.6	219.7	15,219	17,711	16,251	18,745	711.64	820.85	7.40	8.53
1979–80	23,257	220,193	9.5	252.2	17,985	20,919	18,534	21,488	796.92	923.94	7.35	8.52
1980–81	23,782	225,567	9.5	286.3	19,023	22,104	21,105	24,511	887.44	1,030.65	7.37	8.56
1981–82	24,278	228,813	9.4	320.7	20,960	23,601	21,693	25,022	893.53	1,030.65	6.76	7.80
1982–83	24,805	228,489	9.2	341.9	21,233	24,291	21,751	25,330	876.88	1,021.17	6.36	7.41
1983–84	25,337	226,695	8.9	367.5	23,809	27,626	22,869	26,797	902.59	1,057.62	6.22	7.29
1984–85	25,816	229,845	8.9	411.6	26,536	31,570	25,722	30,961	996.36	1,199.30	6.25	7.52
1985–86	26,403	229,641	8.7	447.1	28,072	33,558	28,841	34,977	1,092.34	1,324.74	6.45	7.82
1986–87	27,052	232,927	8.6	477.8	32,519	37,767	31,469	38,079	1,163.28	1,407.62	6.59	7.97
1987–88	27,717	237,761	8.6	517.3	32,534	38,773	33,021	40,452	1,191.36	1,459.47	6.38	7.82
1988–89	28,393	248,173	8.7	561.1	36,953	43,322	35,897	44,634	1,264.29	1,572.01	6.40	7.95
1989–90	29,142	254,589	8.7	606.7	38,750	46,453	39,456	48,594	1,353.92	1,667.49	6.50	8.01
1990–91	30,659	260,622	8.5	655.6	38,214	47,024	40,264	51,446	1,313.28	1,678.01	6.14	7.85
1991–92	31,272	261,713	8.4	669.8	42,026	53,117	43,327	56,280	1,385.49	1,799.69	6.47	8.40
1992–93	30,987	260,939	8.4	701.6	40,946	52,526	40,948	56,480	1,321.46	1,822.70	5.84	8.05
1993–94	31,314	265,035	8.5	714.1	40,095	52,384	38,958	53,083	1,244.11	1,695.18	5.46	7.43
1994–95	31,523	269,004	8.5	735.1	42,710	54,942	41,961	54,613	1,331.12	1,732.48	5.71	7.43
1995–96	31,711	271,076	8.5	771.5	46,296	59,266	45,393	59,870	1,431.46	1,887.99	5.88	7.76
1996–97	31,962	271,966	8.5	812.4	49,220	62,831	49,088	64,523	1,535.82	2,018.74	6.04	7.94
1997–98	32,452	271,254	8.4	861.6	54,973	69,424	52,874	68,528	1,629.30	2,111.67	6.14	7.95
1998–99	32,862	282,860	8.6	931.6	58,615	74,281	57,827	75,260	1,759.69	2,290.18	6.21	8.08
1999–00	33,417	296,076	8.9	997.3	71,931	87,536	66,494	84,864	1,989.83	2,539.55	6.67	8.51
2000–01	34,088	311,239	9.1	1,094.8	71,428	88,419	78,053	96,382	2,289.75	2,827.45	7.13	8.80
2001–02	34,758	325,564	9.4	1,110.3	77,083	93,556	78,380	102,909	2,255.02	2,960.73	7.06	9.27
2002–03	35,385	326,715	9.2	1,139.3	79,305	94,833	78,806	100,031	2,227.10	2,826.93	6.92	8.78

[1] Population as of July 1, the beginning of the fiscal year.
[2] Includes Special Accounts in General Fund from 1973–74 to 1976–77.
[3] Expenditures include payments from General Fund, Special Funds and Selected Bond Funds beginning in 1963–64.

SCHEDULE 7
GENERAL FUND
(In Thousands)
STATEMENT OF FUND BALANCE
June 30, 2001

The following summarizes the adjustments to the State Controller's Office Preliminary General Fund Balances to arrive at the June 30, 2001, General Fund balance shown on the General Budget Summary, Schedule 1.

JUNE 30, 2001, GENERAL FUND BALANCE PER STATE CONTROLLER'S OFFICE		$9,017,521
ADJUSTMENTS TO STATE CONTROLLER'S OFFICE FUND BALANCE:		
Adjustments to prior years:		
Savings per the Governor's Executive Order D-49-01	$12,744	
Savings per the November Revision	10,000	
Proposition 98 expenditures previously recognized	118,000	
Total Adjustments to Prior Years		$140,744
Transfer Adjustments:		
Shift energy loan repayments to 2001–02 fiscal year	–$6,210,367	
Shift Department of Industrial Relations transfer to 2001–02 fiscal year	–1,600	
Total Transfer Adjustments		–$6,211,967
Expenditure Adjustments:		
Difference in treatment of mandates	–$96,196	
Department of Rehabilitation expenditure over-accrued in previous year	–4,833	
Proposition 98 adjustments for property taxes and attendance	–116,227	
Federal Immigration Funding—adjustment accrual	–28,211	
PERS 4th quarter adjustment for special funds	–8,524	
Difference in treatment for capital outlay	126,649	
Adjustment for revision to accruals due to timing differences for carryovers	10,895	
Accrual of the return of a transfer from the Colorado River Account	150,000	
Late expenditure adjustments (Board of Equalization –$1,017, UC –$4,000, Judicial Council $694, postage –$66, and Department of Corrections $38)	3,649	
Savings per the Governor's Executive Order D-49-01	26,956	
Savings per the November Revision	133,370	
Revision to encumbrance adjustment	–361,065	
Total Expenditure Adjustments		–$163,537
ADJUSTED STATE CONTROLLER'S OFFICE FUND BALANCE		$2,782,761
JUNE 30, 2001, GENERAL FUND BALANCE PER GOVERNOR'S BUDGET, SCHEDULE 1		$2,782,761

SCHEDULE 8
COMPARATIVE STATEMENT OF REVENUES: FISCAL YEARS 2000–01, 2001–02, AND 2002–03
(Dollars in Thousands)

Sources	Actual 2000–01			Estimated 2001–02			Estimated 2002–03		
	General Fund	Special Funds	Total	General Fund	Special Funds	Total	General Fund	Special Funds	Total
MAJOR TAXES AND LICENSES									
Alcoholic Beverage Taxes and Fees	288,451	–	288,451	285,000	–	285,000	282,000	–	282,000
Corporation Tax	6,899,302	–	6,899,302	5,261,000	–	5,261,000	5,869,000	–	5,869,000
Cigarette Tax	126,664	1,024,192	1,150,856	124,000	1,011,800	1,135,800	122,000	997,400	1,119,400
Horse Racing (Parimutuel) License Fees	4,382	40,159	44,541	4,414	40,852	45,266	4,414	40,901	45,315
Estate, Inheritance and Gift Tax	934,708	–	934,708	850,900	–	850,900	614,500	–	614,500
Insurance Gross Premiums Tax	1,496,556	–	1,496,556	1,560,000	–	1,560,000	1,656,000	–	1,656,000
Trailer Coach License (In-Lieu) Fees	26,337	–	26,337	15,332	–	15,332	15,615	–	15,615
Motor Vehicle License (In-Lieu) Fees	–	3,289,168	3,289,168	–	1,734,440	1,734,440	–	1,808,168	1,808,168
Motor Vehicle Fuel Tax (Gasoline)	–	2,679,717	2,679,717	–	2,716,482	2,716,482	–	2,762,274	2,762,274
Motor Vehicle Fuel Tax (Diesel)	–	462,425	462,425	–	467,125	467,125	–	481,986	481,986
Motor Vehicle Registration	–	1,943,249	1,943,249	–	1,987,107	1,987,107	–	2,107,112	2,107,112
Personal Income Tax	44,614,297	–	44,614,297	38,455,000	–	38,455,000	42,605,000	–	42,605,000
Retail Sales and Use Tax-Realignment	–	2,287,600	2,287,600	–	2,197,900	2,197,900	–	2,299,800	2,299,800
Retail Sales and Use Taxes	21,276,843	733,849	22,010,692	21,165,000	237,306	21,402,306	22,850,000	230,715	23,080,715
TOTALS, MAJOR TAXES AND LICENSES	**$75,667,540**	**$12,460,359**	**$88,127,899**	**$67,720,646**	**$10,393,012**	**$78,113,658**	**$74,018,529**	**$10,728,356**	**$84,746,885**
MINOR REVENUES									
REGULATORY TAXES AND LICENSES									
General Fish and Game Taxes	–	2,064	2,064	–	1,940	1,940	–	1,970	1,970
Energy Resource Surcharge	–	262,527	262,527	–	441,049	441,049	–	365,779	365,779
Quarterly Public Util Commission Fees	–	76,919	76,919	–	76,400	76,400	–	76,400	76,400
Penalties on Pub Util Comm Qtrly Fees	–	2	2	–	–	–	–	–	–
Hwy Carrier Uniform Business License Tax	329	–	329	330	–	330	330	–	330
Off-Highway Vehicle Fees	–	5,039	5,039	–	4,251	4,251	–	4,251	4,251
Liquor License Fees	–	33,333	33,333	–	35,043	35,043	–	37,827	37,827
Genetic Disease Testing Fees	–	54,135	54,135	–	60,135	60,135	–	63,635	63,635
Other Regulatory Taxes	11,534	55,165	66,699	11,860	50,676	62,536	11,860	52,242	64,102
New Motor Vehicle Dealer License Fee	–	1,261	1,261	–	1,265	1,265	–	1,175	1,175
General Fish and Game Lic Tags Permits	–	74,158	74,158	–	75,705	75,705	–	75,500	75,500
Elevator and Boiler Inspection Fees	224	8,870	9,094	231	10,944	11,175	231	10,777	11,008
Industrial Homework Fees	11	–	11	6	–	6	6	–	6
Employment Agency License Fees	711	2,154	2,865	645	6,557	7,202	645	7,970	8,615
Employment Agency Filing Fees	94	–	94	109	–	109	109	–	109
Teacher Credential Fees	–	10,050	10,050	–	11,695	11,695	–	13,267	13,267
Teacher Examination Fees	–	8,927	8,927	–	10,616	10,616	–	11,758	11,758
Insurance Co License Fees & Penalties	–	26,266	26,266	–	26,256	26,256	–	26,425	26,425
Insurance Company Examination Fees	–	15,405	15,405	–	17,781	17,781	–	17,781	17,781
Division of Real Estate Examination Fees	–	4,670	4,670	–	4,522	4,522	–	5,147	5,147
Div of Real Estate License Fees	–	9,158	9,158	–	17,016	17,016	–	17,161	17,161
Subdivision Filing Fees	–	6,593	6,593	–	6,686	6,686	–	6,686	6,686
Building Construction Filing Fees	–	4,893	4,893	–	5,360	5,360	–	5,360	5,360
Domestic Corporation Fees	–	8,022	8,022	–	8,712	8,712	–	9,712	9,712
Foreign Corporation Fees	–	1,624	1,624	–	1,548	1,548	–	2,548	2,548
Notary Public License Fees	–	990	990	–	985	985	–	1,985	1,985
Filing Financing Statements	–	5,137	5,137	–	5,437	5,437	–	6,437	6,437
Candidate Filing Fee	31	–	31	620	–	620	62	–	62
Beverage Container Redemption Fees	–	531,211	531,211	–	539,653	539,653	–	550,576	550,576
Explosive Permit Fees	29	–	29	25	–	25	25	–	25
Hazardous Waste Control Fees	–	58,611	58,611	–	56,058	56,058	–	57,486	57,486
Other Regulatory Fees	8,131	442,897	451,028	8,180	467,054	475,234	8,190	487,366	495,556
Other Regulatory Licenses and Permits	37,254	351,190	388,444	41,036	2,118,103	2,159,139	48,466	1,059,618	1,108,084
Renewal Fees	57	139,542	139,599	95	138,464	138,559	95	141,740	141,835
Delinquent Fees	1	4,025	4,026	1	3,614	3,615	1	3,709	3,710
Private Rail Car Tax	6,339	–	6,339	6,373	–	6,373	6,410	–	6,410
Insurance Department Fees, Prop 103	–	21,594	21,594	–	23,051	23,051	–	21,976	21,976
Insurance Department Fees, General	–	13,952	13,952	–	14,157	14,157	–	14,328	14,328

SCHEDULE 8—Continued
COMPARATIVE STATEMENT OF REVENUES: FISCAL YEARS 2000–01, 2001–02, AND 2002–03
(Dollars in Thousands)

Sources	Actual 2000–01			Estimated 2001–02			Estimated 2002–03		
	General Fund	Special Funds	Total	General Fund	Special Funds	Total	General Fund	Special Funds	Total
Insurance Fraud Assessment, Workers Comp	–	30,169	30,169	–	31,496	31,496	–	31,496	31,496
Insurance Fraud Assessment, Auto	–	40,472	40,472	–	38,594	38,594	–	38,594	38,594
Insurance Fraud Assessment, General	–	1,431	1,431	–	1,860	1,860	–	1,860	1,860
Totals, REGULATORY TAXES AND LICENSES	**$64,745**	**$2,312,456**	**$2,377,201**	**$69,511**	**$4,312,683**	**$4,382,194**	**$76,430**	**$3,230,542**	**$3,306,972**
REVENUE FROM LOCAL AGENCIES									
Trial Court Revenues	444	–	444	–	–	–	–	–	–
Architecture Public Building Fees	–	26,515	26,515	–	27,674	27,674	–	27,674	27,674
Penalties on Traffic Violations	–	91,379	91,379	–	94,809	94,809	–	92,108	92,108
Penalties on Felony Convictions	–	45,947	45,947	–	40,005	40,005	–	40,005	40,005
Fines-Crimes of Public Offense	–	8,670	8,670	–	8,700	8,700	–	8,700	8,700
Fish and Game Violation Fines	–	535	535	–	573	573	–	573	573
Penalty Assessments on Fish & Game Fines	–	565	565	–	660	660	–	712	712
Interest on Loans to Local Agencies	1,199	1,464	2,663	1,173	784	1,957	1,148	682	1,830
Addt'l Assmnts on Fish & Game Fines	–	77	77	–	72	72	–	72	72
Narcotic Fines	2,911	–	2,911	2,262	–	2,262	2,262	–	2,262
Fingerprint ID Card Fees	–	48,923	48,923	–	52,485	52,485	–	52,506	52,506
Misc Revenue From Local Agencies	297,822	65,638	363,460	338,685	63,178	401,863	355,397	63,183	418,580
Open Space Cancelation Fee Deferrd Taxes	5,339	1,095	6,434	2,721	1,154	3,875	2,778	1,138	3,916
Rev Local Govt Agencies-Cost Recoveries	1,733	–	1,733	120	–	120	120	–	120
Totals, REVENUE FROM LOCAL AGENCIES	**$309,448**	**$290,808**	**$600,256**	**$344,961**	**$290,094**	**$635,055**	**$361,705**	**$287,353**	**$649,058**
SERVICES TO THE PUBLIC									
Pay Patients Board Charges	17,785	–	17,785	16,396	–	16,396	15,860	–	15,860
State Beach and Park Service Fees	–	44,568	44,568	–	29,900	29,900	–	29,900	29,900
Parking Lot Revenues	–	6,638	6,638	–	7,506	7,506	–	8,433	8,433
Fire Prevention and Suppression	–	–	–	100	–	100	100	–	100
Emergency Telephone Users Surcharge	–	121,668	121,668	–	127,295	127,295	–	141,680	141,680
Sales of Documents	486	2,503	2,989	476	4,029	4,505	475	4,516	4,991
General Fees—Secretary of State	30	14,178	14,208	28	14,000	14,028	28	15,885	15,913
Parental Fees	–	2,157	2,157	–	2,100	2,100	–	2,150	2,150
Guardianship Fees	11	–	11	12	–	12	12	–	12
Miscellaneous Services to the Public	3,253	209,891	213,144	3,300	211,251	214,551	3,300	255,097	258,397
Receipts From Health Care Deposit Fund	8,000	–	8,000	8,000	–	8,000	8,000	–	8,000
Medicare Receipts Frm Federal Government	7,060	–	7,060	5,550	–	5,550	5,550	–	5,550
California State University Fees	–	664,300	664,300	–	685,180	685,180	–	706,091	706,091
Personalized License Plates	–	36,195	36,195	–	36,575	36,575	–	37,088	37,088
Totals, SERVICES TO THE PUBLIC	**$36,625**	**$1,102,098**	**$1,138,723**	**$33,862**	**$1,117,836**	**$1,151,698**	**$33,325**	**$1,200,840**	**$1,234,165**
USE OF PROPERTY AND MONEY									
Income From Pooled Money Investments	821,243	306	821,549	355,000	306	355,306	246,000	306	246,306
Income From Surplus Money Investments	4,494	346,945	351,439	4,007	214,695	218,702	4,007	207,834	211,841
Interest Income From Loans	5,987	4,720	10,707	5,955	4,463	10,418	6,055	4,363	10,418
Interest Income From Interfund Loans	11	–	11	413,292	–	413,292	262	–	262
Income From Other Investments	–	21,761	21,761	–	10,271	10,271	–	3,081	3,081
Income From Condemnation Deposits Fund	303	4,180	4,483	300	3,403	3,703	300	3,471	3,771
Federal Lands Royalties	–	28,911	28,911	–	17,240	17,240	–	16,340	16,340
Oil & Gas Lease-1% Revenue City/County	306	–	306	200	–	200	200	–	200
Rentals of State Property	7,473	44,811	52,284	7,503	39,059	46,562	7,641	40,331	47,972
Misc Revenue Frm Use of Property & Money	37,238	33,036	70,274	31,500	32,888	64,388	31,500	38,106	69,606
School Lands Royalties	–	182	182	–	93	93	–	93	93
State Lands Royalties	13,438	123,381	136,819	15,653	39,889	55,542	45,073	–	45,073
Totals, USE OF PROPERTY AND MONEY	**$890,493**	**$608,233**	**$1,498,726**	**$833,410**	**$362,307**	**$1,195,717**	**$341,038**	**$313,925**	**$654,963**
MISCELLANEOUS									
Attorney General Proceeds of Anti-Trust	–	933	933	–	1,068	1,068	–	1,068	1,068
Penalties & Interest on UI & DI Contrib	–	70,241	70,241	–	73,877	73,877	–	74,787	74,787
Sale of Fixed Assets	7,016	80	7,096	127,615	24	127,639	85,296	24	85,320

SCHEDULE 8—Continued
COMPARATIVE STATEMENT OF REVENUES: FISCAL YEARS 2000–01, 2001–02, AND 2002–03
(Dollars in Thousands)

Sources	Actual 2000–01			Estimated 2001–02			Estimated 2002–03		
	General Fund	Special Funds	Total	General Fund	Special Funds	Total	General Fund	Special Funds	Total
Sale of Confiscated Property	7,543	23	7,566	5,504	–	5,504	5,504	–	5,504
Sale of State's Public Lands	–	312	312	–	825	825	–	5,542	5,542
Proceeds From Estates of Deceased Person	1,013	–	1,013	350	–	350	350	–	350
Revenue-Abandoned Property	133,785	–	133,785	146,200	–	146,200	176,400	–	176,400
Escheat of Unclaimed Checks & Warrants	28,903	1,672	30,575	22,623	1,123	23,746	22,623	1,133	23,756
Subsequent Injuries Revenue	–	3,676	3,676	–	3,300	3,300	–	3,300	3,300
Miscellaneous Revenue	36,069	91,990	128,059	6,103	86,922	93,025	2,466,502	586,058	3,052,560
Penalties & Intrst on Personal Income Tx	–	26,122	26,122	–	26,837	26,837	–	28,136	28,136
Other Revenue—Cost Recoveries	2,806	41,090	43,896	–	39,411	39,411	–	36,589	36,589
Settlements/Judgments (not Anti-trust)	392,611	80	392,691	74,041	401,992	476,033	107,754	412,409	520,163
Uninsured Motorist Fees	1,997	13	2,010	2,000	–	2,000	2,000	–	2,000
Traffic Violations	–	2,278	2,278	–	2,278	2,278	–	2,278	2,278
Parking Violations	5,510	676	6,186	5,002	525	5,527	5,002	325	5,327
Penalty Assessments	19,607	74,904	94,511	26,880	73,905	100,785	26,764	74,951	101,715
Civil & Criminal Violation Assessment	1,877	25,493	27,370	3,991	14,160	18,151	3,681	5,585	9,266
Totals, MISCELLANEOUS	**$638,737**	**$339,583**	**$978,320**	**$420,309**	**$726,247**	**$1,146,556**	**$2,901,876**	**$1,232,185**	**$4,134,061**
TOTALS, MINOR REVENUES	**$1,940,048**	**$4,653,178**	**$6,593,226**	**$1,702,053**	**$6,809,167**	**$8,511,220**	**$3,714,374**	**$6,264,845**	**$9,979,219**
TOTALS, REVENUES	**$77,607,588**	**$17,113,537**	**$94,721,125**	**$69,422,699**	**$17,202,179**	**$86,624,878**	**$77,732,903**	**$16,993,201**	**$94,726,104**
TRANSFERS AND LOANS									
General Fund	–6,374,075	14,190	–6,359,885	–45,952	30,450	–15,502	–6,498	1,000	–5,498
Property Acquisition Law Money Account	–	–	–	–	–	–	–	–866	–866
Motor Vehicle Parking Facil Moneys Acct	–	–	–	–	–13	–13	–	–	–
Boxers Pension Account	–	–	–	–	–169	–169	–	–	–
Fingerprint Fees Account	–	–	–	4,900	–4,900	–	2,000	–2,000	–
Site Remediation Account	–	–	–	–	–	–	1,000	–1,000	–
Emergency Telephone Number Acct, State	–	–	–	63,117	–63,117	–	–	–	–
Highway Account, State, STF	–	–	–	–	–	–	14,445	–14,445	–
Motor Vehicle Account, STF	111	–116	–5	41	–46	–5	41	–46	–5
Colorado River Management Account	–	–	–	–	–	–	22,000	–22,000	–
Corporations Fund, State	–	–	–	–	–	–	20,000	–20,000	–
Barbering/Cosmetology Fd, St Bd of	–	–	–	–	–	–	7,000	–7,000	–
State Employee Scholarship Fund	–	–	–	63	–63	–	–	–	–
Alcohol Beverage Control Fund	1,819	–1,819	–	1,819	–1,819	–	1,819	–1,819	–
Health Statistics Special Fund	–	–	–	–	–	–	4,200	–4,200	–
School Facilities Fee Assistance Fund	–	–	–	112,756	–112,756	–	–	–	–
Auctioneer Commission Fund	28	–28	–	–	–	–	–	–	–
Beverage Container Recycling Fund, CA	–	–	–	–	–	–	218,000	–218,000	–
Soil Conservation Fund	–	–	–	–	–	–	1,100	–1,100	–
Collection Agency Fund	59	–59	–	–	–	–	–	–	–
Trial Court Improvement Fund	–	–	–	–	–	–	28,110	–28,110	–
Driver Training Penalty Assessment Fund	21,512	–21,512	–	40,738	–40,738	–	13,925	–13,925	–
Registered Nurse Education Fund	–	–	–	–	–	–	800	–800	–
Employment Developmnt Dept Benefit Audit	2,966	–2,966	–	4,633	–4,633	–	4,004	–4,004	–
Employment Development Contingent Fund	46,460	–46,460	–	47,566	–47,566	–	56,263	–56,263	–
Energy and Resources Fund	117	–117	–	650	–650	–	800	–800	–
Fair and Exposition Fund	246	–246	–	246	–246	–	246	–246	–
Restitution Fund	–	–	–	–	–	–	20,000	–20,000	–
Workplace Health & Safety Revolving Fund	–	–	–	–	–	–	2,000	–2,000	–
Workers' Comp Administration Revolv Fund	–	–	–	–	–	–	2,000	–2,000	–
Business Fees Fund, Secty of State's	4,413	–4,413	–	3,582	–3,582	–	11,943	–11,943	–
Protective Services Fund	–	–	–	–	–	–	–	1,406	1,406
Technical Assistance Fund	–	–	–	–	–	–	991	–991	–
Infant Botulism Treatment & Prevention	–	–	–	133	–133	–	133	–133	–
Loss Control Certification Fund	–	–	–	–	–	–	1,800	–1,800	–
HICAP Fund, State	–	–	–	–	–	–	1,709	–1,709	–

SCHEDULE 8—Continued
COMPARATIVE STATEMENT OF REVENUES: FISCAL YEARS 2000–01, 2001–02, AND 2002–03
(Dollars in Thousands)

Sources	Actual 2000–01			Estimated 2001–02			Estimated 2002–03		
	General Fund	Special Funds	Total	General Fund	Special Funds	Total	General Fund	Special Funds	Total
Motor Carriers Permit Fund	4,006	–4,006	–	3,802	–3,802	–	3,802	–3,802	–
Credit Union Fund	–	–	–	–	–	–	2,700	–2,700	–
Real Estate Commissioner's Fund	–	–	–	–	–	–	9,900	–9,900	–
Indian Gaming Special Distribution Fund	–	–	–	–	–	–	19,532	–19,532	–
False Claims Act Fund	–	–	–	–	–	–	2,000	–2,000	–
Renewable Resource Trust Fund	–	–	–	–	–	–	150,000	–150,000	–
Natural Resources Infrastructure Fund	93,489	–93,489	–	–	–	–	–	–	–
Salmon & Steelhead Trout Restoration Acc	495	–495	–	–	–	–	–	–	–
Parks and Recreation Fund, State	–	–	–	–	–	–	19,800	–19,800	–
Vehicle Inspection and Repair Fund	–	–	–	–	–	–	70,000	–70,000	–
Olympic Training Account, California	101	–101	–	101	–101	–	101	–101	–
Wildlife Restoration Fund	–	–	–	–	–	–	2,800	–2,800	–
Occupancy Compliance Monitoring Account	–	–	–	–	–	–	20,000	–20,000	–
Tax Credit Allocation Fee Account	–	–	–	–	–	–	20,000	–20,000	–
Child Care & Devlpmt Fac Direct Ln Fd	–	–	–	11,000	–	11,000	–	–	–
Child Care & Dev Fac Ln Guaranty Fd	–	–	–	–	–	–	1,384	–	1,384
Financial Responsibility Penalty Account	2,530	–2,530	–	2,284	–2,284	–	2,272	–2,272	–
Other Unallocated Special Funds	–	–	–	1,896	–1,896	–	3,474	–3,474	–
Mobilehome Park Purchase Fund	–	–	–	–	–	–	6,000	–	6,000
Title Insurance Fund	–	–	–	116	–116	–	–	–	–
Small Craft Harbor Improvement Fund	–	–	–	–	–	–	4,800	–	4,800
High Polluter Repair or Removal Account	–	–	–	94,000	–94,000	–	–	–	–
Cancer Research Fund	–	–	–	7,100	–7,100	–	–	–	–
Vincent Thomas Bridge Toll Revenue Fund	–	–	–	–	–	–	–	6,500	6,500
Agriculture Building Fund	–	347	347	–	414	414	–	414	414
Architecture Revolving Fund	–	–	–	7,000	–	7,000	–	–	–
Upper Newport Bay Ecological Maint & Presv	–	–	–	–	–	–	1,000	–1,000	–
Parks System Deferred Maintnce Acct, St	10,000	–10,000	–	–	–	–	–	–	–
Marine Life & Marine Reserve Mgmt Acct	255	–255	–	–	–	–	–	–	–
Mobilehome Manufactured Home Revolv Fd	802	–	802	–	–	–	–	–	–
Infrastructure & Economic Devl Bank, Cal	–	–	–	277,000	–	277,000	–	–	–
Public Buildings Construction Fund	–	–	–	52,025	–	52,025	–	–	–
Service Revolving Fund	–	–	–	–	866	866	–	–	–
Inmate Constructn Revolv Acct, Prison Ind	–	–	–	6,900	–	6,900	–	–	–
Contractors' License Fund	–	–	–	–	–	–	5,000	–5,000	–
School Building Aid Fund, State	–	–	–	–	–	–	25,232	–	25,232
Dentistry Fund, State	–	–	–	–	–	–	5,000	–5,000	–
Licensed Midwifery Fund	16	–16	–	–	–	–	–	–	–
Registered Nursing Fund, Board of	–	–	–	–	–	–	5,000	–5,000	–
Export Finance Fund	–	–	–	–	–	–	8,000	–	8,000
Self-Help Housing Fund	–	–	–	18,000	–	18,000	–	–	–
Audit Repayment Trust Fund	304	–	304	–	–	–	–	–	–
Superfund Bond Trust Fund	–	4,557	4,557	–	29,000	29,000	–	2,700	2,700
Housing Trust Fund, Cal	–	–	–	4,000	–	4,000	2,000	–	2,000
Local Hlth Capital Expend Acc, Co Hlth F	–	–	–	605	–	605	–	–	–
Small Business Expansion Fund	–	–	–	–	–	–	8,000	–	8,000
Forest Resources Improvement Fund	300	–	300	–	–	–	2,364	–	2,364
Housing Rehabilitation Loan Fund	–	–	–	49,200	–	49,200	–	–	–
Pollution Control Financing Authority Fd	–	–	–	–	–	–	20,000	–	20,000
Trial Court Trust Fund	–	18,100	18,100	–	17,728	17,728	–	17,811	17,811
Special Deposit Fund	3,161	38,842	42,003	230,132	–	230,132	2,000	2,289	4,289
Foster Children and Parent Train Fund	651	–	651	1,721	–	1,721	–	–	–
Various Other Unallocated NGC Funds	–	–	–	1,067	–	1,067	1,954	–	1,954
Clnup Loans Envirnmntl Asst Neighood Act	–	–	–	77,000	–77,000	–	–	–	–
Permanent Amusement Ride Safety Insp Fd	–	–	–	875	–875	–	–	–	–
Garment Industry Regulations Fund	–	–	–	1,594	–1,594	–	–	–	–
Jobs-Housing Balance Improvement Account	–	–10,000	–10,000	99,682	–99,682	–	212	–212	–

