

# GOVERNOR'S BUDGET SUMMARY 2014-15

Edmund G. Brown Jr. Governor  
*State of California*

To the California Legislature  
Regular Session 2013-14

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GOVERNOR  
Edmund G. Brown Jr.

January 10, 2014

To the Members of the Senate and the Assembly of the California Legislature:

With a decade of intractable deficits behind us, California is poised to take advantage of the recovering economy and the tens of thousands of jobs now being created each month. Each of you can be rightfully proud of the role you played in helping to make this happen. In 2012, of course, the voters completed our task by approving Proposition 30 and its seven years of increased tax revenues.

The 2014-15 Budget continues our investment in schools by providing \$10 billion this year alone to give California students a much better chance to succeed. The Budget also provides new money for our colleges and universities with a focus on getting students their degrees in a timely manner. It also funds the expansion of health care coverage to millions of Californians and avoids the early release of serious and violent offenders, while taking important steps to reduce future crime.

Given the vagaries of the business cycle, and particularly the volatility of capital gains income, we must be ever vigilant in the commitment of public funds. In addition, past budgetary borrowing, unfunded retirement obligations, bond costs, and deferred maintenance have created a mountain of long-term liabilities that totals hundreds of billions of dollars. In the face of such liabilities, our current budget surplus is rather modest. That is why wisdom and prudence should be the order of the day.

With respect,

/s/ Edmund G. Brown Jr.

Edmund G. Brown Jr.

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# 2014-15 BUDGET SUMMARY

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# INTRODUCTION

Since 2011, the State of California's fiscal situation has dramatically turned around. The 2013-14 Budget was the state's most fiscally responsible budget in well over a decade. Under current estimates, the year-to-year gaps between spending and revenues have been erased for the foreseeable future. The overhang of billions of dollars in budgetary debt accumulated in prior years has been reduced. The surging stock market has given the state a capital gains tax revenue windfall of several billion dollars.

By making targeted expenditures, the 2014-15 Governor's Budget builds upon last year's investments in K-12 education, higher education, and health and human services. The Budget also takes further steps to reduce global warming with targeted investments of Cap and Trade auction proceeds, and makes strides towards a sustainable water policy.

Despite the recent improvements in our budget situation, there remain a number of major risks that threaten the state's new-found fiscal stability, including the remaining budgetary debt and hundreds of billions of dollars in longer term liabilities.

The state's fiscal history is riddled with budgets that made permanent obligations—both spending increases and tax cuts—based on temporary revenue increases. After these spikes in revenues disappeared—as they always do—the state was forced to cut programs and raise taxes. This Budget seeks to avoid this unproductive boom-and-bust cycle. Instead of using one-time revenues to spend on permanent programs, it instead uses that money to make the state's first deposit into its Rainy Day Fund since 2007, repay money owed to our schools, pay off the Economic

## INTRODUCTION

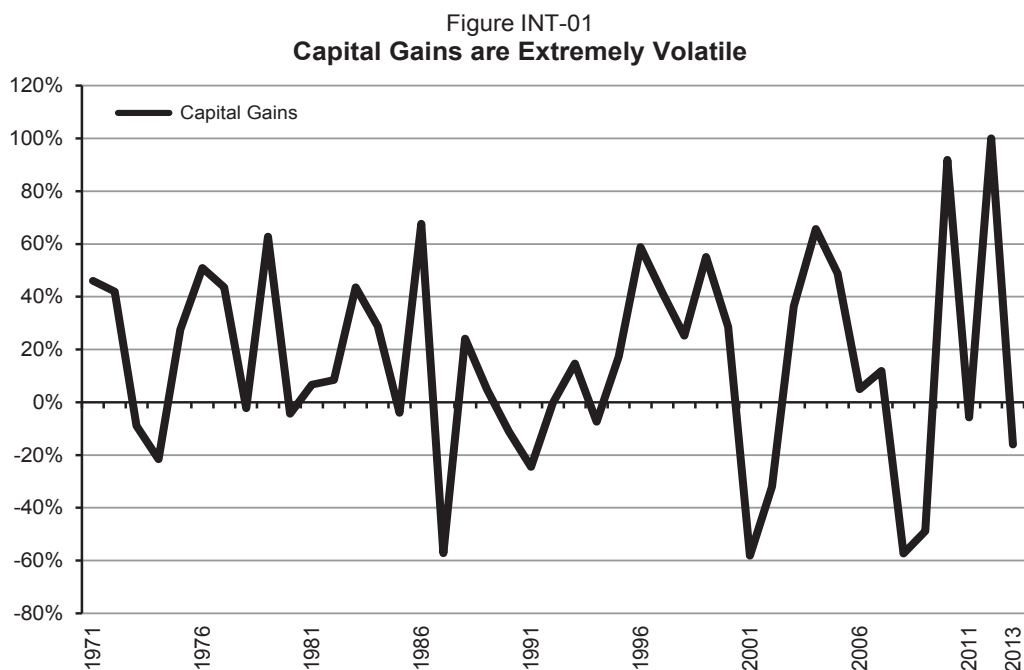
Recovery Bonds sold to balance the budget in 2004, and make one-time investments to shore up the state’s aging infrastructure. This Budget also proposes a constitutional amendment to strengthen California’s Rainy Day Fund so we can pay off our longer term liabilities and be prepared for any future decreases in revenue.

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### ACHIEVING AND MAINTAINING FISCAL BALANCE

When Governor Brown took office in 2011, the state faced a \$26.6 billion immediate budget problem and estimated annual gaps between spending and revenues of roughly \$20 billion. The last three budgets rejected the previous reliance on gimmicks, borrowing, and deferrals. The budgets addressed the \$20 billion annual deficit through temporary taxes approved by the voters and spending cuts, primarily in corrections, health and human services, and education. In total, these budgets provided three dollars of spending cuts for every dollar in temporary tax revenues approved by the voters.

Three years later, the state is now on its most stable fiscal footing in more than a decade. While the overall economy has modestly improved in fits and starts, the stock market soared through most of 2013. Consequently, 2013-14 and likely 2014-15 revenues will be driven upwards on the strength of capital gains. The Budget assumes that the state will receive about \$4 billion in these windfall capital gains revenues above the amount received in “normal” years. Yet, as shown in Figure INT-01, it is clear that capital gains rarely have normal years. Instead, they tend to be extremely volatile: bulleting upwards only to crash dramatically shortly thereafter.