SCHEDULE 8—Continued
COMPARATIVE STATEMENT OF REVENUES: FISCAL YEARS 2000–01, 2001–02, AND 2002–03
(Dollars in Thousands)

Sources	Actual 2000–01			Estimated 2001–02			Estimated 2002–03		
	General Fund	Special Funds	Total	General Fund	Special Funds	Total	General Fund	Special Funds	Total
Traffic Congestion Relief Fund	–	–	–	238,000	–238,000	–	672,000	–672,000	–
Special Reserve Fund Vehicle License Fee	–	–	–	–	–	–	45,215	–45,215	–
Occupational Therapy Fund	–	–	–	232	–232	–	232	–232	–
Dept Water Resources Electric Power Fund	–	–	–	6,210,366	–	6,210,366	–	–	–
Renewable Energy Loan Loss Reserve Fund	–	–	–	29,938	–	29,938	–	–	–
TOTALS, TRANSFERS AND LOANS	**–$6,180,234**	**–$122,592**	**–$6,302,826**	**$7,659,928**	**–$728,655**	**$6,931,273**	**$1,571,605**	**–$1,465,120**	**$106,485**
Adjustment to Reconcile to Controller	802	–	802	–	–	–	–	–	–
TOTALS, REVENUES AND TRANSFERS	**$71,428,156**	**$16,990,945**	**$88,419,101**	**$77,082,627**	**$16,473,524**	**$93,556,151**	**$79,304,508**	**$15,528,081**	**$94,832,589**

SCHEDULE 9
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2000–01, 2001–02, AND 2002–03
(Dollars in Thousands)

	Actual 2000-01					Estimated 2001-02					Estimated 2002-03				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
LEGISLATIVE, JUDICIAL, AND EXECUTIVE															
Legislative															
Legislature															
Senate															
State Operations	76,317	–	–	76,317	–	83,720	–	–	83,720	–	85,394	–	–	85,394	–
Assembly															
State Operations	103,562	–	–	103,562	–	113,608	–	–	113,608	–	115,880	–	–	115,880	–
Totals, Legislature	$179,879	–	–	$179,879	–	$197,328	–	–	$197,328	–	$201,274	–	–	$201,274	–
Legislative Counsel Bureau															
State Operations	71,419	–	–	71,419	–	78,208	–	–	78,208	–	75,919	–	–	75,919	–
Totals, Legislative	$251,298	–	–	$251,298	–	$275,536	–	–	$275,536	–	$277,193	–	–	$277,193	–
Judicial															
Judiciary															
State Operations	251,558	506	–	252,064	933	277,857	2,300	–	280,157	2,433	280,907	2,272	–	283,179	2,411
Local Assistance	12,274	–	–	12,274	799	13,707	–	–	13,707	2,275	13,657	–	–	13,657	2,275
Capital Outlay	6,045	–	–	6,045	–	772	–	–	772	–	–	–	–	–	–
Totals, Judiciary	$269,877	$506	–	$270,383	$1,732	$292,336	$2,300	–	$294,636	$4,708	$294,564	$2,272	–	$296,836	$4,686
Commission on Judicial Performance															
State Operations	3,492	–	–	3,492	–	4,055	–	–	4,055	–	4,055	–	–	4,055	–
Contributions to Judges Retirement Fund															
State Operations	2,342	–	–	2,342	–	2,368	–	–	2,368	–	2,422	–	–	2,422	–
Local Assistance	98,306	–	–	98,306	–	79,068	–	–	79,068	–	114,272	–	–	114,272	–
Totals, Contributions to Judges Retirement Fun	$100,648	–	–	$100,648	–	$81,436	–	–	$81,436	–	$116,694	–	–	$116,694	–
State Trial Court Funding															
Local Assistance	1,140,552	45,257	–	1,185,809	–	1,162,756	144,392	–	1,307,148	–	1,206,505	76,401	–	1,282,906	–
Totals, Judicial	$1,514,569	$45,763	–	$1,560,332	$1,732	$1,540,583	$146,692	–	$1,687,275	$4,708	$1,621,818	$78,673	–	$1,700,491	$4,686
Executive/Governor															
Governor's Office															
State Operations	5,595	–	–	5,595	–	5,576	–	–	5,576	–	5,301	–	–	5,301	–
Department of Information Technology															
State Operations	10,512	–	–	10,512	–	10,311	–	–	10,311	–	8,811	–	–	8,811	–
Local Assistance	150	–	–	150	–	–	–	–	–	–	–	–	–	–	–
Totals, Department of Information Technology	$10,662	–	–	$10,662	–	$10,311	–	–	$10,311	–	$8,811	–	–	$8,811	–
Office of Inspector Gen for Vets Affairs															
State Operations	470	–	–	470	–	470	–	–	470	–	441	–	–	441	–
Office of Planning and Research															
State Operations	8,918	506	–	9,424	1,872	9,335	478	–	9,813	2,490	7,863	490	–	8,353	2,532
Local Assistance	–	–	–	–	33,371	–	–	–	–	45,800	–	–	–	–	45,800
Totals, Office of Planning and Research	$8,918	$506	–	$9,424	$35,243	$9,335	$478	–	$9,813	$48,290	$7,863	$490	–	$8,353	$48,332

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2000–01, 2001–02, AND 2002–03
(Dollars in Thousands)

	Actual 2000-01					Estimated 2001-02					Estimated 2002-03				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
Office of Emergency Services															
State Operations	30,048	1,276	–	31,324	17,505	35,386	1,638	–	37,024	19,713	32,539	1,584	–	34,123	20,074
Local Assistance	55,429	1,525	–	56,954	502,256	72,144	2,605	–	74,749	735,755	30,473	2,087	–	32,560	555,365
Capital Outlay	33,183	–	–	33,183	–	5,000	–	–	5,000	–	1,631	–	–	1,631	–
Totals, Office of Emergency Services	$118,660	$2,801	–	$121,461	$519,761	$112,530	$4,243	–	$116,773	$755,468	$64,643	$3,671	–	$68,314	$575,439
Totals, Executive/Governor	$144,305	$3,307	–	$147,612	$555,004	$138,222	$4,721	–	$142,943	$803,758	$87,059	$4,161	–	$91,220	$623,771
Executive/Constitutional Offices															
Office of the Lieutenant Governor															
State Operations	1,820	–	–	1,820	–	2,605	–	–	2,605	–	2,511	–	–	2,511	–
Department of Justice															
State Operations	269,323	106,771	–	376,094	38,216	323,783	122,822	–	446,605	31,225	301,463	125,098	–	426,561	28,018
Local Assistance	25,469	557	–	26,026	–	29,802	3,062	–	32,864	–	22,287	3,069	–	25,356	–
Capital Outlay	795	–	–	795	–	17,297	317	–	17,614	–	5,000	–	–	5,000	–
Totals, Department of Justice	$295,587	$107,328	–	$402,915	$38,216	$370,882	$126,201	–	$497,083	$31,225	$328,750	$128,167	–	$456,917	$28,018
State Controller															
State Operations	68,235	4,676	170	73,081	1,023	68,791	5,145	175	74,111	1,355	64,580	5,136	175	69,891	1,359
SCO Statewide Info Technology Projects															
State Operations	4,059	–	–	4,059	–	–	–	–	–	–	–	–	–	–	–
Department of Insurance															
State Operations	1,089	120,628	–	121,717	–	1,152	128,206	–	129,358	–	1,767	130,188	–	131,955	–
Local Assistance	–	33,974	–	33,974	–	–	33,547	–	33,547	–	–	33,816	–	33,816	–
Totals, Department of Insurance	$1,089	$154,602	–	$155,691	–	$1,152	$161,753	–	$162,905	–	$1,767	$164,004	–	$165,771	–
Gambling Control Commission, California															
State Operations	–	1,904	–	1,904	–	–	4,014	–	4,014	–	–	4,958	–	4,958	–
State Board of Equalization															
State Operations	184,180	21,095	–	205,275	32	199,290	28,383	–	227,673	103	193,307	28,828	–	222,135	103
Secretary of State															
Secretary of State															
State Operations	28,562	31,852	–	60,414	–	32,385	32,172	–	64,557	–	29,344	30,619	–	59,963	–
Local Assistance	16,431	–	–	16,431	–	12,269	–	–	12,269	–	8,274	–	–	8,274	–
Totals, Secretary of State	$44,993	$31,852	–	$76,845	–	$44,654	$32,172	–	$76,826	–	$37,618	$30,619	–	$68,237	–
State Treasurer															
State Operations	5,217	150	–	5,367	–	12,067	200	–	12,267	–	8,772	–	–	8,772	–
Local Assistance	3,342	–	–	3,342	–	5,009	–	–	5,009	–	3,521	–	–	3,521	–
Totals, State Treasurer	$8,559	$150	–	$8,709	–	$17,076	$200	–	$17,276	–	$12,293	–	–	$12,293	–
Calif Debt & Investment Advisory Comm															
State Operations	–	1,256	–	1,256	–	–	1,724	–	1,724	–	–	1,734	–	1,734	–
California Debt Limit Allocation Commit															
State Operations	–	790	–	790	–	–	894	–	894	–	–	984	–	984	–
Calif Industrial Dev Financing Adv Comm															
State Operations	–	362	–	362	–	–	405	–	405	–	–	400	–	400	–
Califor Tax Credit Allocation Committee															
State Operations	–	1,818	–	1,818	–	–	2,536	–	2,536	–	–	2,315	–	2,315	–
Local Assistance	–	137	–	137	–	–	136	–	136	–	–	136	–	136	–
Totals, Califor Tax Credit Allocation Committe	–	$1,955	–	$1,955	–	–	$2,672	–	$2,672	–	–	$2,451	–	$2,451	–

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2000–01, 2001–02, AND 2002–03
(Dollars in Thousands)

	Actual 2000-01					Estimated 2001-02					Estimated 2002-03				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
Calif Alt Energy & Adv Transp Fin Auth															
State Operations	–	–	–	–	–	150	–	–	150	–	–	–	–	–	–
California Health Facilities Authority															
Local Assistance	50,000	–	–	50,000	–	–	–	–	–	–	–	–	–	–	–
Totals, Executive/Constitutional Offices	$658,522	$325,970	$170	$984,662	$39,271	$704,600	$363,563	$175	$1,068,338	$32,683	$640,826	$367,281	$175	$1,008,282	$29,480
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	$2,568,694	$375,040	$170	$2,943,904	$596,007	$2,658,941	$514,976	$175	$3,174,092	$841,149	$2,626,896	$450,115	$175	$3,077,186	$657,937
State Operations	1,126,718	293,590	170	1,420,478	59,581	1,261,117	330,917	175	1,592,209	57,319	1,221,276	334,606	175	1,556,057	54,497
Local Assistance	1,401,953	81,450	–	1,483,403	536,426	1,374,755	183,742	–	1,558,497	783,830	1,398,989	115,509	–	1,514,498	603,440
Capital Outlay	40,023	–	–	40,023	–	23,069	317	–	23,386	–	6,631	–	–	6,631	–
STATE AND CONSUMER SERVICES															
Secretary for State and Consumer Servic															
State Operations	3,361	–	–	3,361	–	1,799	–	–	1,799	–	742	–	–	742	–
California Science Center															
State Operations	15,938	2,719	–	18,657	–	15,834	2,757	–	18,591	–	14,059	2,869	–	16,928	–
Capital Outlay	3,100	–	–	3,100	–	15,313	–	–	15,313	19,500	–	–	–	–	–
Totals, California Science Center	$19,038	$2,719	–	$21,757	–	$31,147	$2,757	–	$33,904	$19,500	$14,059	$2,869	–	$16,928	–
Dept of Consumer Affairs-Regulatory Bds															
California Board of Accountancy															
State Operations	–	9,728	–	9,728	–	–	10,305	–	10,305	–	–	10,916	–	10,916	–
Board of Architectural Examiners,Cal															
State Operations	–	3,351	–	3,351	–	–	3,459	–	3,459	–	–	3,446	–	3,446	–
State Athletic Commission															
State Operations	738	123	–	861	–	870	121	–	991	–	735	102	–	837	–
Board of Behavioral Sciences															
State Operations	–	4,262	–	4,262	–	–	4,921	–	4,921	–	–	4,966	–	4,966	–
Contractors' State License Board															
State Operations	–	44,894	–	44,894	–	–	49,895	–	49,895	–	–	48,850	–	48,850	–
Board of Dentistry															
State Operations	–	–	–	–	–	–	–	–	–	–	–	8,382	–	8,382	–
Dental Board of California															
State Operations	–	5,653	–	5,653	–	–	7,214	–	7,214	–	–	–	–	–	–
Committee on Dental Auxiliaries															
State Operations	–	1,402	–	1,402	–	–	1,470	–	1,470	–	–	–	–	–	–
Board for Geologists & Geophysicists															
State Operations	–	842	–	842	–	–	1,161	–	1,161	–	–	1,106	–	1,106	–
State Board of Guide Dogs for the Blind															
State Operations	–	132	–	132	–	–	144	–	144	–	–	136	–	136	–
Medical Board of California															
State Operations	–	34,162	–	34,162	–	–	38,450	–	38,450	–	–	38,563	–	38,563	–
Acupuncture Board															
State Operations	–	1,595	–	1,595	–	–	1,882	–	1,882	–	–	1,959	–	1,959	–
Physical Therapy Board of California															
State Operations	–	1,917	–	1,917	–	–	2,111	–	2,111	–	–	2,481	–	2,481	–
Physician Assistant Committee															
State Operations	–	808	–	808	–	–	874	–	874	–	–	902	–	902	–
Podiatric Medicine, Calif Board of															
State Operations	–	977	–	977	–	–	1,058	–	1,058	–	–	1,081	–	1,081	–

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2000–01, 2001–02, AND 2002–03
(Dollars in Thousands)

	Actual 2000-01					Estimated 2001-02					Estimated 2002-03				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
Psychology, Board of															
State Operations	–	2,526	–	2,526	–	–	3,107	–	3,107	–	–	3,186	–	3,186	–
Respiratory Care Board of California															
State Operations	–	1,934	–	1,934	–	–	2,989	–	2,989	–	–	2,749	–	2,749	–
Speech-Language Patholgy & Audiolgy Exam															
State Operations	–	502	–	502	–	–	590	–	590	–	–	515	–	515	–
California Board of Occupational Therapy															
State Operations	–	61	–	61	–	–	561	–	561	–	–	642	–	642	–
State Board of Optometry															
State Operations	–	1,072	–	1,072	–	–	1,126	–	1,126	–	–	1,143	–	1,143	–
The Osteopathic Medical Board of CA															
State Operations	–	–	–	–	–	–	–	–	–	–	–	961	–	961	–
California State Board of Pharmacy															
State Operations	–	6,216	–	6,216	–	–	7,495	–	7,495	–	–	7,079	–	7,079	–
Bd for Prof Engineers & Land Surveyors															
State Operations	–	6,924	–	6,924	–	–	7,465	–	7,465	–	–	7,466	–	7,466	–
Board of Registered Nursing															
State Operations	–	12,866	–	12,866	–	–	14,547	–	14,547	–	–	16,923	–	16,923	–
Court Reporters Board of California															
State Operations	–	867	–	867	–	–	1,029	–	1,029	–	–	949	–	949	–
Structural Pest Control Board															
State Operations	–	3,204	–	3,204	–	–	3,620	–	3,620	–	–	3,669	–	3,669	–
Veterinary Medicine															
State Operations	–	–	–	–	–	–	–	–	–	–	–	1,745	–	1,745	–
Veterinary Medical Board															
State Operations	–	1,728	–	1,728	–	–	1,846	–	1,846	–	–	–	–	–	–
Bd of Voc Nurse & Psyc Tech of St of CA															
State Operations	–	–	–	–	–	–	–	–	–	–	–	5,281	–	5,281	–
Vocational Nurse Program															
State Operations	–	4,029	–	4,029	–	–	4,219	–	4,219	–	–	–	–	–	–
Psychiatric Technician Program															
State Operations	–	1,001	–	1,001	–	–	1,163	–	1,163	–	–	–	–	–	–
Totals, Dept of Consumer Affairs-Regulatory Bds	$738	$152,776	–	$153,514	–	$870	$172,822	–	$173,692	–	$735	$175,198	–	$175,933	–
Dept Consumer Affairs-Bureaus,Prog,Div															
State Operations	15,573	160,042	–	175,615	990	73,034	155,527	–	228,561	1,130	1,559	149,868	–	151,427	1,130
Local Assistance	150	–	–	150	–	–	–	–	–	–	–	–	–	–	–
Totals, Dept Consumer Affairs-Bureaus, Prog, Div	$15,723	$160,042	–	$175,765	$990	$73,034	$155,527	–	$228,561	$1,130	$1,559	$149,868	–	$151,427	$1,130
Dept of Fair Employment and Housing															
State Operations	17,944	–	–	17,944	4,088	18,003	–	–	18,003	4,108	15,275	–	–	15,275	4,108
Fair Employment and Housing Commission															
State Operations	1,268	–	–	1,268	–	1,358	–	–	1,358	–	1,192	–	–	1,192	–
Franchise Tax Board															
State Operations	374,484	6,761	–	381,245	–	397,156	9,025	–	406,181	–	398,726	8,597	–	407,323	–
Local Assistance	8,355	–	–	8,355	–	–	–	–	–	–	–	–	–	–	–
Capital Outlay	109	–	–	109	–	447	–	–	447	–	288	–	–	288	–
Totals, Franchise Tax Board	$382,948	$6,761	–	$389,709	–	$397,603	$9,025	–	$406,628	–	$399,014	$8,597	–	$407,611	–

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2000–01, 2001–02, AND 2002–03
(Dollars in Thousands)

	Actual 2000-01					Estimated 2001-02					Estimated 2002-03				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
Department of General Services															
State Operations	53,001	61,256	1,343	115,600	12,366	38,193	56,711	11,734	106,638	–	22,965	56,378	11,772	91,115	–
Local Assistance	45,000	67,854	1,430	114,284	–	75,100	115,588	4,749	195,437	–	–	146,353	–	146,353	–
Capital Outlay	768	–	7,103	7,871	105	19,412	–	24,278	43,690	1,884	–	–	21,090	21,090	–
Totals, Department of General Services	$98,769	$129,110	$9,876	$237,755	$12,471	$132,705	$172,299	$40,761	$345,765	$1,884	$22,965	$202,731	$32,862	$258,558	–
State Personnel Board															
State Operations	7,198	–	–	7,198	–	8,108	–	–	8,108	–	6,712	–	–	6,712	–
Local Assistance	–	–	–	–	–	50,000	–	–	50,000	–	50,000	–	–	50,000	–
Totals, State Personnel Board	$7,198	–	–	$7,198	–	$58,108	–	–	$58,108	–	$56,712	–	–	$56,712	–
State Teachers' Retirement System															
Unclassified	–	13	–	13	–	–	–	–	–	–	–	–	–	–	–
TOTALS, STATE AND CONSUMER SERVICES	$546,987	$451,421	$9,876	$1,008,284	$17,549	$714,627	$512,430	$40,761	$1,267,818	$26,622	$512,253	$539,263	$32,862	$1,084,378	$5,238
State Operations	489,505	383,554	1,343	874,402	17,444	554,355	396,842	11,734	962,931	5,238	461,965	392,910	11,772	866,647	5,238
Local Assistance	53,505	67,854	1,430	122,789	–	125,100	115,588	4,749	245,437	–	50,000	146,353	–	196,353	–
Capital Outlay	3,977	–	7,103	11,080	105	35,172	–	24,278	59,450	21,384	288	–	21,090	21,378	–
Unclassified	–	13	–	13	–	–	–	–	–	–	–	–	–	–	–
BUSINESS, TRANSPORTATION, AND HOUSING															
Business and Housing															
Sec for Business,Transport and Housing															
State Operations	194	898	–	1,092	–	–	972	–	972	–	–	972	–	972	–
Dept of Alcoholic Beverage Control															
State Operations	–	31,712	–	31,712	–	–	34,289	–	34,289	–	–	34,396	–	34,396	–
Local Assistance	–	1,500	–	1,500	–	–	1,500	–	1,500	–	–	1,500	–	1,500	–
Totals, Dept of Alcoholic Beverage Control	–	$33,212	–	$33,212	–	–	$35,789	–	$35,789	–	–	$35,896	–	$35,896	–
Alcoholic Beverage Control Appeals Bd															
State Operations	–	678	–	678	–	–	759	–	759	–	–	758	–	758	–
Department of Financial Institutions															
State Operations	–	17,052	–	17,052	–	–	18,853	–	18,853	–	–	19,174	–	19,174	–
Dept of Corporations															
State Operations	–	22,998	–	22,998	63	–	25,885	–	25,885	38	–	35,320	–	35,320	–
Dept of Housing & Community Development															
State Operations	6,525	4,007	1,804	12,336	4,933	6,624	4,194	1,082	11,900	6,009	5,872	4,266	883	11,021	6,264
Local Assistance	552,492	–110,000	–	442,492	111,447	88,846	–	–	88,846	122,300	31,723	–	–	31,723	111,350
Totals, Dept of Housing & Community Development	$559,017	–$105,993	$1,804	$454,828	$116,380	$95,470	$4,194	$1,082	$100,746	$128,309	$37,595	$4,266	$883	$42,744	$117,614
Office of Real Estate Appraisers															
State Operations	–	3,089	–	3,089	–	–	3,666	–	3,666	–	–	3,274	–	3,274	–
Dept of Real Estate															
State Operations	–	27,579	–	27,579	–	–	28,966	–	28,966	–	–	29,651	–	29,651	–
Department of Managed Health Care															
State Operations	–	33,419	–	33,419	–	–	32,407	–	32,407	–	–	32,451	–	32,451	–
Totals, Business and Housing	$559,211	$32,932	$1,804	$593,947	$116,443	$95,470	$151,491	$1,082	$248,043	$128,347	$37,595	$161,762	$883	$200,240	$117,614
Transportation															
California Transportation Commission															
State Operations	–	1,718	605	2,323	–	–	1,916	273	2,189	–	–	2,853	–	2,853	–
Local Assistance	–	–	103,961	103,961	–	–	–	125,000	125,000	–	–	–	125,000	125,000	–
Totals, California Transportation Commission	–	$1,718	$104,566	$106,284	–	–	$1,916	$125,273	$127,189	–	–	$2,853	$125,000	$127,853	–

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2000–01, 2001–02, AND 2002–03
(Dollars in Thousands)