In addition, the quarter-cent sales tax increase under Proposition 30 will expire at the end of 2016, and the income tax rates on the state's wealthiest residents will expire at the end of 2018. The combination of the capital gains surge and the temporary Proposition 30 revenues should leave no doubt that the state's modest surplus must be carefully guarded.

Maintaining the stability of the past year will require fiscal restraint. There are numerous risks, each of which could hit the state's budget to the tune of hundreds of millions, or billions, of dollars. Navigating the following risks and pressures will require fiscal discipline so the state maintains the capacity to weather those that do materialize.

- **Threat of Recession**—The Budget assumes the continued modest economic expansion of the past couple of years. Yet, economic expansions do not last forever. In the post-war period, the average expansion has been about five years; the longest expansion was ten years. As of December 2013, the current expansion has lasted four-and-a-half years. While there are few signs of immediate contraction, we know from history that another recession is inevitable.
- **Federal Fiscal Challenges**—The recent federal budget provides greater stability to the federal government's fiscal situation, after a tumultuous October when operations shut down. Yet, the federal government still faces both short- and long-term fiscal issues, including the need to raise the debt ceiling in February. As has been common in the past, the federal government could shift costs to the state to address its own fiscal challenges.
- **Capital Gains**—As described above, capital gains are the state's most volatile revenue source. With an estimated 9.9 percent of the General Fund tax revenues relying on capital gains in 2014-15, the Budget is heavily dependent on the continued performance of the stock market.
- **Prison Population Cap**—At the time the Budget was prepared, negotiations were ongoing regarding a time extension for the state to meet the court-ordered 137.5 percent of capacity threshold. The Budget assumes that the federal court grants a two-year extension to meet the cap. However, if that extension is not granted, the state will have to spend more on short-term capacity (and reconsider proposed rehabilitation expenditures) to avoid the early release of prisoners who committed serious or violent crimes.
- **Redevelopment Dissolution**—Between 2011-12 and 2014-15, cities, counties, special districts, and schools are estimated to receive over \$7 billion in revenues that

## INTRODUCTION

previously would have been spent by redevelopment agencies. These dollars have been invested in core local public services such as police and fire protection, and have been critical to the state balancing its budget. However, recent court decisions, if finalized and upheld, would put more than \$3 billion of these funds at risk.

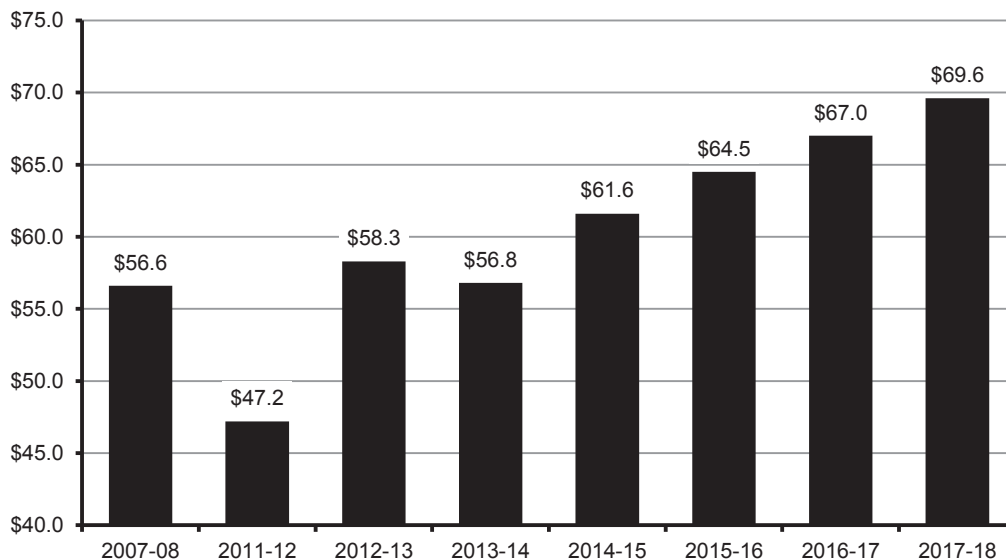
- **Health Care Costs**—Medi-Cal is the budget’s second largest program. Additionally, the state provides health benefits to its own employees and retirees. As the state implements federal health care reform, budgetary spending will become even more dependent on the rate of health care inflation. If this inflation rises faster than expected, annual General Fund spending could quickly rise by hundreds of millions of dollars.
- **Debts and Liabilities**—The state’s budget challenges have been exacerbated by the Wall of Debt—an unprecedented level of debts, deferrals, and budgetary obligations accumulated over the prior decade. Recent state budgets have reduced this debt from \$34.7 billion to \$24.9 billion. In addition, the state faces hundreds of billions of dollars in other long-term cost pressures, debts, and liabilities. As shown in Figure INT-02, retirement-related unfunded liabilities total \$218 billion. Combined with the other liabilities shown in Figure INT-03, total long-term liabilities stand at \$355 billion. These liabilities will constrain the state’s finances in the future.

Figure INT-02 <b>Unfunded Retirement Liabilities</b>		Figure INT-03 <b>California's Long-Term Liabilities</b>	
	(\$ in Billions)		(\$ in Billions)
State Retiree Health	\$63.8	Proposition 98 Maintenance Factor	\$4.5
State Employee Pensions	45.5	Unemployment Insurance Debt	8.8
Teacher Pensions	80.4	Wall of Debt	24.9
University of California Employee Pensions	12.0	Unfunded Retirement Liabilities	217.8
University of California Retiree Health	13.0	Deferred Maintenance	64.6
Judges' Pensions	3.1	Unissued Bonds	33.9
<b>Total</b>	<b><u><u>\$217.8</u></u></b>	<b>Total</b>	<b><u><u>\$354.5</u></u></b>

## CONTINUING TO INVEST IN EDUCATION

Proposition 30 was premised on the need to increase funding for education. For the first time since the recession began in 2008, the 2013-14 Budget invested in, rather than cut, education spending. Increasing revenues offer the opportunity for the 2014-15 Budget to advance this reinvestment even further through an infusion of \$10 billion in new Proposition 98 funding this year and billions more in the next few years. As shown in Figure INT-04, the minimum guarantee of funding for K-14 schools was \$56.6 billion in 2007-08 and sank to \$47.2 billion in 2011-12. From this recent low, funding is expected to grow to \$69.6 billion in 2017-18, an increase of \$22 billion (47 percent).

Figure INT-04  
**Budget Continues to Invest in Education**  
 (Dollars in Billions)



## K-12 EDUCATION

For K-12 schools, funding levels will increase by \$3,410 per student through 2017-18, including an increase of more than \$2,188 per student in 2014-15 over 2011-12 levels. This reinvestment provides the opportunity to correct historical inequities in school district funding with continued implementation of the Local Control Funding Formula. By committing the most new funding to districts serving low-income students, English

## INTRODUCTION

language learners, and youth in foster care, the Budget supports real equal opportunity for all Californians.

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### HIGHER EDUCATION

The budget plan also invests in the state's higher education system to maintain the quality and affordability of one of California's greatest strengths. The Budget provides stable funding growth over multiple years and eliminates the need for further tuition increases. By developing multiyear sustainability plans and focusing on reducing the time it takes a student to successfully complete a degree, the universities can ensure their systems are financially viable over the long term. Increased funding must be tied to getting students their degrees in a timely manner, not just admitting more students. The community college and the university systems must work together to develop innovative and ambitious approaches so students can successfully complete their degrees, and the Budget includes grant funding to encourage these innovations. The Budget expands community colleges' recent efforts to improve student success, with a particular focus on achievement in underrepresented student groups.

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### STRENGTHENING THE SAFETY NET

While the state has made very difficult programmatic reductions over the past three years, California has maintained its safety net for the state's neediest and most vulnerable residents. Compared to other states, California provides broader health care coverage to a greater percentage of the population, including in-home care and guarantees access to services for persons with developmental disabilities. California makes available higher cash assistance to families, continues that assistance to children after their parents lose eligibility, and provides extensive child care to working families with children up to age 13. Finally, the state provides generous financial aid to those seeking higher education.

- The implementation of federal health care reform will provide health care coverage to millions of Californians over the next few years. The Budget commits \$670 million in new General Fund spending to fund the expansion of Medi-Cal benefits, including mental health, substance use disorder, adult dental, and specialized nutrition services.
- The increase in the minimum wage by 25 percent to \$10 per hour by the start of 2016 will provide a needed income boost to many working Californians.

- Grants provided under CalWORKs are currently below the level provided in 1987. The Budget funds a 5-percent grant increase, and creates a three-year pilot program for the state's most vulnerable low-income families with children to provide stable child care and to remove barriers to employment.

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## **STRENGTHENING OUR INFRASTRUCTURE**

The construction and maintenance of key physical infrastructure is one of the core functions of state government. Infrastructure and capital assets allow for the delivery of public services and the movement of goods across the state—both essential components in fostering the state's long-term economic growth. Despite the investment of tens of billions of dollars over the past decade, the state's identified infrastructure needs for both new construction and maintenance continue to grow.

The Budget includes the release of the state's five-year infrastructure plan for the first time since 2008. Rather than solely focusing on new projects, the plan identifies the costs of maintaining the state's *existing* assets—an estimated \$64.6 billion in deferred maintenance. By finally addressing this backlog of deferred maintenance, the state will keep its assets functioning longer and reduce the need to build costlier new infrastructure. The Budget includes an \$815 million package of funding for critical deferred maintenance in state parks, highways, local streets and roads, K-12 schools, community colleges, courts, prisons, state hospitals, and other state facilities.

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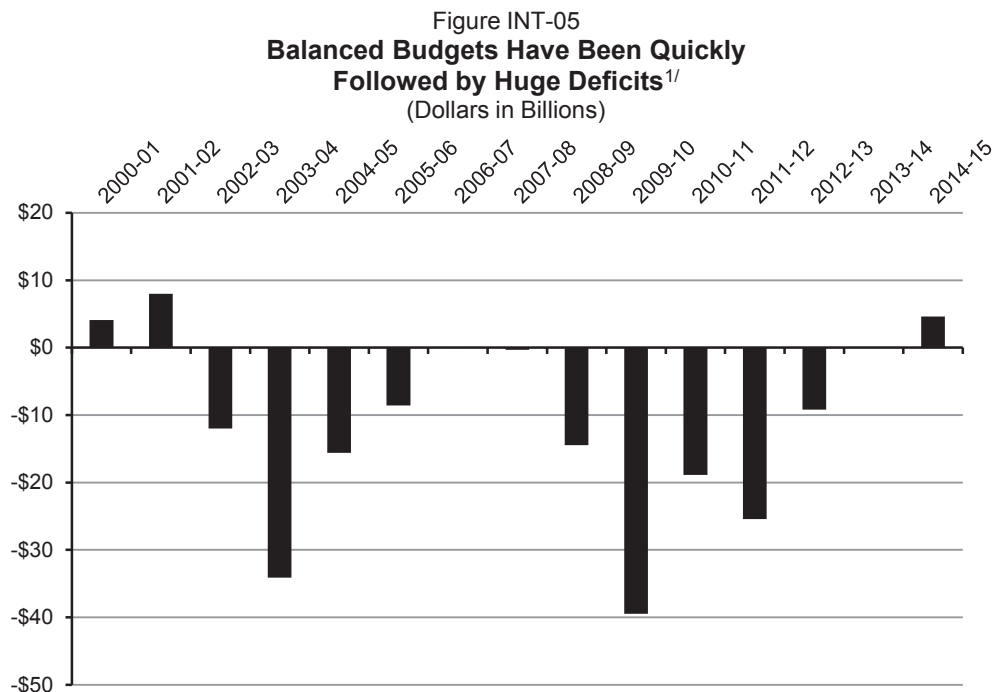
## **ADDRESSING CLIMATE CHANGE AND WATER SUSTAINABILITY**

The California Global Warming Solutions Act of 2006 (AB 32) established California as a global leader in reducing greenhouse gas emissions. To advance this effort, the Budget proposes to invest \$850 million of Cap and Trade auction proceeds to support existing and pilot programs that will reduce greenhouse gases, with a particular emphasis on assisting disadvantaged communities. The plan includes the repayment of \$100 million that was loaned to the General Fund in 2013-14, with the remaining balance being repaid within the next few years. The proposed projects will modernize the state's rail system, including high-speed rail, encourage local communities to develop in a sustainable manner, reduce transportation emissions, increase energy, water, and agricultural efficiency, restore forests in both urban and rural settings, and create incentives for improved recycling.