	Actual 2000-01					Estimated 2001-02					Estimated 2002-03				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
Special Transportation Programs															
Local Assistance	–	115,912	–	115,912	–	–	171,000	–	171,000	–	–	115,358	–	115,358	–
Dept of Transportation															
State Operations	–	2,159,281	33,283	2,192,564	425,414	–	2,402,306	28,982	2,431,288	470,455	–	2,376,624	27,727	2,404,351	424,848
Local Assistance															
Aeronautics Program	–	5,952	–	5,952	–	–	8,227	–	8,227	–	–	8,227	–	8,227	–
Highway Transportation Program	3,083	542,419	–	545,502	1,016,008	1,405	350,273	–	351,678	1,425,017	–	421,255	–	421,255	1,114,480
Mass Transportation Program	71,800	258,005	–	329,805	18,469	90	444,790	–	444,880	68,031	–	568,933	–	568,933	18,000
Transportation Planning Program	–	10,520	–	10,520	39,793	100	18,999	–	19,099	42,000	–	11,620	–	11,620	42,000
State-Mandated Local Programs	–	1,979	–	1,979	–	–	585	–	585	–	–	555	–	555	–
Totals, Local Assistance	$74,883	$818,875	–	$893,758	$1,074,270	$1,595	$822,874	–	$824,469	$1,535,048	–	$1,010,590	–	$1,010,590	$1,174,480
Capital Outlay	1,529,995	–1,013,818	348,260	864,437	1,935,178	5	945,654	84,875	1,030,534	882,592	–	1,407,365	35,000	1,442,365	1,754,447
Unclassified	–	–	–	–	–	–	–	–	–	25,000	–	–	–	–	202,660
Totals, Dept of Transportation	$1,604,878	$1,964,338	$381,543	$3,950,759	$3,434,862	$1,600	$4,170,834	$113,857	$4,286,291	$2,913,095	–	$4,794,579	$62,727	$4,857,306	$3,556,435
High-Speed Rail Authority															
State Operations	–	6,027	–	6,027	–	–	1,056	–	1,056	–	–	7,971	–	7,971	–
Office of Traffic Safety															
State Operations	–	348	–	348	43,255	–	377	–	377	57,855	–	365	–	365	57,815
Local Assistance	–	–	–	–	29,628	–	–	–	–	26,384	–	–	–	–	26,384
Totals, Office of Traffic Safety	–	$348	–	$348	$72,883	–	$377	–	$377	$84,239	–	$365	–	$365	$84,199
Dept of the California Highway Patrol															
State Operations	33,546	857,330	–	890,876	8,841	–	959,390	–	959,390	50,427	–	1,022,991	–	1,022,991	101,577
Local Assistance	3,036	–	–	3,036	–	600	–	–	600	–	–	–	–	–	–
Capital Outlay	–	8,090	–	8,090	–	–	630	–	630	–	–	15,170	–	15,170	–
Totals, Dept of the California Highway Patrol.	$36,582	$865,420	–	$902,002	$8,841	$600	$960,020	–	$960,620	$50,427	–	$1,038,161	–	$1,038,161	$101,577
Department of Motor Vehicles															
State Operations	17,194	640,454	–	657,648	18	2,946	668,173	–	671,119	–	1,599	651,348	–	652,947	–
Capital Outlay	–	651	–	651	–	–	20,051	–	20,051	–	–	8,333	–	8,333	–
Totals, Department of Motor Vehicles	$17,194	$641,105	–	$658,299	$18	$2,946	$688,224	–	$691,170	–	$1,599	$659,681	–	$661,280	–
Totals, Transportation	$1,658,654	$3,594,868	$486,109	$5,739,631	$3,516,604	$5,146	$5,993,427	$239,130	$6,237,703	$3,047,761	$1,599	$6,618,968	$187,727	$6,808,294	$3,742,211
Statewide Distributed Costs															
General Obligation Bonds-BT&H															
State Operations	337,170	–	–	337,170	–	577,655	–	–	577,655	–	339,563	–	–	339,563	–
Totals, Statewide Distributed Costs	$337,170	–	–	$337,170	–	$577,655	–	–	$577,655	–	$339,563	–	–	$339,563	–
TOTALS, BUSINESS, TRANSPORTATION, AND HOUSING	$2,555,035	$3,627,800	$487,913	$6,670,748	$3,633,047	$678,271	$6,144,918	$240,212	$7,063,401	$3,176,108	$378,757	$6,780,730	$188,610	$7,348,097	$3,859,825
State Operations	394,629	3,806,590	35,692	4,236,911	482,524	587,225	4,183,209	30,337	4,800,771	584,784	347,034	4,222,414	28,610	4,598,058	590,504
Local Assistance	630,411	826,287	103,961	1,560,659	1,215,345	91,041	995,374	125,000	1,211,415	1,683,732	31,723	1,127,448	125,000	1,284,171	1,312,214
Capital Outlay	1,529,995	–1,005,077	348,260	873,178	1,935,178	5	966,335	84,875	1,051,215	882,592	–	1,430,868	35,000	1,465,868	1,754,447
Unclassified	–	–	–	–	–	–	–	–	–	25,000	–	–	–	–	202,660

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2000–01, 2001–02, AND 2002–03
(Dollars in Thousands)

	Actual 2000-01					Estimated 2001-02					Estimated 2002-03				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
TECHNOLOGY, TRADE, AND COMMERCE AGENCY															
Technology, Trade, and Commerce Agency															
State Operations	46,602	577	–	47,179	987	39,053	1,334	–	40,387	1,355	38,471	1,074	–	39,545	1,522
Local Assistance	97,711	–11,245	–	86,466	8,085	29,810	14,808	–	44,618	9,122	33,423	8,453	–	41,876	10,169
Totals, Technology, Trade, and Commerce Agency	$144,313	–$10,668	–	$133,645	$9,072	$68,863	$16,142	–	$85,005	$10,477	$71,894	$9,527	–	$81,421	$11,691
TOTALS, TECHNOLOGY, TRADE, AND COMMERCE AGENCY	$144,313	–$10,668	–	$133,645	$9,072	$68,863	$16,142	–	$85,005	$10,477	$71,894	$9,527	–	$81,421	$11,691
State Operations	46,602	577	–	47,179	987	39,053	1,334	–	40,387	1,355	38,471	1,074	–	39,545	1,522
Local Assistance	97,711	–11,245	–	86,466	8,085	29,810	14,808	–	44,618	9,122	33,423	8,453	–	41,876	10,169
RESOURCES															
Secretary for Resources															
State Operations	4,498	915	82	5,495	300	6,937	986	168,620	176,543	324	3,606	934	153,417	157,957	153
Local Assistance	3,350	–	28,366	31,716	–	8,417	–	41,404	49,821	–	–	–	10,000	10,000	–
Totals, Secretary for Resources	$7,848	$915	$28,448	$37,211	$300	$15,354	$986	$210,024	$226,364	$324	$3,606	$934	$163,417	$167,957	$153
Special Resources Program															
State Operations	1,000	101	–	1,101	–	800	100	–	900	–	100	100	–	200	–
Local Assistance	2,527	167	–	2,694	–	3,360	1,007	–	4,367	–	3,047	1,007	–	4,054	–
Totals, Special Resources Program	$3,527	$268	–	$3,795	–	$4,160	$1,107	–	$5,267	–	$3,147	$1,107	–	$4,254	–
California Tahoe Conservancy															
State Operations	3,539	72	121	3,732	–	4,174	80	305	4,559	–	3,128	178	509	3,815	–
Local Assistance	5,689	5,162	–	10,851	–	4,474	1	837	5,312	–	–	–	5,000	5,000	–
Capital Outlay	6,874	5,490	9,114	21,478	–	11,780	3,426	6,622	21,828	–	–	1,195	14,278	15,473	–
Totals, California Tahoe Conservancy	$16,102	$10,724	$9,235	$36,061	–	$20,428	$3,507	$7,764	$31,699	–	$3,128	$1,373	$19,787	$24,288	–
California Conservation Corps															
State Operations	52,497	27,197	560	80,254	9,908	62,827	26,294	621	89,742	501	53,504	26,302	625	80,431	495
Local Assistance	–	–	2,393	2,393	–	–	–	2,904	2,904	–	–	–	2,900	2,900	–
Capital Outlay	1,345	–	–	1,345	–	1,036	–	–	1,036	–	659	–	–	659	–
Totals, California Conservation Corps	$53,842	$27,197	$2,953	$83,992	$9,908	$63,863	$26,294	$3,525	$93,682	$501	$54,163	$26,302	$3,525	$83,990	$495
Energy Resources Conservation & Dev Com															
State Operations	61,721	309,755	–	371,476	11,465	8,798	226,691	–	235,489	20,118	5,722	210,604	–	216,326	10,068
Local Assistance	244,301	–27,046	–	217,255	–	70,227	39,364	–	109,591	–	–	6,925	–	6,925	–
Totals, Energy Resources Conservation & Dev Com	$306,022	$282,709	–	$588,731	$11,465	$79,025	$266,055	–	$345,080	$20,118	$5,722	$217,529	–	$223,251	$10,068
Renewable Resources Investment Program															
State Operations	–	3,150	–	3,150	–	–	1,600	–	1,600	–	–	1,600	–	1,600	–
Colorado River Board of California															
State Operations	179	15	–	194	–	225	15	–	240	–	218	15	–	233	–
Department of Conservation															
State Operations	21,933	491,167	551	513,651	621	21,902	504,914	1,003	527,819	1,673	21,717	491,522	1,010	514,249	1,701
Local Assistance	6,547	2,000	–	8,547	–	120	–	10,000	10,120	–	120	–	5,000	5,120	–
Totals, Department of Conservation	$28,480	$493,167	$551	$522,198	$621	$22,022	$504,914	$11,003	$537,939	$1,673	$21,837	$491,522	$6,010	$519,369	$1,701

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2000–01, 2001–02, AND 2002–03
(Dollars in Thousands)

	Actual 2000-01					Estimated 2001-02					Estimated 2002-03				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
Department of Forestry and Fire Protect															
State Operations	417,457	5,491	74	423,022	37,364	474,057	8,030	212	482,299	25,311	311,738	7,454	221	319,413	16,644
Local Assistance	537	–	1,225	1,762	–	209	–	1,375	1,584	–	91	–	1,175	1,266	–
Capital Outlay	13,446	–	–	13,446	–	19,717	–	–	19,717	–	485	–	–	485	–
Totals, Department of Forestry and Fire Protect	$431,440	$5,491	$1,299	$438,230	$37,364	$493,983	$8,030	$1,587	$503,600	$25,311	$312,314	$7,454	$1,396	$321,164	$16,644
State Lands Commission															
State Operations	10,035	6,291	–	16,326	5	14,496	6,891	–	21,387	145	11,877	7,228	–	19,105	–
Local Assistance	580	–	–	580	–	–	–	–	–	–	–	–	–	–	–
Totals, State Lands Commission	$10,615	$6,291	–	$16,906	$5	$14,496	$6,891	–	$21,387	$145	$11,877	$7,228	–	$19,105	–
Department of Fish and Game															
State Operations	68,827	130,213	14,277	213,317	35,644	67,080	137,406	6,254	210,740	34,599	56,163	124,986	14,791	195,940	32,273
Local Assistance	13,479	824	–	14,303	–	1,835	933	–	2,768	–	635	933	–	1,568	–
Capital Outlay	376	40	601	1,017	288	1,680	2,126	307	4,113	200	–	2,000	1,768	3,768	14
Totals, Department of Fish and Game	$82,682	$131,077	$14,878	$228,637	$35,932	$70,595	$140,465	$6,561	$217,621	$34,799	$56,798	$127,919	$16,559	$201,276	$32,287
Wildlife Conservation Board															
State Operations	229	1,209	172	1,610	–	705	1,381	379	2,465	–	431	1,381	379	2,191	–
Local Assistance	–	–	–	–	–	300	–	–	300	–	–	–	–	–	–
Capital Outlay	207,972	–12,659	50,977	246,290	–	77,349	45,119	232,552	355,020	–	21,301	213	30,000	51,514	–
Totals, Wildlife Conservation Board	$208,201	–$11,450	$51,149	$247,900	–	$78,354	$46,500	$232,931	$357,785	–	$21,732	$1,594	$30,379	$53,705	–
Dept of Boating & Waterways															
State Operations	–	–	–	–	2,763	–	–	–	–	3,153	–	–	–	–	3,603
Local Assistance	10,230	59	–	10,289	2,258	–	–	–	–	2,928	–	750	–	750	3,078
Unclassified	–	31,757	–	31,757	–	–	32,551	–	32,551	–	–	18,365	–	18,365	–
Totals, Dept of Boating & Waterways	$10,230	$31,816	–	$42,046	$5,021	–	$32,551	–	$32,551	$6,081	–	$19,115	–	$19,115	$6,681
California Coastal Commission															
State Operations	11,557	371	–	11,928	2,827	11,430	394	–	11,824	3,111	10,777	426	–	11,203	3,120
Local Assistance	550	359	–	909	–	600	359	–	959	–	500	509	–	1,009	–
Totals, California Coastal Commission	$12,107	$730	–	$12,837	$2,827	$12,030	$753	–	$12,783	$3,111	$11,277	$935	–	$12,212	$3,120
State Coastal Conservancy															
State Operations	2,295	–	27	2,322	107	2,582	–	1,783	4,365	111	2,201	–	1,500	3,701	111
Local Assistance	–	–	–	–	–	1,690	–	–	1,690	–	–	–	–	–	–
Capital Outlay	84,863	5,318	39,841	130,022	597	13,021	15,032	210,830	238,883	5,552	–	5,000	17,750	22,750	2,000
Totals, State Coastal Conservancy	$87,158	$5,318	$39,868	$132,344	$704	$17,293	$15,032	$212,613	$244,938	$5,663	$2,201	$5,000	$19,250	$26,451	$2,111
Native American Heritage Commission															
State Operations	308	–	–	308	–	330	–	–	330	–	327	–	–	327	–
Dept of Parks and Recreation															
State Operations	181,945	86,255	8,983	277,183	2,467	204,913	103,162	23,723	331,798	2,940	112,350	107,443	32,837	252,630	2,948
Local Assistance	44,993	14,084	83,999	143,076	4,578	30,576	42,499	698,149	771,224	21,256	–	18,486	17,121	35,607	12,575
Capital Outlay	8,439	8,299	71,785	88,523	1,268	20,138	23,053	269,640	312,831	1,500	–	9,198	39,208	48,406	1,500
Totals, Dept of Parks and Recreation	$235,377	$108,638	$164,767	$508,782	$8,313	$255,627	$168,714	$991,512	$1,415,853	$25,696	$112,350	$135,127	$89,166	$336,643	$17,023
Santa Monica Mountains Conservancy															
State Operations	–	585	–	585	–	–	657	–	657	–	–	655	–	655	–
Capital Outlay	5,630	–	20,966	26,596	–	–	–	17,285	17,285	–	–	–	728	728	–
Totals, Santa Monica Mountains Conservancy	$5,630	$585	$20,966	$27,181	–	–	$657	$17,285	$17,942	–	–	$655	$728	$1,383	–

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2000–01, 2001–02, AND 2002–03
(Dollars in Thousands)

	Actual 2000-01					Estimated 2001-02					Estimated 2002-03				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
San Francisco Bay Conserv & Develop Com															
State Operations	3,794	–	–	3,794	–	4,300	–	–	4,300	–	4,148	–	–	4,148	–
San Gabriel/Lower LA Rivers/Mnts Consvcy															
State Operations	–	243	–	243	–	–	247	–	247	–	–	265	–	265	–
San Joaquin River Conservancy															
State Operations	–	216	–	216	–	–	236	–	236	–	–	253	–	253	–
Baldwin Hills Conservancy															
State Operations	–	–	–	–	–	262	–	–	262	–	–	262	–	262	–
Delta Protection Commission															
State Operations	–	145	–	145	–	–	150	–	150	–	–	142	–	142	–
Coachella Valley Mountains Conservancy															
State Operations	–	96	–	96	–	–	142	–	142	–	–	159	–	159	–
Capital Outlay	–	–	215	215	–	–	100	4,639	4,739	–	–	–	–	–	–
Totals, Coachella Valley Mountains Conservancy	–	$96	$215	$311	–	–	$242	$4,639	$4,881	–	–	$159	–	$159	–
Department of Water Resources															
State Operations	255,834	2,416	22,908	281,158	5,376	102,503	2,414	51,650	156,567	60,247	90,389	2,545	91,217	184,151	60,240
Local Assistance	145,200	–50,000	294,308	389,508	–	57,855	6,000	246,911	310,766	–	17,100	57,000	185,278	259,378	–
Capital Outlay	12,226	–	3,682	15,908	–	48,782	–	24,088	72,870	–	7,181	–	1,000	8,181	–
Totals, Department of Water Resources	$413,260	–$47,584	$320,898	$686,574	$5,376	$209,140	$8,414	$322,649	$540,203	$60,247	$114,670	$59,545	$277,495	$451,710	$60,240
General Obligation Bonds-Resources															
State Operations	193,205	–	–	193,205	–	196,543	–	–	196,543	–	253,406	–	–	253,406	–
TOTALS, RESOURCES	$2,110,007	$1,049,757	$655,227	$3,814,991	$117,836	$1,558,030	$1,233,360	$2,022,093	$4,813,483	$183,669	$992,921	$1,106,035	$627,712	$2,726,668	$150,523
State Operations	1,290,853	1,065,903	47,755	2,404,511	108,847	1,184,864	1,021,790	254,550	2,461,204	152,233	941,802	984,454	296,506	2,222,762	131,356
Local Assistance	477,983	–54,391	410,291	833,883	6,836	179,663	90,163	1,001,580	1,271,406	24,184	21,493	85,610	226,474	333,577	15,653
Capital Outlay	341,171	6,488	197,181	544,840	2,153	193,503	88,856	765,963	1,048,322	7,252	29,626	17,606	104,732	151,964	3,514
Unclassified	–	31,757	–	31,757	–	–	32,551	–	32,551	–	–	18,365	–	18,365	–
CALIF ENVIRONMENTAL PROTECTION AGENCY															
Secretary for Environmental Protection															
State Operations	4,209	1,625	–	5,834	–	3,684	2,569	–	6,253	–	2,895	2,708	–	5,603	–
State Air Resources Board															
State Operations	195,127	79,062	–	274,189	6,873	68,796	112,310	–	181,106	15,664	30,963	76,490	–	107,453	10,664
Local Assistance	–	15,111	–	15,111	–	75	15,111	–	15,186	–	–	10,111	–	10,111	–
Capital Outlay	–	271	–	271	–	–	2,425	–	2,425	–	–	–	–	–	–
Totals, State Air Resources Board	$195,127	$94,444	–	$289,571	$6,873	$68,871	$129,846	–	$198,717	$15,664	$30,963	$86,601	–	$117,564	$10,664
Calif Integrated Waste Management Board															
State Operations	1,184	71,807	228	73,219	3	210	87,933	261	88,404	55	116	88,171	147	88,434	66
Local Assistance	520	28,150	2,543	31,213	–	–	32,759	2,558	35,317	–	–	28,128	–	28,128	–
Totals, Calif Integrated Waste Management Board	$1,704	$99,957	$2,771	$104,432	$3	$210	$120,692	$2,819	$123,721	$55	$116	$116,299	$147	$116,562	$66
Department of Pesticide Regulation															
State Operations	14,166	27,373	–	41,539	2,054	14,726	32,017	–	46,743	2,241	14,344	29,138	–	43,482	2,192
Local Assistance	2,723	12,794	–	15,517	–	2,681	10,858	–	13,539	–	2,618	10,936	–	13,554	–
Totals, Department of Pesticide Regulation	$16,889	$40,167	–	$57,056	$2,054	$17,407	$42,875	–	$60,282	$2,241	$16,962	$40,074	–	$57,036	$2,192

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2000–01, 2001–02, AND 2002–03
(Dollars in Thousands)

	Actual 2000-01					Estimated 2001-02					Estimated 2002-03				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
State Water Resources Control Board															
State Operations	86,745	257,968	2,456	347,169	30,604	108,240	258,101	7,169	373,510	40,163	87,313	292,270	5,835	385,418	40,300
Local Assistance	13,365	–	54,641	68,006	136,352	1,503	–	538,403	539,906	90,000	–	–	135,202	135,202	90,000
Totals, State Water Resources Control Board	$100,110	$257,968	$57,097	$415,175	$166,956	$109,743	$258,101	$545,572	$913,416	$130,163	$87,313	$292,270	$141,037	$520,620	$130,300
Department of Toxic Substances Control															
State Operations	127,737	–9,765	917	118,889	22,013	188,234	111,582	510	300,326	22,775	31,448	97,659	–	129,107	22,128
Local Assistance	–	–	–	–	–	–	5,486	–	5,486	–	–	–	–	–	–
Capital Outlay	–	–	–	–	–	900	–	–	900	–	–	–	–	–	–
Totals, Department of Toxic Substances Control	$127,737	–$9,765	$917	$118,889	$22,013	$189,134	$117,068	$510	$306,712	$22,775	$31,448	$97,659	–	$129,107	$22,128
Ofc of Environmental Health Hazard Asmt															
State Operations	11,787	711	–	12,498	10	15,226	818	–	16,044	–	13,620	822	–	14,442	–
General Obligation Bonds-Environmental															
State Operations	21,712	–	–	21,712	–	18,471	–	–	18,471	–	19,752	–	–	19,752	–
TOTALS, CALIF ENVIRONMENTAL PROTECTION AGENCY	$479,275	$485,107	$60,785	$1,025,167	$197,909	$422,746	$671,969	$548,901	$1,643,616	$170,898	$203,069	$636,433	$141,184	$980,686	$165,350
State Operations	462,667	428,781	3,601	895,049	61,557	417,587	605,330	7,940	1,030,857	80,898	200,451	587,258	5,982	793,691	75,350
Local Assistance	16,608	56,055	57,184	129,847	136,352	4,259	64,214	540,961	609,434	90,000	2,618	49,175	135,202	186,995	90,000
Capital Outlay	–	271	–	271	–	900	2,425	–	3,325	–	–	–	–	–	–
HEALTH AND HUMAN SERVICES															
Secretary for Cal Health & Human Serv Ag															
State Operations	1,793	–	–	1,793	–	3,247	–	–	3,247	–	3,503	–	–	3,503	–
State Council Developmental Disabilities															
State Operations	–	–	–	–	5,601	–	–	–	–	6,894	–	–	–	–	5,874
Area Bds on Developmental Disabilities															
State Operations	140	–	–	140	–	–	–	–	–	–	–	–	–	–	–
Emergency Medical Services Authority															
State Operations	1,840	997	–	2,837	1,165	1,780	1,445	–	3,225	1,531	1,532	1,345	–	2,877	1,222
Local Assistance	7,207	–	–	7,207	1,229	32,207	–280	–	31,927	2,084	7,207	–	–	7,207	2,084
Totals, Emergency Medical Services Authority	$9,047	$997	–	$10,044	$2,394	$33,987	$1,165	–	$35,152	$3,615	$8,739	$1,345	–	$10,084	$3,306
Office Statewide Health Planning-Develop															
State Operations	742	33,968	–	34,710	331	842	37,302	–	38,144	498	716	38,177	–	38,893	498
Local Assistance	8,004	998	–	9,002	1,000	8,635	1,047	–	9,682	1,000	4,431	1,047	–	5,478	1,000
Totals, Office Statewide Health Planning-Develop	$8,746	$34,966	–	$43,712	$1,331	$9,477	$38,349	–	$47,826	$1,498	$5,147	$39,224	–	$44,371	$1,498
Department of Aging															
State Operations	6,387	147	–	6,534	5,040	7,349	178	–	7,527	6,365	5,484	182	–	5,666	6,356
Local Assistance	53,711	1,387	–	55,098	102,954	38,883	1,418	–	40,301	123,105	34,652	1,418	–	36,070	123,105
Totals, Department of Aging	$60,098	$1,534	–	$61,632	$107,994	$46,232	$1,596	–	$47,828	$129,470	$40,136	$1,600	–	$41,736	$129,461
Commission on Aging															
State Operations	–	–	–	–	286	–	–	–	–	297	–	–	–	–	297
Local Assistance	30	–	–	30	–	–	–	–	–	–	–	–	–	–	–
Totals, Commission on Aging	$30	–	–	$30	$286	–	–	–	–	$297	–	–	–	–	$297

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2000–01, 2001–02, AND 2002–03
(Dollars in Thousands)

	Actual 2000-01					Estimated 2001-02					Estimated 2002-03				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
Dept of Alcohol and Drug Programs															
State Operations	4,634	1,262	–	5,896	19,079	5,402	3,838	–	9,240	19,538	7,784	3,885	–	11,669	18,850
Local Assistance	160,257	–1,219	–	159,038	292,940	251,479	–2,977	–	248,502	234,015	215,398	–2,977	–	212,421	231,421
Totals, Dept of Alcohol and Drug Programs	$164,891	$43	–	$164,934	$312,019	$256,881	$861	–	$257,742	$253,553	$223,182	$908	–	$224,090	$250,271
Child Development Policy Advisory Comm															
State Operations	491	–	–	491	–	497	–	–	497	–	227	–	–	227	–
Children & Families Commission, CA															
State Operations	–	4,041	–	4,041	–	–	7,900	–	7,900	–	–	7,900	–	7,900	–
Local Assistance	–	581,571	–	581,571	–	–	898,622	–	898,622	–	–	659,397	–	659,397	–
Totals, Children & Families Commission, CA	–	$585,612	–	$585,612	–	–	$906,522	–	$906,522	–	–	$667,297	–	$667,297	–
Dept of Health Services															
State Operations	278,781	145,917	–	424,698	312,063	260,949	215,919	–	476,868	347,656	240,625	233,395	–	474,020	368,173
Local Assistance															
Medical Assistance Program	9,167,592	–	–	9,167,592	13,422,078	9,704,674	173,645	–	9,878,319	15,175,425	10,071,771	143,900	–	10,215,671	15,021,426
Public Health Services	456,673	256,298	–	712,971	1,071,075	427,745	299,361	–	727,106	1,117,393	403,417	519,338	–	922,755	1,115,443
Totals, Local Assistance	$9,624,265	$256,298	–	$9,880,563	$14,493,153	$10,132,419	$473,006	–	$10,605,425	$16,292,818	$10,475,188	$663,238	–	$11,138,426	$16,136,869
Capital Outlay	1,845	–	–	1,845	–	–	–	–	–	–	150	–	–	150	–
Totals, Dept of Health Services	$9,904,891	$402,215	–	$10,307,106	$14,805,216	$10,393,368	$688,925	–	$11,082,293	$16,640,474	$10,715,963	$896,633	–	$11,612,596	$16,505,042
California Medical Assistance Commissio															
State Operations	1,128	–	–	1,128	–	1,283	–	–	1,283	–	1,096	–	–	1,096	–
Managed Risk Medical Insurance Board															
State Operations	1,378	1,395	–	2,773	2,348	2,356	1,749	–	4,105	4,160	1,777	1,690	–	3,467	3,598
Local Assistance	141,121	104,511	–	245,632	248,493	152,786	161,087	–	313,873	338,766	–	362,711	–	362,711	398,137
Totals, Managed Risk Medical Insurance Board	$142,499	$105,906	–	$248,405	$250,841	$155,142	$162,836	–	$317,978	$342,926	$1,777	$364,401	–	$366,178	$401,735
Department of Developmental Services															
State Operations	190,832	234	–	191,066	1,917	381,543	252	–	381,795	2,526	364,442	252	–	364,694	2,486
Local Assistance	936,260	3,700	–	939,960	48,141	1,497,589	4,700	–	1,502,289	45,078	1,642,921	1,800	–	1,644,721	45,667
Capital Outlay	4,932	–	–	4,932	–	7,412	–	–	7,412	–	3,780	–	–	3,780	–
Totals, Department of Developmental Services	$1,132,024	$3,934	–	$1,135,958	$50,058	$1,886,544	$4,952	–	$1,891,496	$47,604	$2,011,143	$2,052	–	$2,013,195	$48,153
Department of Mental Health															
State Operations	454,272	756	–	455,028	2,010	502,306	915	–	503,221	2,518	516,879	915	–	517,794	2,751
Local Assistance	414,733	773	–	415,506	47,014	486,915	2,619	–	489,534	57,189	426,484	1,219	–	427,703	56,956
Capital Outlay	10,437	–	–	10,437	–	3,102	–	–	3,102	–	736	–	–	736	–
Totals, Department of Mental Health	$879,442	$1,529	–	$880,971	$49,024	$992,323	$3,534	–	$995,857	$59,707	$944,099	$2,134	–	$946,233	$59,707
Department of Community Services & Deve															
State Operations	571	–	–	571	8,553	3,118	–	–	3,118	9,801	288	–	–	288	9,365
Local Assistance	34,345	–	–	34,345	161,032	44,209	–	–	44,209	116,520	2,701	–	–	2,701	112,053
Totals, Department of Community Services & Deve	$34,916	–	–	$34,916	$169,585	$47,327	–	–	$47,327	$126,321	$2,989	–	–	$2,989	$121,418
Employment Development Dept															
State Operations	28,265	56,840	–	85,105	697,585	34,059	55,554	–	89,613	872,044	28,199	51,700	–	79,899	800,767
Local Assistance	2,675	–	–	2,675	3,255,977	900	–	–	900	4,419,184	–	–	–	–	4,912,978
Capital Outlay	–	–	–	–	–	–	–	–	–	3,758	–	–	–	–	–325
Totals, Employment Development Dept	$30,940	$56,840	–	$87,780	$3,953,562	$34,959	$55,554	–	$90,513	$5,294,986	$28,199	$51,700	–	$79,899	$5,713,420

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2000–01, 2001–02, AND 2002–03
(Dollars in Thousands)

	Actual 2000-01					Estimated 2001-02					Estimated 2002-03				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
Workforce Investment Board, California															
State Operations	–	–	–	–	2,990	–	–	–	–	4,807	–	–	–	–	4,878
Dept of Rehabilitation															
State Operations	47,680	–	–	47,680	257,691	46,189	–	–	46,189	269,102	46,933	–	–	46,933	275,042
Local Assistance	111,257	–	–	111,257	8,426	119,943	–	–	119,943	11,513	120,642	–	–	120,642	14,934
Capital Outlay	295	–	–	295	–	–	–	–	–	–	–	–	–	–	–
Totals, Dept of Rehabilitation	$159,232	–	–	$159,232	$266,117	$166,132	–	–	$166,132	$280,615	$167,575	–	–	$167,575	$289,976
Department of Child Support Services															
State Operations	28,502	–	–	28,502	66,480	31,700	–	–	31,700	75,815	30,700	–	–	30,700	74,387
Local Assistance	318,467	–	–	318,467	139,554	419,579	–	–	419,579	327,722	257,786	–	–	257,786	283,957
Totals, Department of Child Support Services.	$346,969	–	–	$346,969	$206,034	$451,279	–	–	$451,279	$403,537	$288,486	–	–	$288,486	$358,344
Dept of Social Services															
State Operations	98,450	4,842	–	103,292	292,905	97,563	5,627	–	103,190	312,379	93,009	6,156	–	99,165	308,693
Local Assistance															
CalWorks	1,965,870	–	–	1,965,870	3,249,483	2,014,767	–	–	2,014,767	3,324,207	2,150,945	–	–	2,150,945	3,604,101
Foster Care	388,217	–5	–	388,212	478,986	416,378	–	–	416,378	479,910	426,144	–	–	426,144	460,060
SSI/SSP	2,555,047	–	–	2,555,047	–	2,821,352	–	–	2,821,352	–	3,049,102	–	–	3,049,102	–
Refugee Cash Assistance	–	–	–	–	4,144	–	–	–	–	6,267	–	–	–	–	6,354
County Administration	306,054	–	–	306,054	328,777	338,010	–	–	338,010	404,849	315,448	–	–	315,448	410,139
Community Care Licensing	7,133	100	–	7,233	10,120	7,530	30	–	7,560	7,478	11,816	30	–	11,846	8,026
Child Welfare Services	513,807	353	–	514,160	935,008	586,251	429	–	586,680	1,059,096	589,773	493	–	590,266	1,046,416
Special Programs	83,754	–	–	83,754	24,537	76,604	–	–	76,604	23,008	75,375	–	–	75,375	23,008
Other Programs	1,010,237	559	–	1,010,796	269,673	1,281,106	333	–	1,281,439	401,344	1,333,946	309	–	1,334,255	429,028
Totals, Local Assistance	$6,830,119	$1,007	–	$6,831,126	$5,300,728	$7,541,998	$792	–	$7,542,790	$5,706,159	$7,952,549	$832	–	$7,953,381	$5,987,132
Totals, Dept of Social Services	$6,928,569	$5,849	–	$6,934,418	$5,593,633	$7,639,561	$6,419	–	$7,645,980	$6,018,538	$8,045,558	$6,988	–	$8,052,546	$6,295,825
State-Local Realignment															
Local Assistance	–	3,088,797	–	3,088,797	–	–	2,915,648	–	2,915,648	–	–	2,752,370	–	2,752,370	–
General Obligation Bonds-H&HS															
State Operations	3,551	–	–	3,551	–	3,367	–	–	3,367	–	3,185	–	–	3,185	–
Miscellaneous Adjustments-H&HS															
Local Assistance	–	–	–	–	–	–400,000	–	–	–400,000	400,000	–50,000	–	–	–50,000	50,000
TOTALS, HEALTH AND HUMAN SERVICES	$19,809,397	$4,288,222	–	$24,097,619	$25,776,685	$21,721,606	$4,786,361	–	$26,507,967	$30,014,842	$22,441,004	$4,786,652	–	$27,227,656	$30,239,205
State Operations	1,149,437	250,399	–	1,399,836	1,676,044	1,383,550	330,679	–	1,714,229	1,935,931	1,346,379	345,597	–	1,691,976	1,883,237
Local Assistance	18,642,451	4,037,823	–	22,680,274	24,100,641	20,327,542	4,455,682	–	24,783,224	28,075,153	21,089,959	4,441,055	–	25,531,014	28,356,293
Capital Outlay	17,509	–	–	17,509	–	10,514	–	–	10,514	3,758	4,666	–	–	4,666	–325
YOUTH AND ADULT CORRECTIONAL AGENCY															
Sec for Youth and Adult Corrections															
State Operations	3,023	–	–	3,023	–	1,020	–	–	1,020	–	969	–	–	969	–
Office of the Inspector General															
State Operations	10,391	–	–	10,391	–	11,007	–	–	11,007	–	9,985	–	–	9,985	–

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2000–01, 2001–02, AND 2002–03
(Dollars in Thousands)

	Actual 2000-01					Estimated 2001-02					Estimated 2002-03				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
Dept of Corrections															
State Operations	4,474,275	–	–	4,474,275	2,565	4,640,566	–	–	4,640,566	1,934	4,641,875	–	–	4,641,875	2,017
Local Assistance															
Transportation of Prisoners	92	–	–	92	–	278	–	–	278	–	278	–	–	278	–
Returning Fugitives	2,592	–	–	2,592	–	2,593	–	–	2,593	–	2,593	–	–	2,593	–
Court Costs and County Charges	12,239	–	–	12,239	–	12,261	–	–	12,261	–	12,261	–	–	12,261	–
Asst to Counties for Detentn of Parolees.	33,571	–	–	33,571	–	32,138	–	–	32,138	–	32,138	–	–	32,138	–
State Mandated Local Programs	2,879	–	–	2,879	–	5,426	–	–	5,426	–	1,999	–	–	1,999	–
Totals, Local Assistance	$51,373	–	–	$51,373	–	$52,696	–	–	$52,696	–	$49,269	–	–	$49,269	–
Capital Outlay	59,286	–	2,416	61,702	–	82,745	–	1,800	84,545	–	9,749	–	–	9,749	–
Totals, Dept of Corrections	$4,584,934	–	$2,416	$4,587,350	$2,565	$4,776,007	–	$1,800	$4,777,807	$1,934	$4,700,893	–	–	$4,700,893	$2,017
Board of Corrections															
State Operations	5,020	2,353	–	7,373	1,126	5,237	2,272	–	7,509	1,252	4,521	2,333	–	6,854	1,252
Local Assistance	137,866	15,582	346	153,794	35,868	37,437	17,009	–	54,446	31,969	84,078	17,236	–	101,314	57,699
Totals, Board of Corrections	$142,886	$17,935	$346	$161,167	$36,994	$42,674	$19,281	–	$61,955	$33,221	$88,599	$19,569	–	$108,168	$58,951
Board of Prison Terms															
State Operations	25,796	–	–	25,796	–	32,296	–	–	32,296	–	30,536	–	–	30,536	–
Youthful Offender Parole Board															
State Operations	3,476	–	–	3,476	–	3,471	–	–	3,471	–	3,289	–	–	3,289	–
Dept of the Youth Authority															
State Operations	330,325	–	–	330,325	1,471	344,519	–	–	344,519	1,471	332,369	–	–	332,369	1,453
Local Assistance															
Transportation of Wards	12	–	–	12	–	92	–	–	92	–	78	–	–	78	–
Asst to Counties for Detentn of Parolees.	932	–	–	932	–	2,827	–	–	2,827	–	2,403	–	–	2,403	–
Regional Youth Education Centers	15,802	–	–	15,802	–	8,884	–	–	8,884	–	–	–	–	–	–
County Correction Facil (Juvenile Facil)	–	–	239	239	–	–	–	346	346	–	–	–	–	–	–
Yg Men as Fathers Preventing/Mentor Prog	925	–	–	925	–	1,000	–	–	1,000	–	850	–	–	850	–
Totals, Local Assistance	$17,671	–	$239	$17,910	–	$12,803	–	$346	$13,149	–	$3,331	–	–	$3,331	–
Capital Outlay	13,629	–	–	13,629	–	13,756	–	–	13,756	–	2,289	–	–	2,289	–
Totals, Dept of the Youth Authority	$361,625	–	$239	$361,864	$1,471	$371,078	–	$346	$371,424	$1,471	$337,989	–	–	$337,989	$1,453
Correctional Peace Officer Standards/Trg															
State Operations	2,196	–	–	2,196	–	2,359	–	–	2,359	–	2,217	–	–	2,217	–
Federal Immigration Funding-Incarceratn															
State Operations	–167,641	–	–	–167,641	167,641	–158,327	–	–	–158,327	158,327	–208,300	–	–	–208,300	208,300
General Obligation Bonds-YAC															
State Operations	331,681	–	–	331,681	–	290,468	–	–	290,468	–	308,188	–	–	308,188	–
TOTALS, YOUTH AND ADULT CORRECTIONAL AGENCY	$5,298,367	$17,935	$3,001	$5,319,303	$208,671	$5,372,053	$19,281	$2,146	$5,393,480	$194,953	$5,274,365	$19,569	–	$5,293,934	$270,721
State Operations	5,018,542	2,353	–	5,020,895	172,803	5,172,616	2,272	–	5,174,888	162,984	5,125,649	2,333	–	5,127,982	213,022
Local Assistance	206,910	15,582	585	223,077	35,868	102,936	17,009	346	120,291	31,969	136,678	17,236	–	153,914	57,699
Capital Outlay	72,915	–	2,416	75,331	–	96,501	–	1,800	98,301	–	12,038	–	–	12,038	–

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2000–01, 2001–02, AND 2002–03
(Dollars in Thousands)

	Actual 2000-01					Estimated 2001-02					Estimated 2002-03				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
EDUCATION															
K thru 12 Education															
Office of the Secretary for Education															
State Operations	6,900	–	–	6,900	–	9,350	–	–	9,350	–	2,404	–	–	2,404	–
Local Assistance	11,116	–	–	11,116	–	12,990	–	–	12,990	–	12,000	–	–	12,000	–
Totals, Office of the Secretary for Education	$18,016	–	–	$18,016	–	$22,340	–	–	$22,340	–	$14,404	–	–	$14,404	–
Scholarshare Investment Board															
State Operations	963	–	–	963	–	1,271	–	–	1,271	–	1,271	–	–	1,271	–
Local Assistance	105,000	–	–	105,000	–	118,000	–	–	118,000	–	128,000	–	–	128,000	–
Totals, Scholarshare Investment Board	$105,963	–	–	$105,963	–	$119,271	–	–	$119,271	–	$129,271	–	–	$129,271	–
Department of Education															
Department of Education															
State Operations	118,455	3,392	245	122,092	97,576	128,237	2,143	1,920	132,300	114,383	114,522	2,020	1,920	118,462	113,905
Local Assistance															
Adult Education	590,548	–	–	590,548	53,736	618,615	–	–	618,615	74,105	612,029	–	–	612,029	73,780
Apportionments—District and County	15,176,481	14,104	–	15,190,585	–	15,777,608	8,500	–	15,786,108	–	15,746,127	8,500	–	15,754,627	–
Child Development	1,248,755	–	–	1,248,755	866,498	1,379,497	–	–	1,379,497	964,035	1,607,380	–	–	1,607,380	902,193
Child Nutrition	78,818	–	–	78,818	1,207,187	84,478	–	–	84,478	1,379,256	86,273	–	–	86,273	1,409,456
Categorical Programs	7,610,144	27,658	–	7,637,802	1,703,213	8,056,730	27,844	–	8,084,574	2,058,209	8,102,866	27,844	–	8,130,710	1,916,846
Pupil Assessment	112,392	–	–	112,392	–	126,477	–	–	126,477	–	137,623	–	–	137,623	–
Special Education	2,444,933	–	–	2,444,933	531,162	2,734,756	–	–	2,734,756	669,984	2,717,021	–	–	2,717,021	782,266
State-Mandated Local Programs	177,633	–	–	177,633	–	330,231	–	–	330,231	–	153,299	–	–	153,299	–
Totals, Local Assistance	$27,439,704	$41,762	–	$27,481,466	$4,361,796	$29,108,392	$36,344	–	$29,144,736	$5,145,589	$29,162,618	$36,344	–	$29,198,962	$5,084,541
Capital Outlay	7,784	–	–	7,784	–	2,568	–	–	2,568	–	81	–	–	81	–
Totals, Department of Education	$27,565,943	$45,154	$245	$27,611,342	$4,459,372	$29,239,197	$38,487	$1,920	$29,279,604	$5,259,972	$29,277,221	$38,364	$1,920	$29,317,505	$5,198,446
California State Library															
State Operations	19,938	597	2,278	22,813	3,134	20,375	1,640	2,361	24,376	3,389	17,205	764	2,669	20,638	4,099
Local Assistance	84,332	–	–	84,332	11,901	80,544	–	350,000	430,544	12,518	67,622	–	–	67,622	12,518
Capital Outlay	95	–	–	95	–	158	–	–	158	–	–	–	–	–	–
Totals, California State Library	$104,365	$597	$2,278	$107,240	$15,035	$101,077	$1,640	$352,361	$455,078	$15,907	$84,827	$764	$2,669	$88,260	$16,617
Calif State Summer School for the Arts															
State Operations	891	–	–	891	–	932	–	–	932	–	912	–	–	912	–
Contributions to Teachers Retire Fund															
Local Assistance	902,353	–	–	902,353	–	775,587	–	–	775,587	–	521,116	–	–	521,116	–
Retirement Costs for Community Colleges															
Local Assistance	–68,579	–	–	–68,579	–	–58,945	–	–	–58,945	–	–39,605	–	–	–39,605	–
Calif Occupational Info Coord Committee															
State Operations	–	–	–	–	291	–	–	–	–	295	–	–	–	–	309
School Facilities Aid Program															
Local Assistance	–	–11,183	2,544,205	2,533,022	–	–	–744	563,117	562,373	–	–	–744	468,029	467,285	–

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2000–01, 2001–02, AND 2002–03
(Dollars in Thousands)

	Actual 2000-01					Estimated 2001-02					Estimated 2002-03				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
Commission on Teacher Credentialing															
State Operations	1,958	24,353	–	26,311	1,296	2,964	24,412	–	27,376	3,135	1,692	24,507	–	26,199	–
Local Assistance	57,008	–	–	57,008	100	57,041	–	–	57,041	1,286	46,241	–	–	46,241	–
Totals, Commission on Teacher Credentialing	$58,966	$24,353	–	$83,319	$1,396	$60,005	$24,412	–	$84,417	$4,421	$47,933	$24,507	–	$72,440	–
General Obligation Bonds-K–12															
State Operations	1,058,472	–	–	1,058,472	–	1,136,753	–	–	1,136,753	–	1,279,759	–	–	1,279,759	–
Totals, K thru 12 Education	$29,746,390	$58,921	$2,546,728	$32,352,039	$4,476,094	$31,396,217	$63,795	$917,398	$32,377,410	$5,280,595	$31,315,838	$62,891	$472,618	$31,851,347	$5,215,372
Higher Education-Community Colleges															
Bd of Governors of Calif Comm Colleges															
State Operations	12,378	–	954	13,332	–	13,327	–	985	14,312	–	11,619	–	985	12,604	–
Local Assistance															
Apportionments for Community Colleges	2,101,671	2,489	–	2,104,160	–	2,194,366	1,500	–	2,195,866	–	2,215,933	1,500	–	2,217,433	–
Extended Opportunity Program	85,467	–	–	85,467	–	91,439	–	–	91,439	–	96,207	–	–	96,207	–
Student Financial Aid Administration	7,273	–	–	7,273	–	7,149	–	–	7,149	–	7,758	–	–	7,758	–
Disabled Students	75,370	–	–	75,370	–	79,581	–	–	79,581	–	83,731	–	–	83,731	–
Teacher and Reading Development	–	–	–	–	–	–	–	–	–	–	5,000	–	–	5,000	–
Matriculation	71,308	–	–	71,308	–	76,289	–	–	76,289	–	49,507	–	–	49,507	–
Support for Academic Senate	497	–	–	497	–	497	–	–	497	–	497	–	–	497	–
Faculty and Staff Diversity	1,859	–	–	1,859	–	1,859	–	–	1,859	–	1,859	–	–	1,859	–
Faculty and Staff Development	5,233	–	–	5,233	–	5,233	–	–	5,233	–	–	–	–	–	–
Instructional Improvement	1,630	–	–	1,630	–	1,630	–	–	1,630	–	1,630	–	–	1,630	–
Economic Development	45,172	–	–	45,172	–	45,172	–	–	45,172	–	40,322	–	–	40,322	–
Transfer Education and Articulation	3,879	–	–	3,879	–	1,974	–	–	1,974	–	1,974	–	–	1,974	–
Hazardous Substances	8,000	–	–	8,000	–	8,000	–	–	8,000	–	8,000	–	–	8,000	–
Foster Parent Training Programs	1,866	–	–	1,866	–	1,866	–	–	1,866	–	1,866	–	–	1,866	–
Instructional Equipment	49,000	–	–	49,000	–	15,000	–	–	15,000	–	26,106	–	–	26,106	–
Telecommunications & Technology	44,300	–	–	44,300	–	44,300	–	–	44,300	–	24,500	–	–	24,500	–
Virtual University	2,900	–	–	2,900	–	2,900	–	–	2,900	–	2,900	–	–	2,900	–
Scheduled Maintenance	49,000	–	–	49,000	–	–	–	–	–	–	26,107	–	–	26,107	–
Part-Time Faculty Compensation	–	–	–	–	–	–	–	–	–	–	57,000	–	–	57,000	–
Fund for Student Success	16,218	–	–	16,218	–	16,218	–	–	16,218	–	6,233	–	–	6,233	–
Welfare Reform	65,000	–	–	65,000	–	65,000	–	–	65,000	–	15,000	–	–	15,000	–
Part-Time Faculty Health Insurance	1,000	–	–	1,000	–	1,000	–	–	1,000	–	1,000	–	–	1,000	–
Part-Time Faculty Office Hours Program	2,500	–	–	2,500	–	–	–	–	–	–	7,172	–	–	7,172	–
State-Mandated Local Programs	1,691	–	–	1,691	–	1,691	–	–	1,691	–	1,691	–	–	1,691	–
Canada College	–	–	–	–	–	1,000	–	–	1,000	–	–	–	–	–	–
Nursing Setaside	–	–	–	–	–	5,000	–	–	5,000	–	–	–	–	–	–
Part-Time Faculty Office Hours (reapp)	–	–	–	–	–	3,153	–	–	3,153	–	–	–	–	–	–
Energy (reappropriation)	–	–	–	–	–	49,000	–	–	49,000	–	–	–	–	–	–
Part-Time Faculty CY Office Hours (Reapp)	–	–	–	–	–	7,172	–	–	7,172	–	–	–	–	–	–
Part-Time Faculty Compensation (Reapp)	–	–	–	–	–	57,000	–	–	57,000	–	–	–	–	–	–
Teacher & Reading Development (Reapp)	–	–	–	–	–	5,000	–	–	5,000	–	–	–	–	–	–

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2000–01, 2001–02, AND 2002–03
(Dollars in Thousands)

	Actual 2000-01					Estimated 2001-02					Estimated 2002-03				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
Scheduled Maintenance (Reapp)	–	–	–	–	–	17,000	–	–	17,000	–	22,893	–	–	22,893	–
Instructional Equipment (Reapp)	–	–	–	–	–	–	–	–	–	–	22,894	–	–	22,894	–
2001 Member Requests	–	–	–	–	–	660	–	–	660	–	–	–	–	–	–
Totals, Local Assistance	$2,640,834	$2,489	–	$2,643,323	–	$2,806,149	$1,500	–	$2,807,649	–	$2,727,780	$1,500	–	$2,729,280	–
Capital Outlay	–	–	122,066	122,066	–	–	–	449,324	449,324	–	–	–	175,090	175,090	–
Totals, Bd of Governors of Calif Comm Colleges	$2,653,212	$2,489	$123,020	$2,778,721	–	$2,819,476	$1,500	$450,309	$3,271,285	–	$2,739,399	$1,500	$176,075	$2,916,974	–
General Obligation Bonds-Hi Ed-CC															
State Operations	86,370	–	–	86,370	–	92,982	–	–	92,982	–	108,546	–	–	108,546	–
Retirement Costs-Hi Ed-CC															
Local Assistance	68,579	–	–	68,579	–	58,945	–	–	58,945	–	39,605	–	–	39,605	–
Totals, Higher Education-Community Colleges	$2,808,161	$2,489	$123,020	$2,933,670	–	$2,971,403	$1,500	$450,309	$3,423,212	–	$2,887,550	$1,500	$176,075	$3,065,125	–
Higher Education-UC, CSU and Other															
Cal Postsecondary Education Commission															
State Operations	3,770	–	–	3,770	297	3,784	–	–	3,784	430	3,315	–	–	3,315	430
Local Assistance	–	–	–	–	6,037	–	–	–	–	8,163	–	–	–	–	8,163
Totals, Cal Postsecondary Education Commission	$3,770	–	–	$3,770	$6,334	$3,784	–	–	$3,784	$8,593	$3,315	–	–	$3,315	$8,593
University of California															
State Operations	3,191,614	59,785	–	3,251,399	4,558,255	3,326,718	86,196	–	3,412,914	4,748,014	3,367,052	37,443	–	3,404,495	4,952,336
Capital Outlay	9,778	–	205,074	214,852	–	125,887	–	223,552	349,439	–	356	–	85,543	85,899	–
Totals, University of California	$3,201,392	$59,785	$205,074	$3,466,251	$4,558,255	$3,452,605	$86,196	$223,552	$3,762,353	$4,748,014	$3,367,408	$37,443	$85,543	$3,490,394	$4,952,336
Hastings College of Law															
State Operations	14,337	–	–	14,337	–	15,115	–	–	15,115	–	15,422	–	–	15,422	–
Capital Outlay	–	–	–	–	–	–	–	–	–	–	–	–	831	831	–
Totals, Hastings College of Law	$14,337	–	–	$14,337	–	$15,115	–	–	$15,115	–	$15,422	–	$831	$16,253	–
California State University															
State Operations	2,428,992	664,300	–	3,093,292	523,606	2,707,465	685,280	–	3,392,745	483,560	2,735,617	706,091	–	3,441,708	483,560
Capital Outlay	13,165	–	264,543	277,708	–	5,869	–	141,507	147,376	–	1,000	–	385,976	386,976	–
Totals, California State University	$2,442,157	$664,300	$264,543	$3,371,000	$523,606	$2,713,334	$685,280	$141,507	$3,540,121	$483,560	$2,736,617	$706,091	$385,976	$3,828,684	$483,560
Student Aid Commission															
State Operations	13,893	–	–	13,893	372,714	15,468	–	–	15,468	468,190	12,217	–	–	12,217	468,190
Local Assistance	473,545	–	–	473,545	6,452	555,980	–	–	555,980	9,480	721,488	–	–	721,488	9,481
Totals, Student Aid Commission	$487,438	–	–	$487,438	$379,166	$571,448	–	–	$571,448	$477,670	$733,705	–	–	$733,705	$477,671
General Obligation Bonds-Hi Ed															
State Operations	191,525	–	–	191,525	–	206,187	–	–	206,187	–	240,701	–	–	240,701	–
Totals, Higher Education-UC, CSU and Other	$6,340,619	$724,085	$469,617	$7,534,321	$5,467,361	$6,962,473	$771,476	$365,059	$8,099,008	$5,717,837	$7,097,168	$743,534	$472,350	$8,313,052	$5,922,160
TOTALS, EDUCATION	$38,895,170	$785,495	$3,139,365	$42,820,030	$9,943,455	$41,330,093	$836,771	$1,732,766	$43,899,630	$10,998,432	$41,300,556	$807,925	$1,121,043	$43,229,524	$11,137,532
State Operations	7,150,456	752,427	3,477	7,906,360	5,557,169	7,680,928	799,671	5,266	8,485,865	5,821,396	7,912,254	770,825	5,574	8,688,653	6,022,829
Local Assistance	31,713,892	33,068	2,544,205	34,291,165	4,386,286	33,514,683	37,100	913,117	34,464,900	5,177,036	33,386,865	37,100	468,029	33,891,994	5,114,703
Capital Outlay	30,822	–	591,683	622,505	–	134,482	–	814,383	948,865	–	1,437	–	647,440	648,877	–

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2000–01, 2001–02, AND 2002–03
(Dollars in Thousands)

	Actual 2000-01					Estimated 2001-02					Estimated 2002-03				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
GENERAL GOVERNMENT															
General Administration															
Office of Criminal Justice Planning															
State Operations	4,367	1,539	–	5,906	7,319	5,390	1,597	–	6,987	8,915	4,508	1,554	–	6,062	8,772
Local Assistance	111,821	16,246	–	128,067	158,533	113,400	21,311	–	134,711	163,942	67,899	16,311	–	84,210	163,736
Totals, Office of Criminal Justice Planning	$116,188	$17,785	–	$133,973	$165,852	$118,790	$22,908	–	$141,698	$172,857	$72,407	$17,865	–	$90,272	$172,508
Comm on Peace Officer Standards & Train															
State Operations	–	36,937	–	36,937	–	–	29,690	–	29,690	–	–	28,175	–	28,175	–
Local Assistance	8,259	23,811	–	32,070	–	8,481	31,519	–	40,000	–	6,923	28,718	–	35,641	–
Totals, Comm on Peace Officer Standards & Train	$8,259	$60,748	–	$69,007	–	$8,481	$61,209	–	$69,690	–	$6,923	$56,893	–	$63,816	–
State Public Defender															
State Operations	11,445	–	–	11,445	–	11,794	–	–	11,794	–	11,041	–	–	11,041	–
Pay to Count for Cost of Homicide Trial															
Local Assistance	1,395	–	–	1,395	–	7,500	–	–	7,500	–	7,500	–	–	7,500	–
California Arts Council															
State Operations	2,642	192	–	2,834	667	3,269	303	–	3,572	701	2,725	315	–	3,040	617
Local Assistance	77,262	493	–	77,755	170	48,216	550	–	48,766	170	28,146	575	–	28,721	170
Totals, California Arts Council	$79,904	$685	–	$80,589	$837	$51,485	$853	–	$52,338	$871	$30,871	$890	–	$31,761	$787
Agricultural Labor Relations Board															
State Operations	4,849	–	–	4,849	–	5,354	–	–	5,354	–	5,196	–	–	5,196	–
Public Employment Relations Board															
State Operations	4,459	–	–	4,459	–	4,689	–	–	4,689	–	4,805	–	–	4,805	–
Dept of Industrial Relations															
State Operations	161,612	45,290	–	206,902	27,852	171,218	53,658	–	224,876	27,892	154,004	60,051	–	214,055	27,839
Local Assistance	6,387	–	–	6,387	–	3,472	–	–	3,472	–	1,498	–	–	1,498	–
Totals, Dept of Industrial Relations	$167,999	$45,290	–	$213,289	$27,852	$174,690	$53,658	–	$228,348	$27,892	$155,502	$60,051	–	$215,553	$27,839
Department of Personnel Administration															
State Operations	24,112	–4,609	–	19,503	–	50,686	5,401	–	56,087	–	42,477	–	–	42,477	–
CA Citizens Compensation Commission															
State Operations	22	–	–	22	–	24	–	–	24	–	20	–	–	20	–
Workers Compensation Benefits															
Subsequent Injuries															
State Operations	5,401	1,998	–	7,399	–	5,363	3,300	–	8,663	–	5,363	3,300	–	8,663	–
Disaster Service Workers															
Local Assistance	630	–	–	630	–	663	–	–	663	–	663	–	–	663	–
Totals, Workers Compensation Benefits	$6,031	$1,998	–	$8,029	–	$6,026	$3,300	–	$9,326	–	$6,026	$3,300	–	$9,326	–
Board of Chiropractic Examiners															
State Operations	–	1,804	–	1,804	–	–	2,186	–	2,186	–	–	2,260	–	2,260	–
Osteopathic Medical Board of California															
State Operations	–	709	–	709	–	–	908	–	908	–	–	–	–	–	–
Board of Pilot Commissioners															
State Operations	–	706	–	706	–	–	1,185	–	1,185	–	–	1,185	–	1,185	–
California Horse Racing Board															
State Operations	–	7,880	–	7,880	–	–	8,318	–	8,318	–	–	8,342	–	8,342	–