Likewise, the Budget supports improved management of our water resources. The Water Action Plan identifies key steps over the next five years to craft more sustainable water policies. The Budget proposes \$619 million in expenditures to support the plan’s efforts to expand water storage capacity, improve drinking water in communities where available supplies are substandard, increase flood protection, and increase regional self-reliance. The Cap and Trade and Water Action Plans are integrated efforts to address the state’s environmental challenges in the coming decades. For instance, a portion of the Cap and Trade proceeds will be used to improve water efficiency and restore wetlands and watersheds—key goals of the water plan.

### PAYING DOWN DEBTS AND LIABILITIES AND SAVING FOR A RAINY DAY

The state’s modest surplus is a welcome reprieve from recent budget crises. The source of the surplus—a windfall from volatile capital gains—and the temporary Proposition 30 tax revenues means that the surplus will be short-lived. As shown in Figure INT-05, since 2000, the state has had two short periods that lacked budget deficits. Yet based on the rapid turn of the stock market, capital gains, and the economy, these periods of fiscal balance quickly turned into budget crises. Both times, in January 2001 and in



<sup>1/</sup> Budget shortfalls or surplus, measured by the annual Governor’s Budget.

January 2007, the state's finances plunged by \$40 billion in just two years and forced the state to cut programs and raise taxes. During these short periods of revenue growth, the state made ongoing commitments presuming that the growth would be permanent. Learning from the state's recent history and seeking to avoid the same traps of the past, the Budget uses the surplus to pursue two goals that enhance the state's long-term fiscal capacity—paying down debts and liabilities, and saving a portion for a rainy day.

## PAYING DOWN DEBTS AND LIABILITIES

In 2011, the Wall of Debt's level of outstanding budgetary borrowing totaled \$34.7 billion. As shown in Figure INT-06, the debt has already been reduced to less than \$25 billion. The Budget reduces this debt by more than \$11 billion this year, and fully eliminates it by 2017-18. No longer will billions each year be needed to pay for the expenses of the past, instead of meeting current needs. The three key Budget proposals are:

Figure INT-06

### Budget Plan Would Eliminate the Wall of Debt

(Dollars in Billions)

	End of 2010-11 <sup>1/</sup>	End of 2013-14 <sup>2/</sup>	End of 2014-15 <sup>3/</sup>	End of 2017-18 <sup>3/</sup>
Deferred payments to schools and community colleges	\$10.4	\$6.1	\$0.0	\$0.0
Economic Recovery Bonds	7.1	3.9	0.0	0.0
Loans from Special Funds	5.1	3.9	2.9	0.0
Unpaid costs to local governments, schools and community colleges for state mandates	4.3	5.4	5.4	0.0
Underfunding of Proposition 98	3.0	2.4	1.8	0.0
Borrowing from local governments (Proposition 1A)	1.9	0.0	0.0	0.0
Deferred Medi-Cal Costs	1.2	1.8	1.7	0.0
Deferral of state payroll costs from June to July	0.8	0.8	0.8	0.0
Deferred payments to CalPERS	0.5	0.4	0.4	0.0
Borrowing from transportation funds (Proposition 42)	0.4	0.2	0.1	0.0
<b>Total</b>	<b>\$34.7</b>	<b>\$24.9</b>	<b>\$13.1</b>	<b>\$0.0</b>

<sup>1/</sup> As of 2011-12 May Revision

<sup>2/</sup> Based on 2013 Budget Act policies

<sup>3/</sup> As of 2014-15 Governor's Budget

- Eliminate School Deferrals—During the height of the recession, the state deferred almost 20 percent of annual payments to schools and community colleges, meaning that schools and colleges received one-fifth of their funds a year after they spent them. Some schools and colleges were able to borrow to manage these deferrals, while others had to implement the deferrals as cuts. Those that

## INTRODUCTION

borrowed incurred substantial interest costs, which led to dollars being taken out of the classroom. The Budget proposes repayment of the \$6 billion in remaining deferred payments, providing certainty of funding and eliminating borrowing costs.

- Pay off the Economic Recovery Bonds—Years of failing to balance the state budget led to the voters approving \$15 billion in Economic Recovery Bonds in 2004 to cover budget deficits from as far back as 2002. Today, the state continues to dedicate \$1.6 billion in annual sales tax revenues to service this debt. By making a supplemental payment of \$1.6 billion this year, the state will retire the last of the bonds and finally finish paying for the 2002-03, 2003-04, and 2004-05 budgets.
- Make Early Loan Payments—The Budget makes early payments on two loans—transportation loans totaling \$340 million and the Cap and Trade loan totaling \$100 million. By paying down these debts, the state is able to make the critical investments in maintaining the state’s highways and roads, and addressing climate change.

The Wall of Debt is the state’s most immediate liability constraining the ability of the state to emerge from its fiscal troubles. However, it is only a subset of the state’s many long-term liabilities. As shown in Figure INT-03, the future liabilities—to schools, public employees’ pensions and retirement health benefits, infrastructure debt, deferred maintenance, and unemployment insurance—total \$355 billion. These liabilities were built up over decades, and likewise, it will take decades to pay them off. Not all of the costs will fall upon the state’s General Fund. However, it is critical that the state develop a plan to address these liabilities which will crowd out the state’s ability to take on new ongoing commitments. The Budget begins the process of making a dent in these liabilities, such as with a \$3.4 billion Proposition 98 maintenance factor payment and the \$815 million deferred maintenance package. In other cases, such as for the unemployment insurance and teachers’ retirement liabilities, the Administration will spend the coming year working with stakeholders to craft strategies to address them.

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### **SAVING FOR A RAINY DAY**

Equally important as addressing the state’s long-term liabilities is saving some funds for the state’s next budget shortfall. The state’s tax structure requires those residents who can most afford it to pay the greatest share of their incomes. This progressive tax system creates a heavy dependence on capital gains and the state’s wealthiest residents, with one key downside being that revenues swing both up and down quickly. Instead



of shifting the overall tax burden to be less progressive, a preferred option is to better manage the revenue spikes.

The state's voters took the first step in this direction with the passage of Proposition 58 in 2004. For the first time, the Constitution required the state to adopt a balanced budget and directed 3 percent of annual revenues into a Rainy Day Fund, the Budget Stabilization Account. Yet, in only a few years, the weaknesses in Proposition 58 have become clear. The state has suspended the rainy day transfer every year since 2007. There are no restrictions on when deposited funds can be withdrawn, and the deposits (unless suspended) are required in equal amounts in both the lean and abundant years.

In 2010, the Legislature passed a constitutional amendment, ACA 4, as an effort to strengthen the state's Rainy Day Fund. It is scheduled to be on the November 2014 ballot. It would be a clear improvement over the existing structure—tightening the rules on when deposits should be made and when withdrawals are allowable. Yet, it does not give the state the option to pay off its liabilities, does nothing to address the sharp ups and downs of Proposition 98, and bases deposits on revenues from the past 20 years rather than on spikes in capital gains.

In lieu of Proposition 58 and ACA 4, the Budget proposes a constitutional amendment to strengthen the Rainy Day Fund. The key components are:

- Basing deposits on when capital gains revenues rise to more than 6.5 percent of General Fund tax revenues.
- Creating a Proposition 98 reserve, whereby spikes in funding would instead be saved for future years of decline. This would smooth school spending to prevent the damage caused by cuts. The reserve would make no changes to the guaranteed level of funding dedicated to schools under Proposition 98.
- Doubling the maximum size of the Rainy Day Fund from 5 percent to 10 percent of revenues.
- Allowing supplemental payments to the Wall of Debt or other long-term liabilities in lieu of a year's deposit.
- Limiting the maximum amount that could be withdrawn in the first year of a recession to half of the fund's balance. This will ensure that the state does not overly rely on the fund at the start of a downturn.

## INTRODUCTION

The Administration will work with the Legislature to replace ACA 4 with this improved amendment to be placed on the November 2014 ballot. In the meantime, the Budget makes a down payment on saving for a rainy day by making the constitutional 3-percent deposit for 2014-15. Under current constitutional provisions, half goes to make a supplemental payment to pay off the Economic Recovery Bonds as described above and the other half—\$1.6 billion—will be deposited into the Rainy Day Fund.

The Budget proposes a multiyear plan that is balanced, pays off budgetary debt from past years, saves for a rainy day, and makes wise investments in education, the environment, public safety, infrastructure, and California's extensive safety net.

# SUMMARY CHARTS

This section provides various statewide budget charts and tables.

Figure SUM-01  
**2014-15 Governor's Budget**  
**General Fund Budget Summary**  
(Dollars in Millions)

	<u>2013-14</u>	<u>2014-15</u>
<b>Prior Year Balance</b>	\$2,528	\$4,212
Revenues and Transfers	<u>\$100,147</u>	<u>\$104,503</u>
<b>Total Resources Available</b>	<b>\$102,675</b>	<b>\$108,715</b>
Non-Proposition 98 Expenditures	\$57,515	\$61,731
Proposition 98 Expenditures	<u>\$40,948</u>	<u>\$45,062</u>
<b>Total Expenditures</b>	<b>\$98,463</b>	<b>\$106,793</b>
<b>Fund Balance</b>	<b>\$4,212</b>	<b>\$1,922</b>
Reserve for Liquidation of Encumbrances	\$955	\$955
Special Fund for Economic Uncertainties	\$3,257	\$967
<b>Budget Stabilization Account/Rainy Day Fund</b>	-	<b>\$1,591</b>

Figure SUM-02  
**General Fund Expenditures by Agency**  
 (Dollars in Millions)

	2013-14	2014-15	Change from 2013-14 Dollar Change	Percent Change
Legislative, Judicial, Executive	\$2,694	\$2,844	\$150	5.6%
Business, Consumer Services & Housing	646	745	99	15.3%
Transportation	151	212	61	40.4%
Natural Resources	2,127	2,175	48	2.3%
Environmental Protection	47	54	7	14.9%
Health and Human Services	28,330	28,793	463	1.6%
Corrections and Rehabilitation	9,361	9,560	199	2.1%
K-12 Education	41,333	45,251	3,918	9.5%
Higher Education	11,173	12,377	1,204	10.8%
Labor and Workforce Development	298	268	-30	-10.1%
Government Operations	753	685	-68	-9.0%
General Government:				
Non-Agency Departments	519	610	91	17.5%
Tax Relief/Local Government	420	437	17	4.0%
Statewide Expenditures	611	1,191	580	94.9%
Supplemental Payment to the Economic Recovery Bonds	-	1,591	1,591	100.0%
<b>Total</b>	<b>\$98,463</b>	<b>\$106,793</b>	<b>\$8,330</b>	<b>8.5%</b>

Note: Numbers may not add due to rounding.

Figure SUM-03  
**2014-15  
 General Fund Expenditures**  
 (Dollars in Millions)