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2000–01, 2001–02, AND 2002–03
(Dollars in Thousands)

	Actual 2000-01					Estimated 2001-02					Estimated 2002-03				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
Department of Food and Agriculture															
State Operations	90,015	60,136	380	150,531	13,738	92,495	86,206	1,000	179,701	73,761	91,711	83,801	1,000	176,512	9,659
Local Assistance	10,973	60,724	–	71,697	–	10,913	56,594	–	67,507	–	10,913	51,940	–	62,853	–
Capital Outlay	578	578	–	1,156	–	914	4,172	–	5,086	–	–	10,034	–	10,034	–
Totals, Department of Food and Agriculture	$101,566	$121,438	$380	$223,384	$13,738	$104,322	$146,972	$1,000	$252,294	$73,761	$102,624	$145,775	$1,000	$249,399	$9,659
Fair Political Practices Commission															
State Operations	6,542	–	–	6,542	–	6,798	–	–	6,798	–	6,578	–	–	6,578	–
Political Reform Act of 1974															
State Operations	–	–	–	–	–	–	–	–	–	–	2,257	–	–	2,257	–
Public Utilities Commission															
State Operations	2,278	84,293	–	86,571	877	151,337	1,477,445	–	1,628,782	1,035	–	1,299,472	–	1,299,472	1,031
Seismic Safety Commission															
State Operations	921	–100	102	923	–	917	100	–	1,017	–	891	–	–	891	–
CA Victim Compensation/Govnment Claim Bd															
State Operations	1,330	109,232	–	110,562	18,046	931	124,765	–	125,696	19,626	837	129,112	–	129,949	24,439
Local Assistance	1,104	–	–	1,104	–	1,104	2,575	–	3,679	–	1,000	–	–	1,000	–
Totals, CA Victim Compensation/Govnment Claim Bd	$2,434	$109,232	–	$111,666	$18,046	$2,035	$127,340	–	$129,375	$19,626	$1,837	$129,112	–	$130,949	$24,439
Electricity Oversight Board															
State Operations	233	2,288	–	2,521	–	997	3,449	–	4,446	–	730	3,490	–	4,220	–
Milton Marks ''Little Hoover'' Commission															
State Operations	714	–	–	714	–	838	–	–	838	–	838	–	–	838	–
Membership in Interstate Organizations															
State Operations	1,696	–	–	1,696	–	1,793	–	–	1,793	–	1,863	–	–	1,863	–
Commission on the Status of Women															
State Operations	426	–	–	426	–	429	–	–	429	–	429	–	–	429	–
California Law Revision Commission															
State Operations	634	–	–	634	–	653	–	–	653	–	555	–	–	555	–
Commission on Uniform State Laws															
State Operations	134	–	–	134	–	142	–	–	142	–	138	–	–	138	–
Bureau of State Audits															
State Operations	10,614	–324	–	10,290	–	11,349	–	–	11,349	–	11,349	–	–	11,349	–
Department of Finance															
State Operations	29,461	–	–	29,461	–	27,403	–	–	27,403	–	26,972	–	–	26,972	–
Commission on State Mandates															
State Operations	1,561	–	–	1,561	–	1,698	–	–	1,698	–	1,578	–	–	1,578	–
Office of Administrative Law															
State Operations	2,294	–	–	2,294	–	2,628	–	–	2,628	–	2,194	–	–	2,194	–
Military Department															
State Operations	37,449	41	–	37,490	43,646	42,162	150	–	42,312	54,207	34,348	150	–	34,498	57,551
Local Assistance	250	–	–	250	–	–	–	–	–	–	–	–	–	–	–
Capital Outlay	2,055	–	–	2,055	10,664	2,753	–	–	2,753	22,789	9,485	–	–	9,485	26,686
Unclassified	–	–	–	–	449,631	–	–	–	–	443,957	–	–	–	–	464,060
Totals, Military Department	$39,754	$41	–	$39,795	$503,941	$44,915	$150	–	$45,065	$520,953	$43,833	$150	–	$43,983	$548,297

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2000–01, 2001–02, AND 2002–03
(Dollars in Thousands)

	Actual 2000-01					Estimated 2001-02					Estimated 2002-03				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
Department of Veterans Affairs															
Department of Veterans Affairs															
State Operations	2,285	24	–	2,309	–	2,945	25	–	2,970	–	2,830	44	–	2,874	–
Local Assistance	2,895	314	–	3,209	–	2,450	314	–	2,764	–	2,350	470	–	2,820	–
Capital Outlay	140	365	–	505	–	–	–	–	–	–	253	50	–	303	–
Totals, Department of Veterans Affairs	$5,320	$703	–	$6,023	–	$5,395	$339	–	$5,734	–	$5,433	$564	–	$5,997	–
Veteran's Home of California-Yountville															
State Operations	32,569	–	–	32,569	11,637	33,047	–	–	33,047	10,977	32,881	–	–	32,881	10,938
Capital Outlay	178	–	–	178	–	6,571	–	656	7,227	–	273	–	743	1,016	1,378
Totals, Veteran's Home of California-Yountville	$32,747	–	–	$32,747	$11,637	$39,618	–	$656	$40,274	$10,977	$33,154	–	$743	$33,897	$12,316
Veterans' Home of California—Barstow															
State Operations	18,696	–	–	18,696	533	16,455	–	–	16,455	2,276	13,789	–	–	13,789	3,483
Veterans' Home of Calif—Chula Vista															
State Operations	10,214	–	–	10,214	825	12,056	–	–	12,056	1,709	13,135	–	–	13,135	3,457
Totals, Department of Veterans Affairs	$66,977	$703	–	$67,680	$12,995	$73,524	$339	$656	$74,519	$14,962	$65,511	$564	$743	$66,818	$19,256
Vietnam Veterans Memorial Commission															
State Operations	–	–	–	–	–	–	2	–	2	–	–	2	–	2	–
General Obligation Bonds-Gen Govt															
State Operations	14,979	–	–	14,979	–	18,501	–	–	18,501	–	18,986	–	–	18,986	–
Totals, General Administration	$707,881	$450,567	$482	$1,158,930	$744,138	$889,798	$1,915,723	$1,656	$2,807,177	$831,957	$631,931	$1,729,351	$1,743	$2,363,025	$803,816
Tax Relief															
Tax Relief															
Local Assistance															
Senior Citizens Property Tax Assistance	60,476	–	–	60,476	–	38,083	–	–	38,083	–	33,400	–	–	33,400	–
Senior Citizens Property Tax Deferral	11,467	–	–	11,467	–	12,000	–	–	12,000	–	12,800	–	–	12,800	–
Senior Citizens Renters Tax Assistance	254,877	–	–	254,877	–	177,489	–	–	177,489	–	200,500	–	–	200,500	–
Homeowners' Property Tax Relief	398,362	–	–	398,362	–	404,336	–	–	404,336	–	410,400	–	–	410,400	–
Subventions for Open Space	35,633	–	–	35,633	–	38,000	–	–	38,000	–	39,000	–	–	39,000	–
Vehicle License Fee Rebate Transfer	2,052,000	–	–	2,052,000	–	–	–	–	–	–	–	–	–	–	–
Substandard Housing	44	–	–	44	–	44	–	–	44	–	44	–	–	44	–
Vehicle License Fee Offset	1,842,253	–	–	1,842,253	–	2,408,220	–	–	2,408,220	–	3,726,349	–	–	3,726,349	–
State-Mandated Local Programs	567	–	–	567	–	1,086	–	–	1,086	–	1,062	–	–	1,062	–
Totals, Local Assistance	$4,655,679	–	–	$4,655,679	–	$3,079,258	–	–	$3,079,258	–	$4,423,555	–	–	$4,423,555	–
Totals, Tax Relief	$4,655,679	–	–	$4,655,679	–	$3,079,258	–	–	$3,079,258	–	$4,423,555	–	–	$4,423,555	–
Local Government Subventions															
Local Government Financing															
Local Assistance	687,647	–	–	687,647	–	401,157	–	–	401,157	–	384,765	–	–	384,765	–
Shared Revenue															
Apprtnmnt-Off-Highway License Fees															
Local Assistance	–	1,101	–	1,101	–	–	1,000	–	1,000	–	–	1,000	–	1,000	–
Apprtnmnt-Fed Rcpts Flood Contl Lands															
Local Assistance	–	–	–	–	333	–	–	–	–	350	–	–	–	–	350
Apprtnmnt-Fed Receipts-Forest Reserves															
Local Assistance	–	–	–	–	26,422	–	–	–	–	65,112	–	–	–	–	65,112
Apprtnmnt-Fed Receipts-Grazing Land															
Local Assistance	–	–	–	–	83	–	–	–	–	90	–	–	–	–	90

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2000–01, 2001–02, AND 2002–03
(Dollars in Thousands)

	Actual 2000-01					Estimated 2001-02					Estimated 2002-03				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
Apprtnmnt-Fed Potash Lease Rentals															
Local Assistance	–	–	–	–	1,547	–	–	–	–	1,600	–	–	–	–	1,600
Apprtnmnt-Motor Vehicle License Fees															
Local Assistance	–	949,844	–	949,844	–	37,409	2,041,100	–	2,078,509	–	76,014	1,108,689	–	1,184,703	–
Apprtnmnt-Tideland Revenues															
Local Assistance	73	–	–	73	–	73	–	–	73	–	73	–	–	73	–
Apprtnmnt-MV Fuel Tax-County Roads															
Local Assistance	–	334,533	–	334,533	–	–	332,647	–	332,647	–	–	337,359	–	337,359	–
Apprtnmnt-MV Fuel Tax-City Streets															
Local Assistance	–	235,866	–	235,866	–	–	233,192	–	233,192	–	–	236,785	–	236,785	–
Apprtnmnt-MV Fuel Tax-Co Rds & City Sts															
Local Assistance	–	148,162	–	148,162	–	–	140,043	–	140,043	–	–	141,695	–	141,695	–
Apprtnmnt-MV Fuel to Co&Cit-St&Hwy Purp															
Local Assistance	–	349,658	–	349,658	–	–	355,128	–	355,128	–	–	363,644	–	363,644	–
Apprtnmnt-Geothermal Resources Develop															
Local Assistance	–	4,092	–	4,092	–	–	2,133	–	2,133	–	–	2,133	–	2,133	–
Apprtnmnt of Traffic congestion Relef Fd															
Local Assistance	–	400,000	–	400,000	–	–	–	–	–	–	–	–	–	–	–
Apportionment of Local Transportation Fd															
Local Assistance	–	–	–	–	–	–	144,042	–	144,042	–	–	161,664	–	161,664	–
Totals, Shared Revenue	$73	$2,423,256	–	$2,423,329	$28,385	$37,482	$3,249,285	–	$3,286,767	$67,152	$76,087	$2,352,969	–	$2,429,056	$67,152
Totals, Local Government Subventions	$687,720	$2,423,256	–	$3,110,976	$28,385	$438,639	$3,249,285	–	$3,687,924	$67,152	$460,852	$2,352,969	–	$2,813,821	$67,152
Debt Service															
Payment of Interest on PMIA Loans															
State Operations	3,870	–	–	3,870	–	2,875	–	–	2,875	–	3,450	–	–	3,450	–
Payment of Interest on Gen Fund Loans															
State Operations	–	–	–	–	–	125,000	–	–	125,000	–	106,000	–	–	106,000	–
Interest Payments to the Federal Govt															
State Operations	4,582	468	–	5,050	–	14,400	501	–	14,901	–	12,000	501	–	12,501	–
Totals, Debt Service	$8,452	$468	–	$8,920	–	$142,275	$501	–	$142,776	–	$121,450	$501	–	$121,951	–
Statewide Expenditures															
Health & Dental Benefits for Annuitants															
State Operations	409,017	–	–	409,017	–	485,768	–	–	485,768	–	553,639	–	–	553,639	–
Eqty Clm Vct Comp Gov Clms, Stlmnts DOJ															
State Operations	2,735	4,219	257	7,211	18	11,799	1,021	–	12,820	40	–	–	–	–	–
Federal Levy of State Funds															
Unclassified	2,997	–	–	2,997	–	1,172	–	–	1,172	–	–	–	–	–	–
Augmentation for Contingencies or Emerg															
State Operations	–	–	–	–	–	2,000	1,500	–	3,500	–	2,000	1,500	–	3,500	–
Unallocated Capital Outlay															
Capital Outlay	2,000	–	–	2,000	–	1,500	–	–	1,500	–	1,500	–	–	1,500	–
Reserve of Liquidation for Encumbrances															
Unclassified	–771,917	–	–	–771,917	–	–	–	–	–	–	–	–	–	–	–
Brown v. US Dept of Health and Human Svs															
State Operations	48,280	–	–	48,280	–	48,000	–	–	48,000	–	48,000	–	–	48,000	–

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2000–01, 2001–02, AND 2002–03
(Dollars in Thousands)

	Actual 2000-01					Estimated 2001-02					Estimated 2002-03				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
Statewide Proposition 98 Reconciliation															
Local Assistance	157,119	–	–	157,119	–	–613,258	–	–	–613,258	–	–627,733	–	–	–627,733	–
Section 3.60 Rate Adjustments															
State Operations	–	–	–	–	–	–	–	–	–	–	–314,570	–171,583	–	–486,153	–
PERS General Fund Payment															
State Operations	–	–	–	–	–	19,590	–	–	19,590	–	93,121	–	–	93,121	–
Statewide Gen. Adm Exp (Pro Rata)															
State Operations	–201,951	4,601	–	–197,350	–	–255,559	3,981	–	–251,578	–	–295,547	11,324	5	–284,218	1,526
Local Assistance	–	–	–	–	–	–	–	–	–	–	–15,261	8,683	53	–6,525	–
Totals, Statewide Gen. Adm Exp (Pro Rata)	–$201,951	$4,601	–	–$197,350	–	–$255,559	$3,981	–	–$251,578	–	–$310,808	$20,007	$58	–$290,743	$1,526
Various Departments															
State Operations	–	–	–	–	–	–	–	–	–	–	–4,940	–	–	–4,940	–
Local Assistance	22,906	18,315	–	41,221	–	–3,404	18,479	–	15,075	–	–	18,479	–	18,479	–
Totals, Various Departments	$22,906	$18,315	–	$41,221	–	–$3,404	$18,479	–	$15,075	–	–$4,940	$18,479	–	$13,539	–
Janitor/Contract Services															
State Operations	–	–	–	–	–	748	1,366	–	2,114	–	–	–	–	–	–
Utilities Costs															
State Operations	–	–	–	–	–	–	1	–	1	–	–	–	–	–	–
Postage Rate Increase															
State Operations	66	–	–	66	–	110	–	–	110	–	–	–	–	–	–
Totals, Statewide Expenditures	–$328,748	$27,135	$257	–$301,356	$18	–$301,534	$26,348	–	–$275,186	$40	–$559,791	–$131,597	$58	–$691,330	$1,526
Augmentation for Employee Compensation															
Augmentation for Employee Compensation															
State Operations	–	–	–	–	–	87,307	29,788	–	117,095	–	129,961	51,005	–	180,966	–
Totals, Augmentation for Employee Compensation	–	–	–	–	–	$87,307	$29,788	–	$117,095	–	$129,961	$51,005	–	$180,966	–
Statewide Savings															
General Fund Credits from Federal Funds															
State Operations	–36,610	–	–	–36,610	–	–57,036	–	–	–57,036	–	–59,845	–	–	–59,845	–
PERS Deferral															
State Operations	–19,590	–	–	–19,590	–	–93,121	–	–	–93,121	–	–14,479	–	–	–14,479	–
Antiterrorism Federal Reimbursements															
State Operations	–	–	–	–	–	–10,000	–	–	–10,000	–	–10,000	–	–	–10,000	187,000
Estimated Unidentifiable Savings															
State Operations	–	–	–	–	–	–40,000	–	–	–40,000	–	–40,000	–	–	–40,000	–
Local Assistance	–	–	–	–	–	–60,000	–	–	–60,000	–	–60,000	–	–	–60,000	–
Totals, Estimated Unidentifiable Savings	–	–	–	–	–	–$100,000	–	–	–$100,000	–	–$100,000	–	–	–$100,000	–
Past Years' Disencumbrances															
State Operations	–26,956	–	–	–26,956	–	–	–	–	–	–	–	–	–	–	–
Operating Expenses and Equipment Savings															
State Operations	–	–	–	–	–	–177,727	–	–	–177,727	–	–	–	–	–	–
Local District Projects Savings															
Local Assistance	–	–	–	–	–	–30,000	–	–	–30,000	–	–	–	–	–	–
Hiring Freeze Savings															
State Operations	–	–	–	–	–	–13,200	–17,286	–	–30,486	–	–19,800	–25,929	–	–45,729	–
Totals, Statewide Savings	–$83,156	–	–	–$83,156	–	–$481,084	–$17,286	–	–$498,370	–	–$204,124	–$25,929	–	–$230,053	$187,000

SCHEDULE 9—Continued
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 2000–01, 2001–02, AND 2002–03
(Dollars in Thousands)

	Actual 2000-01					Estimated 2001-02					Estimated 2002-03				
	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Funds	Selected Bond Funds	Budget Total	Federal Funds
Adjustment to Reconcile to Controller															
Adjustment to Reconcile to Controller															
State Operations	–2,124	–	–	–2,124	–	–	–	–	–	–	–	–	–	–	–
Totals, Adjustment to Reconcile to Controller	–$2,124	–	–	–$2,124	–	–	–	–	–	–	–	–	–	–	–
TOTALS, GENERAL GOVERNMENT	$5,645,704	$2,901,426	$739	$8,547,869	$772,541	$3,854,659	$5,204,359	$1,656	$9,060,674	$899,149	$5,003,834	$3,976,300	$1,801	$8,981,935	$1,059,494
State Operations	665,273	357,324	739	1,023,336	125,158	834,315	1,819,560	1,000	2,654,875	201,139	684,018	1,488,071	1,005	2,173,094	336,312
Local Assistance	5,744,400	2,543,159	–	8,287,559	187,088	3,007,434	3,380,627	–	6,388,061	231,264	4,308,305	2,478,145	53	6,786,503	231,058
Capital Outlay	4,951	943	–	5,894	10,664	11,738	4,172	656	16,566	22,789	11,511	10,084	743	22,338	28,064
Unclassified	–768,920	–	–	–768,920	449,631	1,172	–	–	1,172	443,957	–	–	–	–	464,060
GRAND TOTAL	**$78,052,949**	**$13,971,535**	**$4,357,076**	**$96,381,560**	**$41,272,772**	**$78,379,889**	**$19,940,567**	**$4,588,710**	**$102,909,166**	**$46,516,299**	**$78,805,549**	**$19,112,549**	**$2,113,387**	**$100,031,485**	**$47,557,516**
State Operations	17,794,682	7,341,498	92,777	25,228,957	8,262,114	19,115,610	9,491,604	311,002	28,918,216	9,003,277	18,279,299	9,129,542	349,624	27,758,465	9,313,867
Local Assistance	58,985,824	7,595,642	3,117,656	69,699,122	30,612,927	58,757,223	9,354,307	2,585,753	70,697,283	36,106,290	60,460,053	8,506,084	954,758	69,920,895	35,791,229
Capital Outlay	2,041,363	–997,375	1,146,643	2,190,631	1,948,100	505,884	1,062,105	1,691,955	3,259,944	937,775	66,197	1,458,558	809,005	2,333,760	1,785,700
Unclassified	–768,920	31,770	–	–737,150	449,631	1,172	32,551	–	33,723	468,957	–	18,365	–	18,365	666,720
BUDGET ACT TOTALS	**52,169,422**	**6,944,227**	**1,022,598**	**60,136,247**	**33,726,115**	**55,745,809**	**9,754,926**	**1,678,619**	**67,179,354**	**38,978,546**	**56,372,171**	**9,736,884**	**1,253,728**	**67,362,783**	**40,403,779**
State Operations	15,560,826	6,279,954	54,953	21,895,733	2,641,843	16,658,770	8,249,021	278,100	25,185,891	3,138,738	16,144,450	8,026,334	319,734	24,490,518	3,030,985
Local Assistance	36,297,332	544,423	437,531	37,279,286	30,034,593	38,956,055	1,195,389	721,791	40,873,235	35,068,653	40,162,524	1,445,405	292,904	41,900,833	35,500,804
Capital Outlay	311,264	119,850	530,114	961,228	1,049,679	130,984	310,516	678,728	1,120,228	746,155	65,197	265,145	641,090	971,432	1,669,330
Unclassified	–	–	–	–	–	–	–	–	–	25,000	–	–	–	–	202,660
STATUTORY APPROPRIATIONS	**17,963,914**	**7,555,493**	**576,774**	**26,096,181**	**512,201**	**18,947,524**	**9,150,137**	**707,529**	**28,805,190**	**572,102**	**19,995,203**	**8,164,315**	**284,601**	**28,444,119**	**573,062**
State Operations	–165,804	961,714	34,846	830,756	375,849	–208,584	1,116,635	30,278	938,329	481,852	–289,752	1,100,596	29,007	839,851	482,812
Local Assistance	18,129,718	6,441,632	193,668	24,765,018	136,352	19,156,108	7,617,106	592,376	27,365,590	90,250	20,284,955	6,577,066	220,594	27,082,615	90,250
Capital Outlay	–	120,377	348,260	468,637	–	–	383,845	84,875	468,720	–	–	468,288	35,000	503,288	–
Unclassified	–	31,770	–	31,770	–	–	32,551	–	32,551	–	–	18,365	–	18,365	–
CONSTITUTIONAL APPROPRIATIONS	**2,238,665**	**–**	**–**	**2,238,665**	**–**	**2,540,927**	**–**	**–**	**2,540,927**	**–**	**2,572,086**	**–**	**–**	**2,572,086**	**–**
State Operations	2,238,665	–	–	2,238,665	–	2,540,927	–	–	2,540,927	–	2,572,086	–	–	2,572,086	–
OTHER APPROPRIATIONS	**5,680,948**	**–528,185**	**2,757,704**	**7,910,467**	**7,034,456**	**1,145,629**	**1,035,504**	**2,202,562**	**4,383,695**	**6,965,651**	**–133,911**	**1,211,350**	**575,058**	**1,652,497**	**6,580,675**
State Operations	160,995	99,830	2,978	263,803	5,244,422	124,497	125,948	2,624	253,069	5,382,687	–147,485	2,612	883	–143,990	5,800,070
Local Assistance	4,558,774	609,587	2,486,457	7,654,818	441,982	645,060	541,812	1,271,586	2,458,458	947,387	12,574	483,613	441,260	937,447	200,175
Capital Outlay	1,730,099	–1,237,602	268,269	760,766	898,421	374,900	367,744	928,352	1,670,996	191,620	1,000	725,125	132,915	859,040	116,370
Unclassified	–768,920	–	–	–768,920	449,631	1,172	–	–	1,172	443,957	–	–	–	–	464,060

SCHEDULE 10
SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 2000, 2001, 2002, and 2003
(Dollars in Thousands)