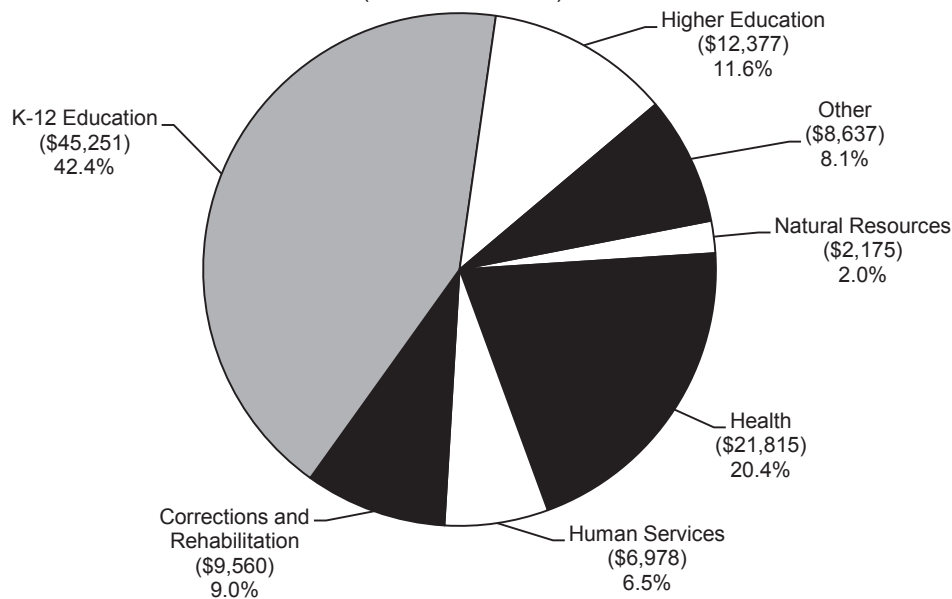
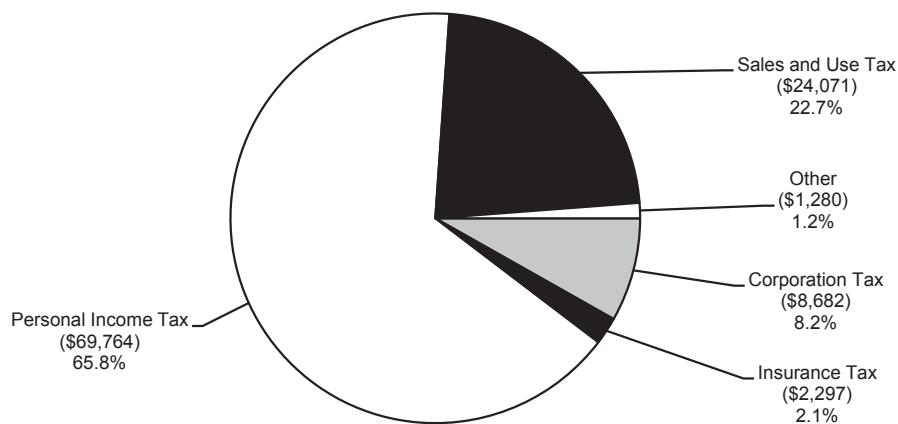


Figure SUM-04  
**General Fund Revenue Sources**  
 (Dollars in Millions)

	2013-14	2014-15	Change from 2013-14	
			Dollar Change	Percent Change
Personal Income Tax	\$64,287	\$69,764	\$5,477	8.5%
Sales and Use Tax	22,920	24,071	1,151	5.0%
Corporation Tax	7,971	8,682	711	8.9%
Insurance Tax	2,143	2,297	154	7.2%
Alcoholic Beverage Taxes and Fees	350	357	7	2.0%
Cigarette Tax	89	86	-3	-3.4%
Motor Vehicle Fees	20	20	0	0.0%
Other	2,367	817	-1,550	-65.5%
<b>Subtotal</b>	<b>\$100,147</b>	<b>\$106,094</b>	<b>\$5,947</b>	<b>5.9%</b>
Transfer to the Budget Stabilization Account/Rainy Day Fund	-	-1,591	-1,591	-100.0%
<b>Total</b>	<b>\$100,147</b>	<b>\$104,503</b>	<b>\$4,356</b>	<b>4.3%</b>

Note: Numbers may not add due to rounding.

Figure SUM-05  
**2014-15**  
**General Fund Revenues and Transfers<sup>1/</sup>**  
 (Dollars in Millions)



<sup>1/</sup> Excludes \$1,591 million transfer to Rainy Day Fund.

Figure SUM-06  
**2014-15 Total State Expenditures by Agency**  
 (Dollars in Millions)

	<u>General Fund</u>	<u>Special Funds</u>	<u>Bond Funds</u>	<u>Totals</u>
Legislative, Judicial, Executive	\$2,844	\$2,920	\$226	\$5,990
Business, Consumer Services & Housing	745	775	60	1,580
Transportation	212	8,319	1,702	10,233
Natural Resources	2,175	1,392	990	4,557
Environmental Protection	54	2,651	427	3,132
Health and Human Services	28,793	19,259	-	48,052
Corrections and Rehabilitation	9,560	2,408	-	11,968
K-12 Education	45,251	102	408	45,761
Higher Education	12,377	43	338	12,758
Labor and Workforce Development	268	612	-	880
Government Operations	685	236	13	934
General Government				
Non-Agency Departments	610	1,510	2	2,122
Tax Relief/Local Government	437	1,762	-	2,199
Statewide Expenditures	1,191	1,990	-	3,181
Supplemental Payment to the Economic Recovery Bonds	1,591	-	-	1,591
<b>Total</b>	<b>\$106,793</b>	<b>\$43,979</b>	<b>\$4,166</b>	<b>\$154,938</b>

Note: Numbers may not add due to rounding.

Figure SUM-07  
**2014-15  
 Total State Expenditures  
 (Including Selected Bond Funds)**  
 (Dollars in Millions)