Fund	Reserves June 30, 2000	Actual Revenues 2000–01	Actual Expenditures 2000–01	Reserves June 30, 2001	Estimated Revenues 2001–02	Estimated Expenditures 2001–02	Reserves June 30, 2002	Estimated Revenues 2002–03	Estimated Expenditures 2002–03	Reserves June 30, 2003
GENERAL FUND	**9,407,564**	**71,428,156**	**78,052,959**	**2,782,761**	**77,082,627**	**78,379,880**	**1,485,508**	**79,304,508**	**78,805,550**	**1,984,466**
SPECIAL FUNDS										
Abandoned Watercraft Abatement Fund	1,382	–	400	982	–	–	982	–	753	229
Accountancy Fund	5,474	11,052	9,728	6,798	10,207	10,305	6,700	11,059	10,916	6,843
Acupuncture Fund	1,482	2,077	1,594	1,965	1,752	1,881	1,836	2,050	1,959	1,927
Administration Acct, Child & Families	8,588	6,841	4,041	11,388	6,616	7,900	10,104	6,525	7,900	8,729
Aeronautics Account STF	8,643	8,013	9,033	7,623	7,539	8,126	7,036	7,409	8,299	6,146
Agricultural Biomass Utilization Account	–	–	2,000	2,000	–	1,580	420	–	420	–
Agricultural Export Promotion Acct, CA	74	482	394	162	456	300	318	456	300	474
Agricultural Pest Control Research Accnt	68	4	–	72	4	–	76	4	–	80
Air Pollution Control Fund	8,669	14,519	9,913	13,275	10,312	21,382	2,205	10,499	11,302	1,402
Air Toxics Inventory and Assessment Acct	–	1,091	1,074	17	1,210	1,210	17	1,109	1,109	17
Alcohol Beverage Control Fund	6,412	31,599	33,213	4,798	33,235	35,789	2,244	36,019	35,896	2,367
Alcoholic Beverage Control Appeals Fund	571	577	678	470	652	759	363	791	758	396
Apprenticeship Training Contribution Fd	–	531	–	531	1,277	1,305	503	1,200	1,305	398
Architectural Examiners Fd, Ca Bd of	2,695	2,233	2,761	2,167	3,031	2,857	2,341	2,142	2,784	1,699
Armory Discretionary Improvement Account	104	25	41	88	150	150	88	150	150	88
Asbestos Consultant Certification Acct	84	242	322	4	334	334	4	334	338	–
Asbestos Training Approval Account	57	99	155	1	241	241	1	241	242	–
Assembly and Senate, Operating Funds of	21	–	–	21	–	–	21	–	–	21
Assistance for Fire Equipment Acct, State	292	27	8	311	5	100	216	5	100	121
Attorney General Antitrust Account	133	956	1,066	23	1,087	1,084	26	1,087	1,083	30
Audit Fund, State	1,265	–	324	1,589	–	–	1,589	–	–	1,589
Barbering/Cosmetology Fd, St Bd of	11,064	10,500	9,205	12,359	10,185	10,980	11,564	3,252	11,577	3,239
Beach and Coastal Enhancement Acct, Calif	713	836	730	819	979	1,153	645	1,122	1,359	408
Behavioral Science Examiners Fund	8,236	4,856	4,262	8,830	3,439	4,921	7,348	4,396	4,966	6,778
Beverage Container Recycling Fund, CA	91,633	473,944	410,329	155,248	459,938	424,335	190,851	246,432	412,108	25,175
Bicycle Transportation Account, STF	1,479	739	1,499	719	7,575	7,200	1,094	7,719	7,210	1,603
Bimetal Processing Fee Acct, Bev Cont Re	44	139	14	169	221	16	374	421	17	778
Boxer's Neurological Examination Account	121	55	61	115	50	101	64	47	102	9
Boxers Pension Account	155	46	62	139	–119	20	–	–	–	–
Breast Cancer Control Account	10,625	16,294	26,175	744	17,639	18,382	1	16,552	16,553	–
Breast Cancer Fund	2,648	424	106	2,966	–2,243	124	599	–475	124	–
Breast Cancer Research Account	4,484	17,431	18,330	3,585	17,622	16,354	4,853	16,538	16,346	5,045
Business Fees Fund, Secty of State's	1,000	29,275	29,545	730	31,224	31,730	224	30,748	30,619	353
Business Reinvestment Fund	5,804	–	2,306	3,498	–	442	3,056	–	–	3,056
Cal-OSHA Targeted Inspection & Consult	7,468	7,993	7,370	8,091	9,833	7,910	10,014	9,833	12,395	7,452
Cancer Research Fund	1,112	–	107	1,219	–7,100	7,140	1,259	–	–	1,259
Caseload Subacct, Sales Tax Growth Acct	–	84,984	84,984	–	–	–	–	–	–	–
Cemetery Fund	455	1,324	819	960	1,025	1,308	677	766	1,249	194
Certification Acct, Consumer Affairs Fd	121	709	578	252	765	823	194	762	877	79
Certification Fund	450	1,169	1,129	490	1,204	1,214	480	1,240	1,207	513
Child Abuse Fund, DOJ	339	269	198	410	230	298	342	230	344	228
Child Care Acct, Child & Families Trust	32,501	21,199	7,213	46,487	20,314	59,071	7,730	20,043	27,773	–
Child Health and Safety Fund	773	1,658	1,819	612	1,907	1,658	861	2,193	1,905	1,149
Childhood Lead Poisoning Prevention Fund	19,475	13,354	16,576	16,253	13,200	19,428	10,025	13,200	22,039	1,186
Children & Families First Trust Fd, Cal	–	887	887	–	1,674	1,674	–	1,670	1,670	–
Chiropractic Examiners Fund	3,828	2,440	1,803	4,465	2,518	2,185	4,798	2,599	2,260	5,137
Cigarette & Tobacco Products Surtax Fund	984	353	1,337	–	1,892	1,892	–	1,901	1,901	–
Clinical Laboratory Improvement Fund	–400	3,398	4,336	–1,338	7,450	6,112	–	6,244	6,244	–
Clnup Loans Envirnmntl Asst Neighood Act	–	–	84,674	84,674	–77,000	6,703	971	–	971	–
Co Medical Svc Subacct, Sales Tax Growth	–	6,535	6,535	–	–	–	–	4,103	4,103	–
Coachella Valley Mountains Conservancy	1	–	–	1	135	135	1	35	34	2

SCHEDULE 10—Continued
SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 2000, 2001, 2002, and 2003
(Dollars in Thousands)

Fund	Reserves June 30, 2000	Actual Revenues 2000–01	Actual Expenditures 2000–01	Reserves June 30, 2001	Estimated Revenues 2001–02	Estimated Expenditures 2001–02	Reserves June 30, 2002	Estimated Revenues 2002–03	Estimated Expenditures 2002–03	Reserves June 30, 2003
Coastal Access Account, SCCF	1,137	665	1,313	489	600	552	537	600	600	537
Collins-Dugan Calif Conserv Corps Reimb	–	22,984	20,341	2,643	23,085	25,728	–	25,728	25,728	–
Colorado River Management Account	35,000	–	50,000	85,000	–	6,000	79,000	–22,000	57,000	–
Commerce Marketing Fund	122	125	80	167	79	108	138	79	107	110
Community Health Equity Sub, Sales Tx Grwt	–	9,311	9,311	–	–	–	–	12,868	12,868	–
Competitive Technology Fund	26	1	–	27	1	–	28	1	–	29
Conservatorship Registry Fund	15	41	44	12	62	45	29	62	48	43
Construction Management Education Acct	234	62	–	296	30	15	311	30	16	325
Contingent Fd of the Medical Board of CA	14,610	34,376	33,972	15,014	33,869	38,160	10,723	33,692	38,250	6,165
Continuing Care Provider Fee Fund	1,171	488	664	995	545	939	601	635	949	287
Contractors' License Fund	18,227	51,529	44,894	24,862	44,309	49,880	19,291	41,155	48,834	11,612
Corporation Tax Fund	–	–	20	–20	–	5	–25	–	–	–25
Corporations Fund, State	25,333	24,767	22,998	27,102	29,722	25,885	30,939	11,489	35,320	7,108
Corrections Training Fund	5,839	18,736	17,934	6,641	12,830	19,282	189	19,380	19,569	–
Counties Children & Families Acct	84,438	505,187	504,715	84,910	495,391	580,301	–	488,164	488,164	–
Court Collection Account	823	20,618	19,777	1,664	21,515	22,287	892	21,615	21,908	599
Court Interpreters' Fund	46	123	149	20	128	93	55	128	84	99
Court Reporters Fund	1,443	793	699	1,537	604	729	1,412	589	649	1,352
Credit Union Fund	1,572	2,929	2,633	1,868	3,600	2,549	2,919	1,251	2,550	1,620
Deaf & Disabled Telecomm Prg Admin Comm	–	–	–	–	–	–	–	116,000	68,110	47,890
Dealers' Record of Sale Special Account	4,902	8,416	8,780	4,538	7,822	8,345	4,015	7,822	8,353	3,484
Debt & Investment Advisory Comm Fund, Cal	4,066	1,682	1,256	4,492	1,672	1,723	4,441	1,672	1,734	4,379
Debt Limit Allocation Committee Fund, Cal	3,187	1,051	790	3,448	1,109	894	3,663	1,120	984	3,799
Delta Flood Protection Fund	621	31	–	652	40	–	692	70	–	762
Dental Auxiliary Fund, State	936	1,596	1,401	1,131	1,509	1,470	1,170	1,514	1,521	1,163
Dentistry Fund, State	4,657	8,136	5,652	7,141	7,643	7,214	7,570	2,473	6,861	3,182
Department of Agriculture Account, Ag Fd	39,259	87,559	81,553	45,265	87,741	97,767	35,239	88,071	97,979	25,331
Developmental Disabilities Prog Dev Fund	832	2,248	2,934	146	2,129	2,052	223	2,164	2,129	258
Developmental Disabilities Services Acct	3,955	115	1,000	3,070	–	2,900	170	–	25	145
Diesel Emission Reduction Fund	198	204	216	186	260	423	23	207	217	13
Disability Access Account	6,435	4,893	2,193	9,135	5,360	2,253	12,242	5,360	2,255	15,347
Disaster Relief Fund	101	–	–	101	–	101	–	–	–	–
Dispensing Opticians Fund	267	163	190	240	165	267	138	159	289	8
Domestic Violence Fund	1	–	–	1	–	–	1	–	–	1
Domestic Violence Trng & Education Fund	2,307	906	718	2,495	1,173	774	2,894	1,173	781	3,286
Drinking Water Operator Cert Special Act	–	1,077	629	448	1,077	1,214	311	1,077	1,280	108
Drinking Water Treatment & Research Fund	–284	–	596	–880	5,000	4,120	–	5,000	5,000	–
Driver Training Penalty Assessment Fund	8,264	–6,659	1,064	541	1,106	1,127	520	1,106	1,068	558
Driving-Under-the-Influence Prog Lic Trs	2,307	811	1,398	1,720	1,042	1,752	1,010	1,042	1,781	271
Drug and Device Safety Fund	–	–	–	–	1,486	1,058	428	1,763	975	1,216
DNA Testing Fund, Department of Justice	42	12	–	54	5	–	59	5	–	64
Earthquake Emergency Invest Acct-NDA Fd	–	–	100	100	–	100	–	–	–	–
Earthquake Risk Reduction Fund of 1996	–	1,000	1,000	–	1,000	1,000	–	1,000	1,000	–
Education Acct, Child & Families Trust Fd	45,856	34,643	15,183	65,316	33,280	84,890	13,706	32,829	46,535	–
Educational Telecommunication Fund	1,014	–	–	1,014	–	–	1,014	–	–	1,014
Electrician Certification Fund	–	405	351	54	2,423	1,853	624	2,500	1,808	1,316
Electronic and Appliance Repair Fund	935	1,937	1,523	1,349	1,842	1,751	1,440	1,849	1,636	1,653
Elevator Safety Account	4,260	6,616	7,206	3,670	7,600	7,468	3,802	7,600	7,455	3,947
Emerg Medical Srvcs Trng Prog Approvl Fd	218	271	195	294	263	362	195	262	427	30
Emergency Clean Water Grant Fund	270	–	182	88	–	–	88	–	–	88
Emergency Food Assistance Program Fund	566	338	565	339	315	339	315	315	316	314
Emergency Medical Services Personnel Fnd	136	851	803	184	862	803	243	862	918	187
Emergency Telephone Number Acct, State	66,738	121,668	101,964	86,442	64,178	138,790	11,830	141,680	151,532	1,978
Employment Development Contingent Fund	3,860	44,692	47,552	1,000	45,897	45,897	1,000	41,397	42,397	–
Employment Developmnt Dept Benefit Audit	1,000	9,289	9,289	1,000	9,662	9,662	1,000	8,303	9,303	–

SCHEDULE 10—Continued
SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 2000, 2001, 2002, and 2003
(Dollars in Thousands)

Fund	Reserves June 30, 2000	Actual Revenues 2000–01	Actual Expenditures 2000–01	Reserves June 30, 2001	Estimated Revenues 2001–02	Estimated Expenditures 2001–02	Reserves June 30, 2002	Estimated Revenues 2002–03	Estimated Expenditures 2002–03	Reserves June 30, 2003
Energy and Resources Fund	–	522	–	522	–	–	522	–	–	522
Energy Conservation Assistance Ac, State	10,538	1,365	25,098	37,001	2,453	39,454	–	2,263	2,209	54
Energy Resources Programs Account	4,968	47,620	50,756	1,832	44,921	46,643	110	45,171	44,352	929
Energy Tech Research, Dev, & Demo Acct	2,341	368	143	2,852	255	1,131	1,976	187	1,918	245
Environmental Enhancement Fund	1,070	62	6	1,126	60	103	1,083	–	104	979
Environmental Laboratory Improvement Fnd	952	2,146	2,691	407	3,604	3,552	459	3,968	3,572	855
Environmental License Plate Fund, Calif	11,495	27,774	34,785	4,484	27,774	26,353	5,905	27,774	24,119	9,560
Environmental Protection Trust Fund	887	815	1,638	64	2,025	1,694	395	1,529	1,691	233
Environmental Water Fund	3,859	665	–	4,524	400	–	4,924	400	–	5,324
Environmnt Enhanc & Mitigat Demo Prgm Fd	10,214	11,747	10,120	11,841	10,451	10,124	12,168	–100	11,991	77
Exotic Species Control Fund	1,153	2,621	1,929	1,845	2,363	2,005	2,203	2,363	2,098	2,468
Expedited Site Remediation Trust Fund	876	434	556	754	485	474	765	504	491	778
Export Document Program Fund	378	234	107	505	213	135	583	215	132	666
Exposition Park Improvement Fund	423	2,594	2,719	298	2,551	2,757	92	2,784	2,869	7
Fair and Exposition Fund	8,299	27,064	31,520	3,843	27,638	31,480	1	27,648	27,649	–
False Claims Act Fund	1,584	23,343	6,799	18,128	11,807	10,069	19,866	1,135	10,662	10,339
Family Law Trust Fund	3,660	2,203	229	5,634	2,305	2,072	5,867	2,305	2,056	6,116
Farm & Ranch Solid Waste Cleanup & Abate	1,232	85	512	805	384	1,040	149	1,052	1,035	166
Farmworker Remedial Account	517	39	23	533	39	27	545	39	127	457
Film California First Fund	–	–	10,042	10,042	–	8,000	2,042	–	–	2,042
Financial Institutions Fund	9,739	14,756	14,259	10,236	13,915	15,979	8,172	14,114	16,318	5,968
Financial Responsibility Penalty Account	2,569	–252	–	2,317	–6	–	2,311	6	–	2,317
Fingerprint Fees Account	25,037	49,928	51,297	23,668	48,070	58,802	12,936	50,970	55,838	8,068
Fire and Arson Training Fund, Calif	357	1,405	1,277	485	1,385	1,420	450	1,402	1,547	305
Fire Marshal Licensing & Cert Fund, St	–169	1,448	1,641	–362	1,528	1,166	–	2,037	2,036	1
Fire Safety Subaccount	–	5,000	1,927	3,073	–	3,073	–	–	–	–
Firearm Safety Account	171	382	121	432	338	313	457	338	324	471
Firearms Safety and Enforcement Specl Fd	–	–	–	–	800	–	800	2,709	2,630	879
Firearms Safety Training Fund Special Ac	271	337	346	262	456	468	250	–14	235	1
Fish and Game Preservation Fund	14,518	83,368	79,875	18,011	84,551	91,814	10,748	84,461	89,066	6,143
Fish and Wildlife Pollution Account	10,599	4,851	3,286	12,164	3,378	2,363	13,179	1,293	2,233	12,239
Food Safety Acct, Pesticide Reg Fd, Dept	419	1,919	1,674	664	1,844	2,037	471	17	418	70
Food Safety Fund	1,664	3,946	4,015	1,595	3,985	4,519	1,061	3,990	4,733	318
Foster and Small Family Insurance Fund	385	–	170	215	–	–	215	–	–	215
Funeral Directors and Embalmers Fund, St	1,573	1,278	768	2,083	1,112	1,303	1,892	1,102	1,388	1,606
Gambling Control Fines & Penalties Acct	713	41	163	591	–	37	554	–	296	258
Gambling Control Fund	5,967	4,450	5,521	4,896	4,611	6,899	2,608	4,611	7,195	24
Garment Industry Regulations Fund	585	2,731	1,913	1,403	958	2,361	–	3,962	2,376	1,586
Garment Manufacturers Special Account	1,171	493	16	1,648	567	50	2,165	570	50	2,685
Gas Consumption Surcharge Fund	–	30,511	–	30,511	123,533	154,044	–	123,533	123,533	–
General Growth Subacct, Sales Tax Growth	–	49,304	49,304	–	–	–	–	68,134	68,134	–
Genetic Disease Testing Fund	19,714	55,522	61,342	13,894	61,506	68,683	6,717	65,006	69,065	2,658
Geology and Geophysics Fund	563	833	842	554	847	1,161	240	868	1,106	2
Geothermal Resources Development Account	–	7,350	7,242	108	3,733	3,733	108	3,733	3,733	108
Glass Processing Fee Account	15,605	40,527	34,283	21,849	42,711	36,306	28,254	45,426	36,889	36,791
Golden Bear State Pharmacy Asst Program	–	–	–	–	250	250	–	–	–	–
Governor's Residence Account	3,192	182	–	3,374	182	–	3,556	182	–	3,738
Graphic Design License Plate Account	577	839	685	731	826	853	704	910	893	721
Guide Dogs for the Blind Fund	110	117	132	95	135	143	87	148	136	99
Habitat Conservation Fund	32,145	18,740	20,488	30,397	9,879	39,739	537	8,619	8,784	372
Hazardous & Idle-Deserted Well Abate Fnd	89	59	115	33	104	100	37	104	100	41
Hazardous Liquid Pipeline Safety Calif	2,561	1,263	1,432	2,392	1,350	2,277	1,465	1,365	2,464	366
Hazardous Materials Enforce Train Acct	34	5	–	39	3	–	42	3	–	45
Hazardous Spill Prevention Acct, RAPRF	9	1	–	10	1	–	11	1	–	12
Hazardous Subst Clearing Account	18	5,889	5,555	352	29,060	28,930	482	2,760	3,142	100

SCHEDULE 10—Continued
SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 2000, 2001, 2002, and 2003
(Dollars in Thousands)

Fund	Reserves June 30, 2000	Actual Revenues 2000–01	Actual Expenditures 2000–01	Reserves June 30, 2001	Estimated Revenues 2001–02	Estimated Expenditures 2001–02	Reserves June 30, 2002	Estimated Revenues 2002–03	Estimated Expenditures 2002–03	Reserves June 30, 2003
Hazardous Substance Subaccount	3,543	921	1,783	2,681	5,680	8,002	359	1,680	1,945	94
Hazardous Waste Control Account	13,361	35,720	34,788	14,293	35,401	37,521	12,173	36,056	43,563	4,666
Health Data & Planning Fund, CA	5,432	14,351	14,046	5,737	15,789	15,799	5,727	15,990	16,733	4,984
Health Ed Acct, Cig & Tob Pr Surtax	99,004	92,214	121,945	69,273	87,395	117,182	39,486	86,393	114,731	11,148
Health Statistics Special Fund	3,983	11,984	12,325	3,642	13,112	12,560	4,194	9,115	13,309	–
Health Subaccount, Sales Tax Account	–	376,811	376,811	–	405,162	405,162	–	405,162	405,162	–
Hearing Aid Dispensers Fund	661	600	500	761	590	670	681	591	584	688
High Polluter Repair or Removal Account	116,355	24,233	46,412	94,176	–64,680	29,495	1	21,025	21,025	1
High-Cost Fund-A Admin Committee Fd, Cal	–	–	–	–	31,497	29,087	2,410	44,444	42,998	3,856
High-Cost Fund-B Admin Committee Fd, Cal	–	–	–	–	1,177,895	842,738	335,157	240,397	535,159	40,395
Higher Education Earthquake Account 1987	22	–	–	22	–	–	22	–	–	22
Higher Education Fees and Income-CSU	100	664,300	664,300	100	685,180	685,280	–	706,091	706,091	–
Highway Account, State, STF	2,143,159	2,639,832	3,012,815	1,770,176	2,787,429	3,275,373	1,282,232	2,392,810	3,591,514	83,528
Highway Users Tax Account, TTF	–	1,068,975	1,068,975	–	1,061,865	1,061,865	–	1,080,338	1,080,338	–
Historic Property Maintenance Fund	683	1,450	–	2,133	1,594	3,700	27	1,686	1,500	213
Home Furnish & Thermal Insulat Fd, Burea	1,064	3,174	2,690	1,548	2,851	3,346	1,053	2,826	3,517	362
Hospital Building Fund	2,390	21,388	19,183	4,595	20,800	20,742	4,653	20,800	20,707	4,746
Hospital Svc Acct, Cig & Tob Pr Surtax	19	74,351	73,326	1,044	72,766	71,372	2,438	70,317	71,448	1,307
HICAP Fund, State	1,233	2,152	1,534	1,851	1,654	1,596	1,909	–55	1,608	246
Illegal Drug Lab Cleanup Account	7,371	86	–	7,457	86	–	7,543	86	–	7,629
Indian Gaming Special Distribution Fund	–	8,790	8,770	20	11,000	11,000	20	18,468	12,763	5,725
Indigent Health Equity Sub, Sales Tax Grwt	–	3,803	3,803	–	–	–	–	5,255	5,255	–
Industrial Development Fund	990	221	361	850	240	405	685	240	400	525
Industrial Medicine Fund	5,595	959	1,395	5,159	1,295	1,788	4,666	1,295	1,801	4,160
Industrial Rel Construction Enforce Fd	–16	69	52	1	53	54	–	53	53	–
Infant Botulism Treatment & Prevention	–132	2,024	1,681	211	2,197	1,748	660	2,197	1,535	1,322
Inland Wetlands Cons Fd, Wildlife Rest	1,355	156	984	527	138	368	297	138	350	85
Insurance Fund	39,945	150,222	152,333	37,834	154,921	160,360	32,395	154,177	163,888	22,684
Integrated Waste Management Account	9,334	46,277	47,476	8,135	46,164	48,336	5,963	46,207	49,499	2,671
Internatl Student Exch Visitor Plcmt Org	22	4	–	26	4	–	30	4	–	34
Job Creation Investment Fund	3,135	171	3,013	293	67	360	–	–	–	–
Jobs-Housing Balance Improvement Account	–	–10,000	110,000	100,000	–99,682	106	212	–212	–	–
Judicial Admin Efficiency & Modernztion	12,436	1,082	2,985	16,503	1,107	9,974	7,636	977	–	8,613
Lake Tahoe Conservancy Account	1,010	725	339	1,396	725	1,651	470	725	874	321
Landscape Architects Fd, CA Bd/Arch Exam	1,065	765	588	1,242	637	602	1,277	639	662	1,254
Law Library Special Account, Calif-State	471	529	596	404	600	810	194	600	764	30
Leaking Undrgrnd Stor Tank Cost Recovery	907	60	7	960	59	–	1,019	59	–	1,078
Licensed Midwifery Fund	18	–2	–	16	15	–	31	16	–	47
Lifetime License Trust Acct, Fish & Game	1,557	538	–	2,095	518	–	2,613	518	–	3,131
Loc Pub Prosecutors & Pub Defenders Trng	414	883	791	506	885	860	531	885	862	554
Local Agency Deposit Security Fund	145	284	310	119	321	353	87	321	306	102
Local Airport Loan Account	3,436	1,681	663	5,780	914	2,850	3,844	795	2,869	1,770
Local Govt Geothermal Resource Subacct	2,675	3,823	2,811	3,687	2,350	1,630	4,407	2,350	6,710	47
Local Jurisdiction Energy Assistance	7,181	587	2,052	5,716	650	6,366	–	525	525	–
Local Revenue Fund	–	–447,454	447,454	–	–584,784	584,784	–	–905,090	905,090	–
Loss Control Certification Fund	1,720	832	792	1,760	906	812	1,854	–894	808	152
Low-Level Radioactive Waste Disposal Fnd	465	27	90	402	27	–	429	27	–	456
Major Risk Medical Insurance Fund	1,073	46,698	46,556	1,215	41,230	40,011	2,434	41,346	40,010	3,770
Managed Care Fund	–	35,536	33,419	2,117	32,625	32,407	2,335	33,225	32,451	3,109
Mandates Claims Fund, State	461	–	–	461	–	–	461	–	–	461
Marine Life & Marine Reserve Mgmt Acct	–	1,945	1,945	–	2,200	2,200	–	–	–	–
Mass Media Comm Acct, Child & Fam Trust	50,953	41,189	41,314	50,828	39,740	80,899	9,669	39,198	48,867	–
Medical Waste Management Fund	504	849	904	449	859	921	387	859	902	344
Mental Health Equity Sub, Sales Tx Growth	–	3,009	3,009	–	–	–	–	4,158	4,158	–
Mental Health Subaccount, Sales Tax Acct	–	826,693	826,693	–	820,949	820,949	–	820,949	820,949	–

SCHEDULE 10—Continued
SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 2000, 2001, 2002, and 2003
(Dollars in Thousands)

Fund	Reserves June 30, 2000	Actual Revenues 2000–01	Actual Expenditures 2000–01	Reserves June 30, 2001	Estimated Revenues 2001–02	Estimated Expenditures 2001–02	Reserves June 30, 2002	Estimated Revenues 2002–03	Estimated Expenditures 2002–03	Reserves June 30, 2003
Mexican Amer Vet's Memrl Beautif/Enhance	113	64	1	176	89	4	261	85	–	346
Mine Reclamation Account	773	1,233	1,240	766	1,140	1,457	449	1,140	1,459	130
Missing Children Reward Fund	20	–	–	20	–	2	18	–	2	16
Missing Persons DNA Data Base Fund	–	896	–	896	2,222	2,850	268	2,722	2,805	185
Mobilehome Park Revolving Fund	453	4,374	4,008	819	4,061	4,088	792	4,061	4,266	587
Mosquitoborne Disease Surveillance Acct	110	48	15	143	70	36	177	56	36	197
Motor Carriers Permit Fund	7,559	4,672	3,897	8,334	4,872	4,418	8,788	–4,064	4,724	–
Motor Carriers Safety Improvement Fund	1,594	457	1,115	936	1,310	1,186	1,060	3,800	1,135	3,725
Motor Vehicle Account, STF	336,579	1,292,145	1,280,356	348,368	1,273,524	1,411,907	209,985	1,419,660	1,441,606	188,039
Motor Vehicle Fuel Account, TTF	17,491	31,885	49,376	–	58,409	55,619	2,790	44,488	42,179	5,099
Motor Vehicle Insurance Account, State	13,946	16,624	19,087	11,483	16,667	19,192	8,958	16,667	19,094	6,531
Motor Vehicle License Fee Account, TTF	19,147	2,519,078	2,538,225	–	2,204,830	2,204,830	–	1,378,737	1,378,737	–
Motor Vehicle Parking Facil Moneys Acct	–5	4,342	4,482	–145	5,303	4,891	267	6,148	4,885	1,530
Narcotic Treatment Program Licensing Trt	145	1,119	1,086	178	1,108	1,110	176	1,137	1,127	186
Native Species Conserv & Enhancement Acc	244	–5	–	239	–5	–	234	–5	–	229
Natural Resources Infrastructure Fund	–	–	–	–	18,410	17,009	1,401	–	–	1,401
New Motor Vehicle Board Account	2,101	1,267	1,270	2,098	1,304	1,640	1,762	1,214	1,655	1,321
Nuclear Planning Assessment Special Acct	1,426	2,522	2,704	1,244	2,900	4,022	122	3,500	3,540	82
Nursing Home Admin St Lic Exam Fund	401	408	397	412	374	525	261	346	530	77
Occupancy Compliance Monitoring Account	17,362	7,388	707	24,043	7,388	1,058	30,373	–12,551	994	16,828
Occupational Lead Poisoning Prev Acct, GF	2,357	2,822	3,508	1,671	2,607	3,598	680	2,607	3,275	12
Occupational Therapy Fund	–	614	61	553	8	561	–	1,051	642	409
Off Highway License Fee Fund	–	1,101	1,101	–	1,000	1,000	–	1,000	1,000	–
Off-Highway Vehicle Trust Fund	45,927	44,473	33,019	57,381	35,536	67,222	25,695	36,410	44,180	17,925
Oil Spill Prevention & Administration Fd	9,961	22,357	20,356	11,962	18,959	23,316	7,605	18,733	23,392	2,946
Oil Spill Response Trust Fund	56,742	5,091	3,361	58,472	4,802	1,500	61,774	4,509	1,418	64,865
Olympic Training Account, California	–	2	–	2	–	–	2	–	–	2
Optometry Fund, State	1,061	1,050	1,072	1,039	1,042	1,126	955	1,011	1,143	823
Osteopathic Medical Bd of Calif Contn Fd	2,284	1,123	709	2,698	987	908	2,777	987	961	2,803
Outpatient Setting Fd of Medical Board	144	–92	–	52	3	23	32	2	24	10
Parks and Recreation Fund, State	1,909	74,358	57,171	19,096	58,305	57,260	20,141	52,805	72,936	10
Parks System Deferred Maintnce Acct, St	–	–	–	–	10,000	10,000	–	–	–	–
Payphone Service Providers Committee Fd	–	–	–	–	5,648	1,847	3,801	500	1,165	3,136
Peace Officers' Training Fund	29,617	53,536	60,748	22,405	45,310	66,209	1,506	57,903	56,893	2,516
Pedestrian Safety Account, STF	–	8,000	–	8,000	190	6,000	2,190	131	2,000	321
Penalty Acct, Ca Bev Container Recyc Fd	169	274	–	443	404	–	847	561	–	1,408
Perinatal Insurance Fund	39	59,318	59,349	8	67,545	67,553	–	76,599	75,599	1,000
Permanent Amusement Ride Safety Insp Fd	–	875	4	871	1,674	1,900	645	2,549	1,800	1,394
Pesticide Regulation Fund, Dept of	8,749	38,731	38,123	9,357	33,751	40,449	2,659	36,900	39,379	180
Petro Undergrnd Storage Tank Financ Acct	34,424	5,118	3,556	43,098	2,337	7,549	37,886	4,327	9,395	32,818
Pharmacy Board Contingent Fund	11,248	7,387	6,215	12,420	5,453	7,494	10,379	5,580	7,079	8,880
Physical Therapy Fund	1,330	2,248	1,917	1,661	2,231	2,111	1,781	2,275	2,481	1,575
Physician Assistant Fund	1,663	896	809	1,750	609	873	1,486	709	902	1,293
Physician Svc Acct, Cig & Tob Pr Surtax	686	7,199	7,597	288	6,771	6,372	687	5,815	6,389	113
Pierce's Disease Management Account	2,996	–	1,238	1,758	6,460	6,459	1,759	5,931	6,069	1,621
Pilot Commissioners' Special Fd, Board	2,028	1,450	706	2,772	1,423	1,185	3,010	1,434	1,185	3,259
Podiatric Medicine Fund, Board of	671	1,089	977	783	878	1,057	604	818	1,081	341
Pressure Vessel Account	–	2,560	2,560	–	3,701	3,612	89	3,534	3,623	–
Private Investigator Fund	863	762	779	846	778	583	1,041	752	987	806
Private Postsecond Education Admin Fund	2,648	4,791	4,980	2,459	5,048	5,794	1,713	5,076	5,614	1,175
Private Security Services Fund	983	5,229	4,429	1,783	5,678	5,762	1,699	6,690	6,173	2,216
Professional Engineer & Land Surveyor Fd	3,776	6,780	6,923	3,633	6,600	7,465	2,768	5,662	7,466	964
Professional Forester Registration Fund	442	180	167	455	168	171	452	168	186	434
Propane Safety Insp/Enforcmt Prog Trust	214	–155	–	59	–59	–	–	–	–	–
Property Acquisition Law Money Account	1,797	1,993	3,788	2	5,145	5,147	–	8,680	4,624	4,056

SCHEDULE 10—Continued
SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 2000, 2001, 2002, and 2003
(Dollars in Thousands)

Fund	Reserves June 30, 2000	Actual Revenues 2000–01	Actual Expenditures 2000–01	Reserves June 30, 2001	Estimated Revenues 2001–02	Estimated Expenditures 2001–02	Reserves June 30, 2002	Estimated Revenues 2002–03	Estimated Expenditures 2002–03	Reserves June 30, 2003
Psychiatric Technicians Account	472	1,315	1,001	786	1,336	1,163	959	1,336	1,206	1,089
Psychology Fund	3,711	3,364	2,525	4,550	3,596	3,107	5,039	3,733	3,186	5,586
Pub Sch Plng Desgn & Constr Rev Revlv Fd	18,573	28,599	20,735	26,437	29,839	23,104	33,172	29,839	23,355	39,656
Publ Utilities Comm Utilities Reimb Acct	27,551	69,927	73,110	24,368	69,779	76,453	17,694	69,720	72,696	14,718
Public Beach Restoration Fund	–	–	341	341	–	–	341	–	–	341
Public Int Res, Dev & Demonstratn Progrm	47,797	69,920	80,226	37,491	69,150	99,276	7,365	69,500	71,515	5,350
Public Res Acct, Cig & Tob Pr Surtax	4,909	17,684	17,836	4,757	17,520	17,759	4,518	17,270	18,515	3,273
Public Transportation Account, STF	134,342	373,705	248,753	259,294	170,210	348,699	80,805	219,384	274,314	25,875
Public Util Comm Transport Reimb Acct	5,002	7,961	7,349	5,614	7,450	7,980	5,084	7,450	7,740	4,794
PET Processing Fee Acct, Bev Cont Rec Fd	7,247	48,402	40,122	15,527	49,134	37,391	27,270	56,057	37,009	46,318
Radiation Control Fund	16,106	12,037	15,853	12,290	12,291	22,352	2,229	17,353	13,911	5,671
Rail Accident Prevention & Response Fund	–	2	–	2	2	–	4	2	–	6
Real Estate Appraisers Regulation Fund	3,413	3,592	3,089	3,916	2,095	3,666	2,345	3,659	3,274	2,730
Real Estate Commissioner's Fund	19,810	22,378	27,579	14,609	28,877	28,966	14,520	17,815	29,651	2,684
Recycling Market Development Rev Loan	14,527	3,339	7,811	10,055	2,088	9,047	3,096	3,762	5,356	1,502
Reg Environmental Health Specialist Fd	485	263	167	581	212	168	625	212	210	627
Registered Nurse Education Fund	1,163	835	739	1,259	748	762	1,245	–52	737	456
Registered Nursing Fund, Board of	16,065	14,844	12,865	18,044	14,327	14,547	17,824	9,431	16,923	10,332
Removal & Remedial Action Acct, HWCA	1,174	1,189	2,358	5	1,700	306	1,399	400	300	1,499
Renewable Resource Trust Fund	107,418	131,417	181,714	57,121	217,620	74,588	200,153	–8,000	93,800	98,353
Research & Devel Acct, Child & Fam Trust	32,490	21,231	5,501	48,220	20,314	57,591	10,943	20,043	30,986	–
Research Acct, Cig & Tob Pr Surtax	75,229	26,096	44,991	56,334	21,827	73,141	5,020	21,577	24,513	2,084
Residential Earthquake Recovery Fund, CA	8,405	683	2,336	6,752	470	1,396	5,826	470	1,665	4,631
Respiratory Care Fund	1,698	1,879	1,933	1,644	2,089	2,989	744	2,161	2,749	156
Restitution Fund	82,625	107,267	110,672	79,220	103,459	131,075	51,604	81,938	133,213	329
Retail Sales Tax Fund	–	–	24	–24	–	76	–100	–	–	–100
Rigid Container Account	–	–	–	–	–	–	–	1,000	1,000	–
Rural Development Fund	–	–	23	23	–	–	23	–	–	23
Rural Economic Development Fund	882	200	141	1,223	166	125	1,264	157	119	1,302
Safe Drinking Water Account	3,110	7,902	7,865	3,147	8,004	7,998	3,153	8,351	8,042	3,462
Sale of Tobacco to Minors Control Acct	36	165	150	351	130	245	236	130	246	120
Salmon & Steelhead Trout Restoration Acc	489	7,505	7,994	–	8,000	8,000	–	–	–	–
Satellite Wagering Account	3,744	13,099	16,065	778	12,767	13,534	11	12,767	12,759	19
School Facilities Fee Assistance Fund	53,484	5,687	32,385	91,556	–112,756	21,200	–	–	–	–
School Fund, State	–	16,593	16,593	–	10,000	10,000	–	10,000	10,000	–
School Land Bank Fund	34,803	2,307	30	37,080	2,943	–	40,023	8,097	–	48,120
Seismic Gas Valve Cert Fee Acct	–2	–	–	–2	77	75	–	75	75	–
Seismic Hazards Identification Fund	1,169	2,007	1,780	1,396	1,980	1,988	1,388	1,980	1,985	1,383
Seismic Safety Retrofit Account, STF	11,478	973	–	12,451	597	–	13,048	–13,048	–	–
Self-Insurance Plans Fund	907	2,628	2,066	1,469	2,500	2,778	1,191	2,550	2,741	1,000
Senate Operating Fund	308	–	–	308	–	–	308	–	–	308
Sexual Habitual Offender, DOJ	2,123	2,664	2,076	2,711	2,100	2,062	2,749	2,100	2,422	2,427
Sexual Predator Public Information Acct	217	–67	49	101	212	51	262	212	53	421
Site Operation and Maintenance Account	2,317	147	44	2,420	50	50	2,420	50	49	2,421
Site Remediation Account	6,522	3,361	6,753	3,130	3,026	3,511	2,645	7,141	7,693	2,093
Social Services Subaccount, Sales Tx Acc	–	921,507	921,507	–	971,479	971,479	–	971,479	971,479	–
Soil Conservation Fund	3,057	1,314	3,036	1,335	1,324	1,180	1,479	208	1,293	394
Solid Waste Disposal Site Cleanup Tr Fd	11,788	6,348	10,933	7,203	5,584	9,327	3,460	5,330	7,567	1,223
Special Reserve Fund Vehicle License Fee	–	–	1,330,215	1,330,215	–1,165,000	120,000	45,215	–45,215	–	–
Special Telephone Solicitors Fund	–	–	–	–	1,000	1,000	–	1,000	1,000	–
Speech-Language Pathology & Audiology	331	436	502	265	507	590	182	585	515	252
State Employee Scholarship Fund	150	–	87	63	–63	–	–	–	–	–
State Hospital Mental Health Equity, STGA	–	5,341	5,341	–	–	–	–	7,382	7,382	–
Strong Motion Instrumentation Spec Fund	6,379	5,028	3,279	8,128	4,701	3,413	9,416	4,701	3,415	10,702
Structural Pest Cntrl Educ & Enforcemnt Fd	367	261	267	361	204	273	292	201	276	217

SCHEDULE 10—Continued
SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 2000, 2001, 2002, and 2003
(Dollars in Thousands)

Fund	Reserves June 30, 2000	Actual Revenues 2000–01	Actual Expenditures 2000–01	Reserves June 30, 2001	Estimated Revenues 2001–02	Estimated Expenditures 2001–02	Reserves June 30, 2002	Estimated Revenues 2002–03	Estimated Expenditures 2002–03	Reserves June 30, 2003
Structural Pest Control Device Fund	438	416	73	781	230	100	911	–	–	911
Structural Pest Control Fund	3,722	3,106	2,845	3,983	2,834	3,252	3,565	2,828	3,297	3,096
Structural Pest Control Research Fund	551	133	92	592	122	95	619	121	96	644
Subsequent Injuries Moneys Account	627	3,676	1,998	2,305	3,300	3,300	2,305	3,300	3,300	2,305
Substance Abuse Treatment Trust Fund	–	–	440	440	–	–	440	–	98	342
Surface Impoundment Assessment Account	1,016	63	–	1,079	63	–	1,142	63	–	1,205
Surface Mining and Reclamation Account	487	2,091	1,964	614	2,055	1,887	782	1,128	1,901	9
Tax Credit Allocation Fee Account	18,992	4,539	1,249	22,282	4,793	1,614	25,461	–15,080	1,465	8,916
Tax Relief and Refund Account	–	–	148	–148	–	604	–752	–	–	–752
Teacher Credentials Fund	6,437	10,622	14,536	2,523	12,335	14,075	783	13,984	14,576	191
Technical Assistance Fund	1,491	2,274	2,004	1,761	2,455	2,766	1,450	1,660	3,110	–
Teleconnect Fd Admin Comm Fd, Cal	–	–	–	–	266,654	150,993	115,661	47,619	159,490	3,790
Telephone Medical Advice Services Fund	–	255	126	129	38	162	5	300	140	165
Test Development and Admin Acct, Tc Fd	2,969	9,126	9,818	2,277	10,816	10,337	2,756	11,958	9,931	4,783
Tire Recycling Management Fund, Calif	938	15,947	4,496	12,389	27,166	31,304	8,251	27,445	31,102	4,594
Tissue Bank License Fund	362	213	161	414	287	642	59	352	180	231
Title Insurance Fund	270	–	154	116	–116	–	–	–	–	–
Tobacco Settlement Fund	–	–	–	–	401,992	338,095	63,897	412,409	476,305	1
Toll Bridge Seismic Retrofit Acct, STF	320,946	273,891	199,602	395,235	132,987	418,589	109,633	343,180	452,813	–
Toxic Substances Control Account	14,452	36,395	26,616	24,231	27,140	34,192	17,179	27,423	42,239	2,363
Traffic Congestion Relief Fund	–	500,000	922,404	1,422,404	–58,000	487,349	877,055	–98,000	820,820	–41,765
Transcript Reimbursement Fund	71	205	167	109	305	300	114	306	300	120
Transportation Rate Fund	620	1,916	1,851	685	1,920	2,029	576	1,920	1,979	517
Traumatic Brain Injury Fund	701	2,519	795	2,425	1,075	2,797	703	1,044	1,450	297
Travel Seller Fund	1,123	929	935	1,117	736	1,123	730	736	955	511
Trial Court Improvement Fund	78,394	73,664	48,242	103,816	76,318	134,418	45,716	48,291	76,816	17,191
Trustline Voluntary Registration Fund	88	–	–	88	–	–	88	–	–	88
Unallocated Acct, Cig & Tob Pr Surtax	29,520	56,965	60,204	26,281	52,275	59,726	18,830	43,714	61,256	1,288
Unallocated Acct, Child & Families Trust	21,053	13,981	7,645	27,389	13,487	35,870	5,006	13,307	18,313	–
Underground Storage Tank Cleanup Fund	137,056	196,920	231,621	102,355	197,175	228,795	70,735	199,464	251,471	18,728
Underground Storage Tank Fund	2,146	201	625	1,722	201	740	1,183	201	723	661
Underground Storage Tank Tester Account	34	31	24	41	31	28	44	31	28	47
Unified Program Account	2,145	1,481	1,382	2,244	1,880	3,175	949	2,480	3,220	209
Universal Lifeline Telpne Svc Trst Admin	–	–	–	–	266,430	211,133	55,297	230,159	284,804	652
Upper Newport Bay Ecological Maint & Presv	400	–	200	600	–	200	800	–1,000	200	–
Used Oil Recycling Fund, California	28,938	22,658	35,736	15,860	21,800	28,428	9,232	21,467	28,350	2,349
Vehicle Inspection and Repair Fund	65,007	120,592	96,885	88,714	110,274	103,601	95,387	45,804	105,326	35,865
Vehicle License Collection Acct, LRF	–	14,000	14,000	–	14,000	14,000	–	14,000	14,000	–
Vehicle License Fee Account	–	1,101,914	1,101,914	–	1,235,354	1,235,354	–	1,289,256	1,289,256	–
Vehicle License Fee Growth Account	–	133,440	133,440	–	53,902	53,902	–	55,127	55,127	–
Veterans Cemetery Master Devl Fund, No CA	415	–	365	50	–	–	50	–	50	–
Veterans Service Office Fund	399	427	338	488	414	339	563	418	514	467
Veterinary Medical Board Contingent Fund	1,608	1,645	1,727	1,526	1,409	1,846	1,089	1,375	1,745	719
Victim Witness Assistance Fund	4,483	18,444	16,994	5,933	14,822	17,048	3,707	14,422	17,006	1,123
Vietnam Veterans Memorial Account	28	2	–	30	2	2	30	2	2	30
Vocational Nurse Examiners Fund	1,626	4,431	4,029	2,028	4,243	4,219	2,052	4,228	4,075	2,205
Waste Discharge Permit Fund	4,175	14,285	15,252	3,208	15,458	17,521	1,145	31,160	32,180	125
Water Device Certification Special Acct	370	151	161	360	170	163	367	155	183	339
Water Fund, California	914	63	–	977	13,250	–	14,227	25	–	14,252
Waterfowl Habitat Preservation Acct, Cal	3,304	199	167	3,336	199	207	3,328	199	207	3,320
Wildlife Restoration Fund	353	1,915	24,051	26,319	2,719	26,143	2,895	–1,460	1,299	136
Wine Safety Fund	324	–	6	318	–	48	270	–	45	225
Winter Recreation Fund	150	338	226	262	284	284	262	287	287	262
Work and Family Fund	327	–	4,696	5,023	–	5,001	22	–	22	–
Workers' Comp Administration Revolv Fund	5,893	16,843	19,156	3,580	19,684	19,709	3,555	17,684	20,293	946

SCHEDULE 10—Continued
SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 2000, 2001, 2002, and 2003
(Dollars in Thousands)

Fund	Reserves June 30, 2000	Actual Revenues 2000–01	Actual Expenditures 2000–01	Reserves June 30, 2001	Estimated Revenues 2001–02	Estimated Expenditures 2001–02	Reserves June 30, 2002	Estimated Revenues 2002–03	Estimated Expenditures 2002–03	Reserves June 30, 2003
Workers' Compensation Managed Care Fund	254	144	93	305	275	223	357	275	228	404
Workplace Health & Safety Revolving Fund	2,912	1,705	1,816	2,801	1,640	1,232	3,209	–500	2,608	101
WIC Manufacturer Rebate Fund	–	–	–	–	–	–	–	262,401	262,401	–
Yosemite Foundation Acct, ELPF	7	872	840	39	872	840	71	872	840	103
Youth Pilot Program Fund	–5	–	5	–	–	–	–	–	–	–
OTHER UNALLOCATED SPECIAL FUNDS										
Augmentation for Contingencies or Emerg	–	–	–	–	–	1,500	–1,500	–	1,500	–3,000
Augmentation for Employee Compensation	–	–	–	–	–	29,788	–29,788	–	51,005	–80,793
Hiring Freeze Savings	–	–	–	–	–	17,286	17,286	–	25,929	43,215
Interest Payments to the Federal Govt	–	–	–	–	–	1	–1	–	1	–2
Janitor/Contract Services	–	–	–	–	–	1,365	–1,365	–	–	–1,365
Major Revenues	–41	–	–	–41	–1,896	–	–1,937	–3,474	–	–5,411
Section 3.60 Rate Adjustments	–	–	–	–	–	–	–	–	171,583	171,583
State Controller	–	–	41	–41	–	42	–83	–	42	–125
Utilities Costs	–	–	–	–	–	1	–1	–	–	–1
Totals, Special Funds	**$5,594,348**	**$16,990,945**	**$13,971,503**	**$8,613,790**	**$16,473,524**	**$19,940,563**	**$5,146,751**	**$15,528,080**	**$19,112,548**	**$1,562,283**
GRAND TOTALS	**$15,001,912**	**$88,419,101**	**$92,024,462**	**$11,396,551**	**$93,556,151**	**$98,320,443**	**$6,632,259**	**$94,832,588**	**$97,918,098**	**$3,546,749**

Schedule 11
STATEMENT OF GENERAL OBLIGATION BOND AND COMMERCIAL PAPER DEBT OF THE STATE OF CALIFORNIA
(Dollars in Thousands)

(This statement does not include bonds issued under authority of state instrumentalities that are not general obligations of the State of California.)

		General Obligation Bonds							Commercial Paper through December 31, 2001	
		Sales through December 31, 2001					Proposed Sales after December 31, 2001			
Fund		Maturity	Authorized	Unissued	Outstanding	Redeemed	2001–02	2002–03	Finance Cmte Authorization	Total Outstanding
	BUSINESS, TRANSP & HOUSING									
0788	Ca Earthquake Safety & Hous Rehab (1988)	1990–2001	$150,000	–	–	$150,000	–	–	–	–
0703	Clean Air & Transp Improv (1990)	1991–2031	1,990,000	$374,225	$1,224,785	390,990	$51,175	$71,880	$374,225	$7,203
0714	Housing & Homeless (1988)	1990–2001	300,000	–	–	300,000	–	–	–	–
0714	Housing & Homeless (1990)	1991–2023	150,000	–	6,440	143,560	–	–	–	–
0756	Passenger Rail & Clean Air (1990)	1991–2023	1,000,000	13,900	599,510	386,590	6,656	4,257	13,900	479
0653	Seismic Retrofit (1996)	1997–2031	2,000,000	678,645	1,200,710	120,645	202,922	138,499	678,645	83,710
	Total, Business, Transp & Housing		$5,590,000	$1,066,770	$3,031,445	$1,491,785	$260,753	$214,636	$1,066,770	$91,392
	NATURAL RESOURCES									
0722	Ca Park & Recreational Facil (1984)	1985–2027	$370,000	$1,100	$156,955	$211,945	–	–	–	–
0721	Ca Parklands (1980)	1982–2024	285,000	–	42,335	242,665	–	–	–	–
0707	Ca Safe Drinking Water (1976)	1981–2027	175,000	2,500	50,365	122,135	–	–	$2,500	–
0707	Ca Safe Drinking Water (1984)	1986–2027	75,000	–	32,040	42,960	–	–	–	–
0707	Ca Safe Drinking Water (1986)	1991–2030	100,000	–	66,250	33,750	–	–	–	–
0793	Ca Safe Drinking Water (1988)	1991–2029	75,000	8,265	47,870	18,865	$2,805	$1,696	6,265	$818
6001	Ca Safe Drinking Water (2000)	2001–2031	1,970,000	1,893,000	77,000	–	111,340	87,806	247,200	44,480
0786	Ca Wildlife, Coast, & Park Land Cons (1988)	1990–2029	776,000	14,980	456,905	304,115	–	–	5,476	–
0734	Clean Water (1970)	1972–2011	250,000	–	5,000	245,000	–	–	–	–
0734	Clean Water (1974)	1978–2011	250,000	–	10,225	239,775	–	–	–	–
0740	Clean Water (1984)	1986–2024	325,000	–	95,070	229,930	–	–	–	–
0716	Community Parklands (1986)	1990–2022	100,000	–	49,155	50,845	–	–	–	–
0748	Fish & Wildlife Habitat Enhance (1984)	1986–2029	85,000	3,000	32,305	49,695	–	–	–	–
0720	Lake Tahoe Acquisitions (1982)	1986–2017	85,000	–	34,550	50,450	–	–	–	–
0402	Safe, Clean, Reliable Water Supply (1996)	1998–2031	995,000	655,000	318,090	21,910	105,821	64,464	143,200	22,641
0005	Safe Neighborhood Parks (2000)	2001–2031	2,100,000	1,861,500	238,500	–	202,047	152,770	348,500	38,474
0733	State Beach, Park, Recrl & Hist Facil (1974)	1967–2003	250,000	–	1,115	248,885	–	–	–	–
0742	State, Urban & Coastal Park (1976)	1978–2029	280,000	–	17,400	262,600	–	–	–	–
0744	Water Conserv & Water Quality (1986)	1993–2031	150,000	27,600	77,845	44,555	–	–	5,600	–
0790	Water Conserv (1988)	1991–2031	60,000	15,935	32,920	11,145	1,474	2,102	12,935	59
	Total, Natural Resources		$8,756,000	$4,482,880	$1,841,895	$2,431,225	$423,487	$308,838	$771,676	$106,472
	ENVIRONMENTAL PROTECTION									
0737	Clean Water & Water Conserv (1978)	1981–2028	$375,000	–	$54,240	$320,760	–	–	–	–
0764	Clean Water & Water Reclam (1988)	1991–2029	65,000	–	46,070	18,930	–	–	–	–
0710	Hazardous Substance Cleanup (1984)	1986–2005	100,000	–	10,000	90,000	–	–	–	–
	Total, Environmental Protection		$540,000	–	$110,310	$429,690	–	–	–	–
	HEALTH AND HUMAN SERVICES									
0729	Senior Center (1984)	1986–2006	$50,000	–	$12,250	$37,750	–	–	–	–
	Total, Health and Human Services		$50,000	–	$12,250	$37,750	–	–	–	–

Schedule 11—Continued

STATEMENT OF GENERAL OBLIGATION BOND AND COMMERCIAL PAPER DEBT OF THE STATE OF CALIFORNIA
(Dollars in Thousands)

(This statement does not include bonds issued under authority of state instrumentalities that are not general obligations of the State of California.)

		General Obligation Bonds							Commercial Paper through December 31, 2001	
		Sales through December 31, 2001					Proposed Sales after December 31, 2001			
Fund		Maturity	Authorized	Unissued	Outstanding	Redeemed	2001–02	2002–03	Finance Cmte Authorization	Total Outstanding
	YOUTH AND ADULT CORRECTIONAL									
0711	Co Corr Facil Cap Expend (1986)	1989–2022	$495,000	–	$251,420	$243,580	–	–	–	–
0796	Co Corr Facil Cap Expend & Youth Facil (1988)	1991–2030	500,000	–	301,440	198,560	–	–	–	–
0725	Co Jail Cap Expend (1981)	1984–2011	280,000	–	78,375	201,625	–	–	–	–
0727	Co Jail Cap Expend (1984)	1986–2009	250,000	–	72,000	178,000	–	–	–	–
0723	New Prison Construction (1981)	1983–2006	495,000	–	86,250	408,750	–	–	–	–
0724	New Prison Construction (1984)	1985–2006	300,000	–	62,500	237,500	–	–	–	–
0746	New Prison Construction (1986)	1989–2017	500,000	$1,500	219,690	278,810	–	–	$1,500	–
0747	New Prison Construction (1988)	1991–2023	817,000	12,260	399,415	405,325	–	–	3,860	–
0751	New Prison Construction (1990)	1991–2023	450,000	8,100	241,260	200,640	$1,871	$1,261	8,100	$670
	Total, Youth & Adult Correctional		$4,087,000	$21,860	$1,712,350	$2,352,790	$1,871	$1,261	$13,460	$670
	EDUCATION—K–12									
0794	Ca Library Constr & Renov (1988)	1991–2031	$75,000	$2,595	$48,345	$24,060	–	–	$695	–
6000	Ca Library Constr & Renov (2000)	2001–2031	350,000	349,500	500	–	$1,051	$489	2,300	$621
0119	Class Size Reduction K–U Pub. Ed. Facil (1998) K–12	1999–2031	6,700,000	1,547,300	4,954,405	198,295	580,670	450,226	1,547,300	171,037
0657	Public Education Facil (1996) K–12	1997–2031	2,025,000	77,535	1,672,280	275,185	14,935	10,487	77,535	1,861
0739	School Bldg & Earthquake (1974)	1997–2026	40,000	–	33,325	6,675	–	–	–	–
0789	School Facilities (1988)	1990–2011	800,000	–	366,840	433,160	–	–	–	–
0708	School Facilities (1990)	1992–2031	800,000	3,500	473,560	322,940	1,256	912	3,500	78
0745	School Facilities (1992)	1993–2031	1,900,000	31,400	1,209,455	659,145	11,758	6,312	31,400	3,788
0743	State Sch Bldg Lease–Purch (1982)	1984–2005	500,000	–	59,380	440,620	–	–	–	–
0743	State Sch Bldg Lease–Purch (1984)	1987–2011	450,000	–	147,500	302,500	–	–	–	–
0743	State Sch Bldg Lease–Purch (1986)	1990–2011	800,000	–	346,800	453,200	–	–	–	–
0776	1988 School Facil Bond Act (Nov)	1991–2029	800,000	7,000	410,860	382,140	3,587	1,648	7,000	2,431
0774	1990 School Facil Bond Act (Jun)	1991–2028	800,000	3,745	438,345	357,910	2,023	789	3,745	118
0765	1992 School Facil Bond Act (Nov)	1994–2031	900,000	12,094	607,402	280,504	5,126	1,997	12,094	225
	Total, Education—K–12		$16,940,000	$2,034,669	$10,768,997	$4,136,334	$620,406	$472,860	$1,685,569	$180,159
	HIGHER EDUCATION									
0574	Class Size Reduction K–U Pub. Ed. Facil (1998) Hi–Ed	1999–2031	$2,500,000	$1,807,570	$680,635	$11,795	$457,017	$179,739	$814,570	$181,888
0782	Higher Education Facil (1986)	1989–2011	400,000	–	163,500	236,500	–	–	–	–
0785	Higher Education Facil (1988)	1990–2031	600,000	10,805	291,020	298,175	269	72	3,805	45
0791	Higher Education Facil (Jun 1990)	1991–2031	450,000	5,000	249,415	195,585	2,628	708	5,000	2,768
0705	Higher Education Facil (Jun 1992)	1993–2031	900,000	16,110	655,630	228,260	6,263	3,007	16,110	4,132
0658	Public Education Facil (1996) Hi–Ed	1997–2031	975,000	66,650	843,145	65,205	21,624	8,962	57,950	12,937
	Total, Higher Education		$5,825,000	$1,906,135	$2,883,345	$1,035,520	$487,801	$192,488	$897,435	$201,770

Schedule 11—Continued
STATEMENT OF GENERAL OBLIGATION BOND AND COMMERCIAL PAPER DEBT OF THE STATE OF CALIFORNIA
(Dollars in Thousands)

(This statement does not include bonds issued under authority of state instrumentalities that are not general obligations of the State of California.)