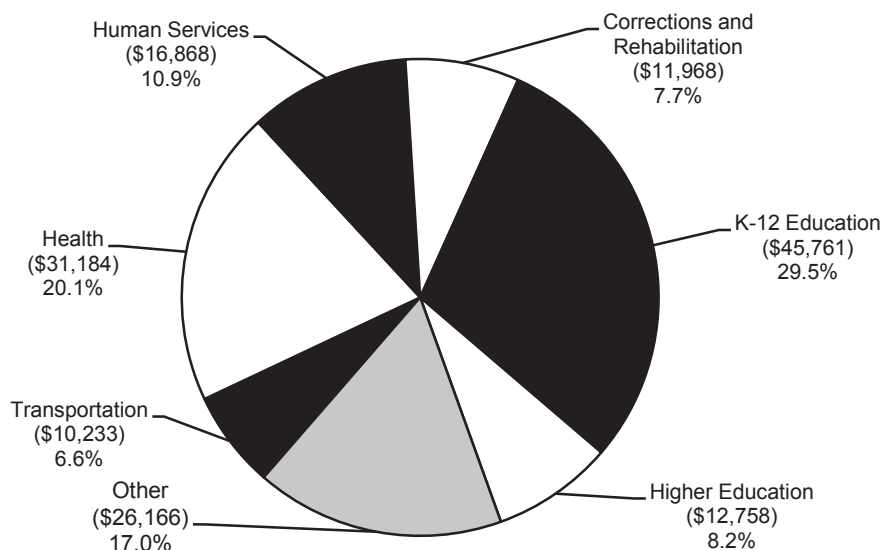
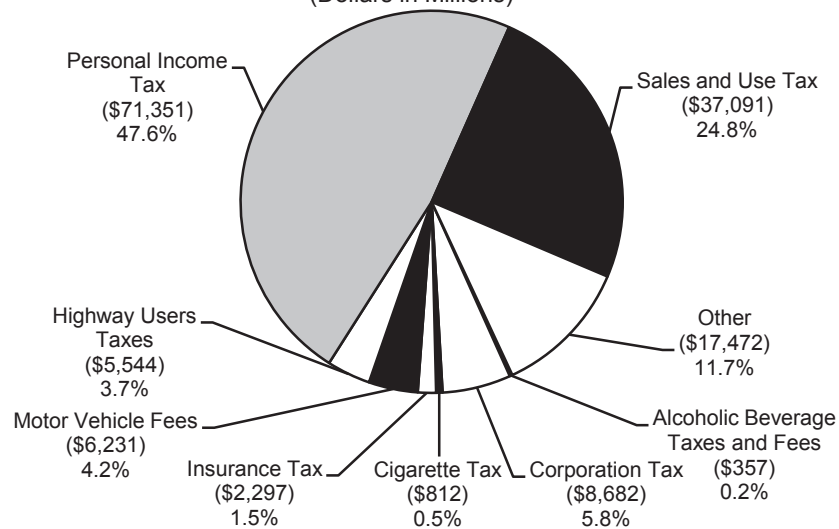


Figure SUM-08  
**2014-15 Revenue Sources**  
 (Dollars in Millions)

	General Fund	Special Funds	Total	Change From 2013-14
Personal Income Tax	\$69,764	\$1,587	\$71,351	\$5,689
Sales and Use Tax	24,071	13,020	37,091	1,978
Corporation Tax	8,682	-	8,682	711
Highway Users Taxes	-	5,544	5,544	-470
Insurance Tax	2,297	-	2,297	154
Alcoholic Beverage Taxes and Fees	357	-	357	7
Cigarette Tax	86	726	812	-27
Motor Vehicle Fees	20	6,211	6,231	179
Other	817	16,655	17,472	-2,350
<b>Subtotal</b>	<b>\$106,094</b>	<b>\$43,743</b>	<b>\$149,837</b>	<b>\$5,871</b>
Transfer to the Budget Stabilization Account/Rainy Day Fund	-1,591	1,591	0	0
<b>Total</b>	<b>\$104,503</b>	<b>\$45,334</b>	<b>\$149,837</b>	<b>\$5,871</b>

Note: Numbers may not add due to rounding.

Figure SUM-09  
**2014-15**  
**Total Revenues and Transfers**  
 (Dollars in Millions)





## K THRU 12 EDUCATION

California provides instruction and support services to roughly six million students in grades kindergarten through twelve in more than 10,000 schools throughout the state. A system of 58 county offices of education, more than 1,000 local school districts, and more than 1,000 charter schools provide instruction in English, mathematics, history, science, and other core competencies to provide students with the skills they will need upon graduation for either entry into the workforce or higher education.

### **INVESTING IN EDUCATION**

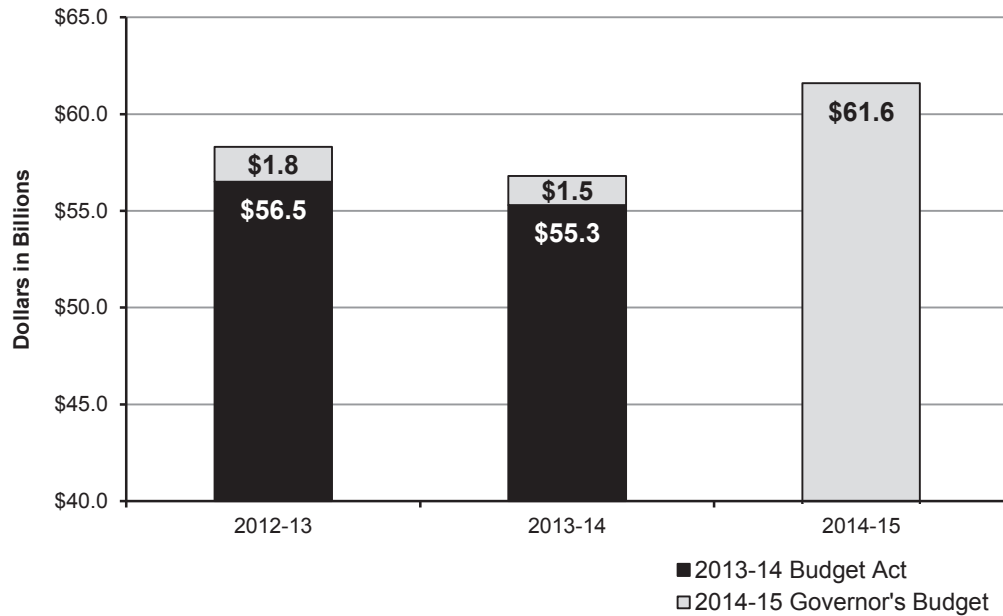
The Budget includes Proposition 98 funding of \$61.6 billion for 2014-15, an increase of \$6.3 billion over the 2013 Budget Act level. When combined with increases of \$3.4 billion in 2012-13 and 2013-14, the Budget proposes a \$9.7 billion investment in K-14 education. Building off the increases in funding provided in the Budget Acts of 2012 and 2013, the Budget proposes investments for 2014-15 that will significantly increase funding distributed under the Local Control Funding Formula, providing additional funding to school districts and students most in need of these resources. Investing significantly in the new formula will help the state reduce disparities, maximize student achievement, and strengthen the foundation for sustainable economic growth.

The Budget also eliminates all remaining budgetary deferrals, ensuring that schools receive all of their resources on time. During the height of the recession, the state deferred almost 20 percent of annual payments to schools, meaning that schools received a significant portion of their funds a year after they spent them. Some school districts were able to borrow to manage these deferrals, while others had to implement deferrals

as cuts. Districts that were able to borrow incurred substantial interest costs, which led to dollars taken out of the classroom. The Budget proposes repayment of approximately \$6.4 billion in remaining K-14 deferred payments, providing certainty of funding for expected levels of programs and services, and eliminating any additional borrowing costs to be borne by schools and colleges as a result of deferrals.