		General Obligation Bonds							Commercial Paper through December 31, 2001	
		Sales through December 31, 2001					Proposed Sales after December 31, 2001			
Fund		Maturity	Authorized	Unissued	Outstanding	Redeemed	2001–02	2002–03	Finance Cmte Authorization	Total Outstanding
	GENERAL GOVERNMENT									
0768	Earthquake Safety & Public Bldg. Rehab (1990)	1991–2021	$300,000	$102,000	$168,010	$29,990	$5,682	$9,917	$102,000	$8,882
–	Veterans' Homes (2000)	–	50,000	50,000	–	–	–	–	–	–
	Total, General Government		$350,000	$152,000	$168,010	$29,990	$5,682	$9,917	$102,000	$8,882
	Total, All Agencies		$42,138,000	$9,664,314	$20,528,602	$11,945,084	$1,800,000	$1,200,000	$4,536,910	$589,345
	SELF–LIQUIDATING BONDS [1]									
	Ca Water Resources Dev (1959)	1973–2024	$1,750,000	$167,600	$880,600	$701,800	–	–	–	–
	Veterans Bonds	1958–2027	5,010,000	1,105,585	2,377,030	1,527,385	na [2]	na [2]	$105,585	$36,635
	Total Self–Liquidating Bonds		$6,760,000	$1,273,185	$3,257,630	$2,229,185	–	–	$105,585	$36,635
TOTAL			**$48,898,000**	**$10,937,499**	**$23,786,232**	**$14,174,269**	**$1,800,000**	**$1,200,000**	**$4,642,495**	**$625,980**

[1] The California Water Resource Development Bond Act and the Veterans Bond Acts are public service enterprises that have their own revenues to finance their respective debt service expenditures.
[2] Amounts not available.
Information Source: provided by the State Treasurer's Office.

Schedule 12-A
STATE APPROPRIATIONS LIMIT SUMMARY
(Dollars in Millions)

	2000–01			2001–02			2002–03		
	General Fund	Special Funds	Total	General Fund	Special Funds	Total	General Fund	Special Funds	Total
Schedule 8:									
Revenues and Transfers	$71,428	$16,991	$88,419	$77,083	$16,473	$93,556	$79,305	$15,528	$94,833
Less/Add: Transfers	6,180	123	6,303	–7,660	729	–6,931	–1,572	1,466	–106
Schedule 12-B:									
Less: Revenues to Excluded Funds	–	–5,224	–5,224	–	–7,466	–7,466	–	–6,873	–6,873
Schedule 12-C:									
Less: Non-Tax Revenues to Included Funds	–1,096	–358	–1,454	–914	–294	–1,208	–3,448	–386	–3,834
Schedule 12-D:									
Add: SAL Transfers	11	4	15	109	4	113	53	36	89
TOTAL, SAL REVENUES AND TRANSFERS	**$76,523**	**$11,536**	**$88,059**	**$68,618**	**$9,446**	**$78,064**	**$74,338**	**$9,771**	**$84,109**
Schedule 12-E:									
Less: Exclusions	–30,681	–5,148	–35,829	–28,765	–4,507	–33,272	–28,119	–3,827	–31,946
TOTAL, SAL APPROPRIATIONS			**$52,230**			**$44,792**			**$52,163**
CALCULATION OF LIMIT ROOM:									
Appropriations Limit (Sec. 12.00)			$54,073			$59,318			$58,499
Less: Total SAL Appropriations			–52,230			–44,792			–52,163
Appropriation Limit Room/(Surplus)			$1,843			$14,526			$6,336

Schedule 12-B
STATE APPROPRIATIONS LIMIT
REVENUES TO EXCLUDED FUNDS
(Dollars In Thousands)

Source Code	Source	Actual 2000–01	Estimated 2001–02	Estimated 2002–03
	MAJOR REVENUES:			
110500	Cigarette Tax	998,870	987,000	973,000
110900	Horse Racing Fees-Licenses	26,827	25,948	25,948
111100	Horse Racing Fines and Penalties	1,431	1,507	1,507
111300	Horse Racing Miscellaneous	11,151	12,647	12,696
114300	Other Motor Vehicle Fees	1,086	990	990
	TOTAL, MAJOR TAXES AND LICENSES	$1,039,365	$1,028,092	$1,014,141
	MINOR REVENUES:			
	REGULATORY TAXES AND LICENSES:			
120200	General Fish and Game Taxes	2,064	1,940	1,970
120300	Energy Resource Surcharge	262,527	441,049	365,779
120600	Quarterly Public Util Commission Fees	76,919	76,400	76,400
120700	Penalties on Pub Util Comm Qtrly Fees	2	–	–
120900	Off-Highway Vehicle Fees	2,358	1,800	1,800
121000	Liquor License Fees	33,333	35,043	37,827
121100	Genetic Disease Testing Fees	54,135	60,135	63,635
121200	Other Regulatory Taxes	55,165	50,676	52,242
121300	New Motor Vehicle Dealer License Fee	1,261	1,265	1,175
121500	General Fish and Game Lic Tags Permits	74,158	75,705	75,500
122400	Elevator and Boiler Inspection Fees	8,870	10,944	10,777
122700	Employment Agency License Fees	2,154	6,557	7,970
122900	Teacher Credential Fees	10,050	11,695	13,267
123000	Teacher Examination Fees	8,927	10,616	11,758
123100	Insurance Co License Fees & Penalties	26,266	26,256	26,425
123200	Insurance Company Examination Fees	15,405	17,781	17,781
123400	Division of Real Estate Examination Fees	4,670	4,522	5,147
123500	Div of Real Estate License Fees	9,158	17,016	17,161
123600	Subdivision Filing Fees	6,593	6,686	6,686
123800	Building Construction Filing Fees	4,893	5,360	5,360
124100	Domestic Corporation Fees	8,022	8,712	9,712
124200	Foreign Corporation Fees	1,624	1,548	2,548
124300	Notary Public License Fees	990	985	1,985
124400	Filing Financing Statements	5,137	5,437	6,437
125100	Beverage Container Redemption Fees	531,211	539,653	550,576
125400	Hazardous Waste Control Fees	58,611	56,058	57,486
125600	Other Regulatory Fees	442,897	467,054	487,366
125700	Other Regulatory Licenses and Permits	328,063	2,095,375	1,036,694
125800	Renewal Fees	139,542	138,464	141,740
125900	Delinquent Fees	4,025	3,614	3,709
127100	Insurance Department Fees, Prop 103	21,594	23,051	21,976
127200	Insurance Department Fees, General	13,952	14,157	14,328
127300	Insurance Fraud Assessment, Workers Comp	30,169	31,496	31,496
127400	Insurance Fraud Assessment, Auto	40,472	38,594	38,594
127500	Insurance Fraud Assessment, General	1,431	1,860	1,860
	TOTAL, REGULATORY TAXES AND LICENSES	$2,286,648	$4,287,504	$3,205,167
	REVENUE FROM LOCAL AGENCIES:			
130600	Architecture Public Building Fees	26,515	27,674	27,674
130700	Penalties on Traffic Violations	91,379	94,809	92,108
130800	Penalties on Felony Convictions	45,947	40,005	40,005
130900	Fines-Crimes of Public Offense	8,670	8,700	8,700
131000	Fish and Game Violation Fines	535	573	573
131100	Penalty Assessments on Fish & Game Fines	565	660	712
131300	Addt'l Assmnts on Fish & Game Fines	77	72	72
131600	Fingerprint ID Card Fees	48,923	52,485	52,506
131700	Misc Revenue From Local Agencies	65,109	62,578	62,583
	TOTAL, REVENUE FROM LOCAL AGENCIES	$287,720	$287,556	$284,933
	SERVICES TO THE PUBLIC:			
140600	State Beach and Park Service Fees	44,568	29,900	29,900
140900	Parking Lot Revenues	6,638	7,506	8,433
141200	Sales of Documents	1,555	2,873	3,337
142000	General Fees—Secretary of State	14,178	14,000	15,885
142200	Parental Fees	2,157	2,100	2,150

Schedule 12-B—Continued
STATE APPROPRIATIONS LIMIT
REVENUES TO EXCLUDED FUNDS
(Dollars In Thousands)

Source Code	Source	Actual 2000–01	Estimated 2001–02	Estimated 2002–03
142500	Miscellaneous Services to the Public	150,962	151,291	154,088
142800	California State University Fees	664,300	685,180	706,091
143000	Personalized License Plates	36,195	36,575	37,088
	TOTAL, SERVICES TO THE PUBLIC	$920,553	$929,425	$956,972
	USE OF PROPERTY AND MONEY:			
150200	Income From Pooled Money Investments	306	306	306
150300	Income From Surplus Money Investments	184,209	136,044	149,847
150400	Interest Income From Loans	4,720	4,463	4,363
150600	Income From Other Investments	21,761	10,271	3,081
151200	Income From Condemnation Deposits Fund	3	3	3
151800	Federal Lands Royalties	28,911	17,240	16,340
152200	Rentals of State Property	3,767	4,034	4,306
152300	Misc Revenue Frm Use of Property & Money	13,590	14,888	20,106
152400	School Lands Royalties	182	93	93
152500	State Lands Royalties	123,381	39,889	–
	TOTAL, USE OF PROPERTY AND MONEY	$380,830	$227,231	$198,445
	MISCELLANEOUS:			
160100	Attorney General Proceeds of Anti-Trust	933	1,068	1,068
160200	Penalties & Interest on UI & DI Contrib	70,241	73,877	74,787
160400	Sale of Fixed Assets	80	24	24
160500	Sale of Confiscated Property	23	–	–
160600	Sale of State's Public Lands	185	812	5,529
161000	Escheat of Unclaimed Checks & Warrants	1,165	431	433
161300	Subsequent Injuries Revenue	3,676	3,300	3,300
161400	Miscellaneous Revenue	62,149	67,305	567,580
161800	Penalties & Intrst on Personal Income Tx	26,122	26,837	28,136
161900	Other Revenue—Cost Recoveries	41,090	39,411	36,589
163000	Settlements/Judgments (not Anti-trust)	80	401,992	412,409
164000	Uninsured Motorist Fees	13	–	–
164100	Traffic Violations	2,278	2,278	2,278
164200	Parking Violations	676	525	325
164300	Penalty Assessments	74,904	73,905	74,951
164400	Civil & Criminal Violation Assessment	25,493	14,160	5,585
	TOTAL, MISCELLANEOUS	$309,108	$705,925	$1,212,994
	TOTAL, MINOR REVENUES	$4,184,859	$6,437,641	$5,858,511
	TOTALS, Revenue to Excluded Funds (MAJOR and MINOR)	$5,224,224	$7,465,733	$6,872,652

Schedule 12-C
STATE APPROPRIATIONS LIMIT
NON-TAX REVENUES IN FUNDS SUBJECT TO LIMIT
(Dollars In Thousands)

Source Code	Source	Actual 2000–01 General Fund	Actual 2000–01 Special Funds	Estimated 2001–02 General Fund	Estimated 2001–02 Special Funds	Estimated 2002–03 General Fund	Estimated 2002–03 Special Funds
	MAJOR REVENUES:						
111100	Horse Racing Fines and Penalties	77	–	80	–	80	–
111200	Horse Racing Fees-Unclaimed P-M Tickets	352	–	348	–	348	–
111300	Horse Racing Miscellaneous	13	–	13	–	13	–
114200	Driver's License Fees	–	131,581	–	82,289	–	131,213
114300	Other Motor Vehicle Fees	–	42,001	–	44,073	–	45,723
114400	Identification Card Fees	–	7,447	–	7,462	–	7,462
	TOTAL, MAJOR TAXES AND LICENSES	**$442**	**$181,029**	**$441**	**$133,824**	**$441**	**$184,398**
	MINOR REVENUES:						
	REGULATORY TAXES AND LICENSES:						
120800	Hwy Carrier Uniform Business License Tax	329	–	330	–	330	–
120900	Off-Highway Vehicle Fees	–	2,681	–	2,451	–	2,451
121200	Other Regulatory Taxes	11,534	–	11,860	–	11,860	–
122400	Elevator and Boiler Inspection Fees	224	–	231	–	231	–
122600	Industrial Homework Fees	11	–	6	–	6	–
122700	Employment Agency License Fees	711	–	645	–	645	–
122800	Employment Agency Filing Fees	94	–	109	–	109	–
124500	Candidate Filing Fee	31	–	620	–	62	–
125200	Explosive Permit Fees	29	–	25	–	25	–
125600	Other Regulatory Fees	8,131	–	8,180	–	8,190	–
125700	Other Regulatory Licenses and Permits	37,254	23,127	41,036	22,728	48,466	22,924
125800	Renewal Fees	57	–	95	–	95	–
125900	Delinquent Fees	1	–	1	–	1	–
	TOTAL, REGULATORY TAXES AND LICENSES	**$58,406**	**$25,808**	**$63,138**	**$25,179**	**$70,020**	**$25,375**
	REVENUE FROM LOCAL AGENCIES:						
130100	Trial Court Revenues	444	–	–	–	–	–
131500	Narcotic Fines	2,911	–	2,262	–	2,262	–
131700	Misc Revenue From Local Agencies	297,822	529	338,685	600	355,397	600
131900	Rev Local Govt Agencies-Cost Recoveries	1,733	–	120	–	120	–
	TOTAL, REVENUE FROM LOCAL AGENCIES	**$302,910**	**$529**	**$341,067**	**$600**	**$357,779**	**$600**
	SERVICES TO THE PUBLIC:						
140100	Pay Patients Board Charges	17,785	–	16,396	–	15,860	–
141000	Fire Prevention and Suppression	–	–	100	–	100	–
141200	Sales of Documents	486	948	476	1,156	475	1,179
142000	General Fees—Secretary of State	30	–	28	–	28	–
142300	Guardianship Fees	11	–	12	–	12	–
142500	Miscellaneous Services to the Public	3,253	58,929	3,300	59,960	3,300	101,009
142600	Receipts From Health Care Deposit Fund	8,000	–	8,000	–	8,000	–
142700	Medicare Receipts Frm Federal Government	7,060	–	5,550	–	5,550	–
	TOTAL, SERVICES TO THE PUBLIC	**$36,625**	**$59,877**	**$33,862**	**$61,116**	**$33,325**	**$102,188**
	USE OF PROPERTY AND MONEY:						
152000	Oil & Gas Lease-1% Revenue City/County	306	–	200	–	200	–
152200	Rentals of State Property	7,473	41,044	7,503	35,025	7,641	36,025
152300	Misc Revenue Frm Use of Property & Money	37,238	19,446	31,500	18,000	31,500	18,000
152500	State Lands Royalties	13,438	–	15,653	–	45,073	–
	TOTAL, USE OF PROPERTY AND MONEY	**$58,455**	**$60,490**	**$54,856**	**$53,025**	**$84,414**	**$54,025**
	MISCELLANEOUS:						
160400	Sale of Fixed Assets	7,016	–	127,615	–	85,296	–
160500	Sale of Confiscated Property	7,543	–	5,504	–	5,504	–
160600	Sale of State's Public Lands	–	127	–	13	–	13
160700	Proceeds From Estates of Deceased Person	1,013	–	350	–	350	–
160900	Revenue-Abandoned Property	133,785	–	146,200	–	176,400	–
161000	Escheat of Unclaimed Checks & Warrants	28,903	507	22,623	692	22,623	700
161400	Miscellaneous Revenue	36,069	29,841	6,103	19,617	2,466,502	18,478
161900	Other Revenue—Cost Recoveries	2,806	–	–	–	–	–
163000	Settlements/Judgments (not Anti-trust)	392,611	–	74,041	–	107,754	–
164000	Uninsured Motorist Fees	1,997	–	2,000	–	2,000	–

Schedule 12-C—Continued
STATE APPROPRIATIONS LIMIT
NON-TAX REVENUES IN FUNDS SUBJECT TO LIMIT
(Dollars In Thousands)

Source Code	Source	Actual 2000–01 General Fund	Actual 2000–01 Special Funds	Estimated 2001–02 General Fund	Estimated 2001–02 Special Funds	Estimated 2002–03 General Fund	Estimated 2002–03 Special Funds
164200	Parking Violations	5,510	–	5,002	–	5,002	–
164300	Penalty Assessments	19,607	–	26,880	–	26,764	–
164400	Civil & Criminal Violation Assessment	1,877	–	3,991	–	3,681	–
	TOTAL, MISCELLANEOUS	**$638,737**	**$30,475**	**$420,309**	**$20,322**	**$2,901,876**	**$19,191**
	TOTAL, MINOR REVENUES	**$1,095,133**	**$177,179**	**$913,232**	**$160,242**	**$3,447,414**	**$201,379**
	TOTALS, NON-TAX REVENUE (MAJOR and MINOR)	**$1,095,575**	**$358,208**	**$913,673**	**$294,066**	**$3,447,855**	**$385,777**

Schedule 12-D

STATE APPROPRIATIONS LIMIT
TRANSFERS FROM EXCLUDED FUNDS TO INCLUDED FUNDS
(Dollars in Thousands)

	Actual 2000–01		Estimated 2001–02		Estimated 2002–03	
	General Fund	Special Funds	General Fund	Special Funds	General Fund	Special Funds
Transfers PER SEC 12.20 BA/00	87	–	–	–	–	–
Transfers PER SEC 25.10 BA 01	–	–	4,900	–	–	–
From Fingerprint Fees Account (0017) to General Fund (0001) (PER ITEM 0820-012-0017 BA 02)	–	–	–	–	2,000	–
From Site Remediation Account (0018) to General Fund (0001) (PER 3960-011-0018 BA 02)	–	–	–	–	1,000	–
From Alcohol Beverage Control Fund (0081) to General Fund (0001) (PER BUS & PROF CODE SEC 25761)	1,819	–	1,819	–	1,819	–
From Health Statistics Special Fund (0099) to General Fund (0001) (PER ITEM 4260-012-0001 BA 02)	–	–	–	–	4,200	–
From Registered Nurse Education Fund (0181) to General Fund (0001) (PER ITEM 4140-002-0181 BA 02)	–	–	–	–	800	–
From Energy and Resources Fund (0188) to General Fund (0001) (PER PUB RES CODE SEC 26042.4)	117	–	650	–	800	–
From Fair and Exposition Fund (0191) to General Fund (0001) (PER ITEM 8570-011-0191/99 00)	246	–	246	–	246	–
From Workers' Comp Administration Revolv Fund (0223) to General Fund (0001) (PER ITEM 8350-011-0223 BA 02)	–	–	–	–	2,000	–
From Business Fees Fund, Secty of State's (0228) to General Fund (0001) (PER GOV CODE SEC 12176)	4,413	–	3,582	–	10,943	–
From Business Fees Fund, Secty of State's (0228) to General Fund (0001) (PER ITEM 0890-011-0228, BA 2002)	–	–	–	–	1,000	–
From Technical Assistance Fund (0270) to General Fund (0001) (PER ITEM 5180-011-0270 BA 02)	–	–	–	–	991	–
From Infant Botulism Treatment & Prevention (0272) to General Fund (0001) (PER HEALTH & S CODE SEC 123707)	–	–	133	–	133	–
From Loss Control Certification Fund (0284) to General Fund (0001) (PER ITEM 8350-011-0284 BA 02)	–	–	–	–	1,800	–
From HICAP Fund, State (0289) to General Fund (0001) (PER ITEM 4170-002-0289 BA 02)	–	–	–	–	1,709	–
From Motor Carriers Permit Fund (0292) to General Fund (0001) (PER REV & T CODE SEC 7236)	4,006	–	3,802	–	3,802	–
From Parks and Recreation Fund, State (0392) to General Fund (0001) (PER ITEM 3790-011-0392 BA 02)	–	–	–	–	19,800	–
From Title Insurance Fund (0548) to General Fund (0001) (PER CHAP 434/97 & GOV CD 13306)	–	–	116	–	–	–

Schedule 12-D—Continued

STATE APPROPRIATIONS LIMIT
TRANSFERS FROM EXCLUDED FUNDS TO INCLUDED FUNDS
(Dollars in Thousands)

	Actual 2000–01		Estimated 2001–02		Estimated 2002–03	
	General Fund	Special Funds	General Fund	Special Funds	General Fund	Special Funds
From High Polluter Repair or Removal Account (0582) to General Fund (0001) (PER ITEM 1111-011-0582 BA 01)	–	–	50,000	–	–	–
From High Polluter Repair or Removal Account (0582) to General Fund (0001) (PER PENDING LEGISLATION)	–	–	44,000	–	–	–
From Seismic Safety Retrofit Account, STF (0056) to Highway Account, State, STF (0042) (PER ITEM 2660-011-0056 02)	–	–	–	–	–	13,048
From Environmnt Enhanc & Mitigat Demo Prgm Fd (0183) to Highway Account, State, STF (0042) (PER ITEM 2660-011-0183 02)	–	–	–	–	–	10,185
From Environmental License Plate Fund, Calif (0140) to Motor Vehicle Account, STF (0044) (PER PUB RES CODE SEC 21191)	–	3,890	–	3,890	–	3,890
From Motor Carriers Permit Fund (0292) to Motor Vehicle Account, STF (0044) (PER ITEM 2740-011-0292 BA 02)	–	–	–	–	–	8,936
TOTALS	$10,688	$3,890	$109,248	$3,890	$53,043	$36,059

Schedule 12-E

STATE APPROPRIATIONS LIMIT EXCLUDED APPROPRIATIONS (In Millions)

Budget	Fund	Actual 2000–01	Estimated 2001–02	Estimated 2002–03
DEBT SERVICE:				
9600 Bond Interest and Redemption				
(9600-510-0001)	General	$2,239	$2,541	$2,572
(9590-501-0001)	General	4	3	3
TOTAL—DEBT SERVICE		**$2,243**	**$2,544**	**$2,575**
QUALIFIED CAPITAL OUTLAY:				
Various (Ch. 3 Except DOT)	General	$511	$506	$66
2660 Dept. of Transportation (Ch. 3 Mass Transportation)	General	50	–	–
Various (Ch. 3 Except DOT)	Special	14	90	138
Various Qualified Capital Outlay	General	2,140	422	160
Various Qualified Capital Outlay	Special	89	–	44
Lease-Revenue Bonds (Capital Outlay)	General	488	487	511
Lease-Revenue Bonds (Capital Outlay)	Special	14	16	16
TOTAL—CAPITAL OUTLAY		**$3,306**	**$1,521**	**$935**
SUBVENTIONS:				
6110 K–12 Apportionments (6110-601-0001)	General	$15,002	$15,591	$15,556
6110 K–12 Supplemental Instruction (6110-104, 204, 205-0001)	General	527	477	492
6110 K–12 Class Size Reduction (6110-234-0001)	General	1,566	1,610	1,662
6110 K–12 ROCP (6110-105-0001)	General	337	360	376
6110 K–12 Apprenticeships (6110-103-0001)	General	14	16	16
6110 Charter Sch Block Grant (6110-211-0001)	General	28	41	50
State Subventions Not Counted in Schools' Limit	General	–3,189	–2,634	–3,835
6110 County Offices (6110-608-0001)	General	175	187	190
6870 Community Colleges (6870-101-0001)	General	2,131	2,219	2,216
SUBVENTIONS—EDUCATION		**$16,591**	**$17,867**	**$16,723**
2240 Jobs/Housing Balance Incentive Grants	General	$100	–	–
5195 State-Local Realignment				
Vehicle License Collection Account	Special	14	$14	$14
Vehicle License Fees	Special	787	421	438
(9100-602-0001) Vehicle License Fee GF Backfill (Realignment)	General	448	585	906
9100 Tax Relief (9100-101-0001, Programs 60, 90)	General	434	442	449
9210 Local Government Financing				
(9210-103-0001)	General	1	1	1
(9210-118-0001)	General	212	–	–
(9210-601-0001)	General	38	38	38
(9210-603-0001)	General	1	1	1
9350 Shared Revenues				
(9430-640-0064)	Special	2,261	1,921	1,107
(9100-603-0001) VLF GF backfill (Shared Rev.)	General	1,394	1,823	2,821
(9430-601-0001) Trailer VLF GF backfill (Shared Rev.)	General	–	37	70
(9100-601, 604, 606-0001) Special Reserve for VLF Tax Relief	General	2,052	–	–
SUBVENTIONS—OTHER		**$7,742**	**$5,283**	**$5,845**
COURT AND FEDERAL MANDATES:				
Various Court and Federal Mandates (HHS)	General	$2,273	$2,727	$2,499
Various Court and Federal Mandates	General	1,390	1,069	1,065
Various Court and Federal Mandates	Special	142	163	149
TOTAL—MANDATES		**$3,805**	**$3,959**	**$3,713**

Schedule 12-E—Continued

STATE APPROPRIATIONS LIMIT
EXCLUDED APPROPRIATIONS
(In Millions)

Budget	Fund	Actual 2000–01	Estimated 2001–02	Estimated 2002–03
PROPOSITION 111:				
PTA Gasoline (Including Spillover)	Special	$62	$76	$64
Motor Vehicle Fuel Tax: Gasoline	Special	1,291	1,312	1,341
Motor Vehicle Fuel Tax: Diesel	Special	241	232	240
Weight Fee Revenue	Special	233	262	276
TOTAL—PROPOSITION 111		**$1,827**	**$1,882**	**$1,921**
TAX REFUND:				
9100 Tax Relief (9100-101-0001, Programs 10, 30, 50)	General	$315	$216	$234
TOTAL—TAX RELIEF		**$315**	**$216**	**$234**
EMERGENCIES:		–	–	–
TOTAL EXCLUSIONS:		**$35,829**	**$33,272**	**$31,946**
General Fund		*$30,681*	*$28,765*	*$28,119*
Special Funds		*$5,148*	*$4,507*	*$3,827*