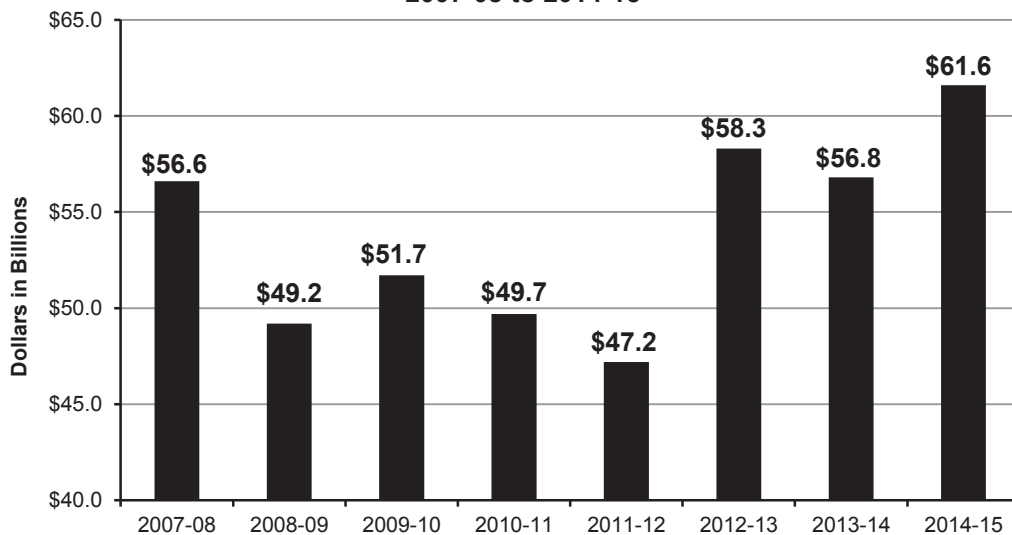
After reaching \$56.6 billion in 2007-08, Proposition 98 funding for K-14 education slipped to \$47.2 billion for 2011-12. Primarily as a result of increased General Fund revenues, the Proposition 98 Guarantee increases in 2012-13 and 2013-14, relative to the 2013 Budget Act levels—providing additional one-time resources in each of those years. These General Fund revenue increases also drive growth in the Proposition 98 Guarantee for 2014-15, as displayed in Figure K12-01. The cumulative impact of these one-time and ongoing funding increases of \$9.7 billion will allow schools and colleges to further restore and expand base programs and services, including teachers, staffing support, and other targeted investments.

Figure K12-01  
Major Changes to Proposition 98 Guarantee Levels



Although the current trajectory of Proposition 98 funding is positive, the Proposition 98 Guarantee has historically been subject to significant volatility, as demonstrated in Figure K12-02. While the Administration is committed to significant investments in education, the Administration recognizes the long-term need for general budget funding stability, and more specifically, education funding stability. The Administration proposes a constitutional amendment to create a mechanism to help smooth year-to-year school spending to prevent damage caused by cuts, as discussed in the Introduction section of this document. The amendment will not change the overall guaranteed level of funding for education.

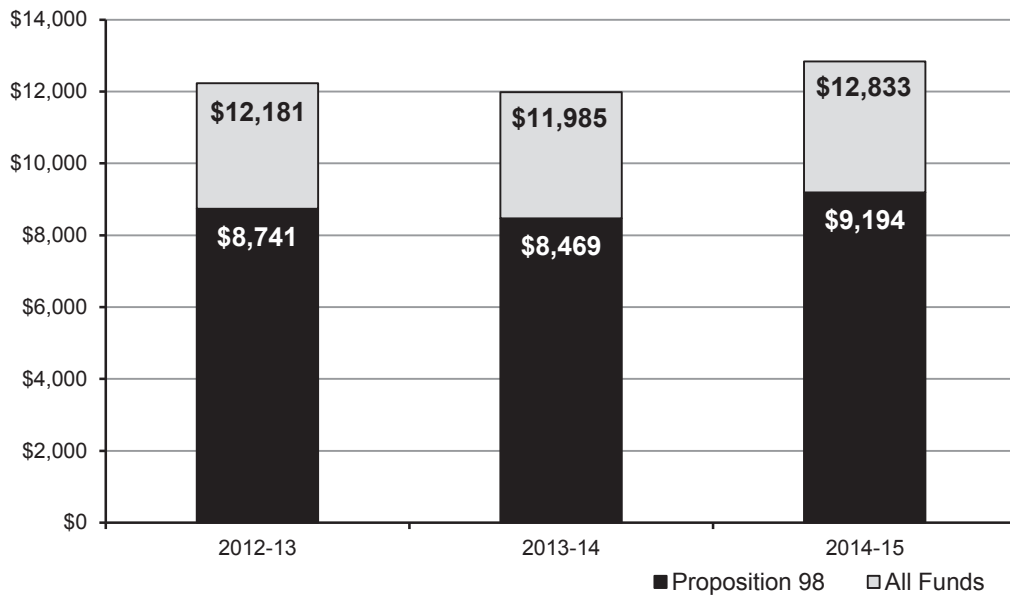
Figure K12-02  
**Proposition 98 Funding**  
**2007-08 to 2014-15**



**K-12 PER-PUPIL SPENDING**

Reflecting the recent significant increases in Proposition 98 funding, total per-pupil expenditures from all sources are projected to be \$11,985 in 2013-14 and \$12,833 in 2014-15, including funds provided for prior year settle-up obligations. Ongoing K-12 Proposition 98 per-pupil expenditures in the Budget are \$9,194 in 2014-15, up significantly from the \$8,469 per-pupil provided in 2013-14, and the \$7,006 provided in 2011-12. (See Figure K12-03).

Figure K12-03  
**K-12 Education Spending Per Pupil**



## IMPLEMENTING THE LOCAL CONTROL FUNDING FORMULA

Prior to the adoption of the Local Control Funding Formula, California’s school finance system had become overly complex, administratively costly, and inequitable. There were many different funding streams, each with their own allocation formula and spending restrictions. The system was state-driven, interfering with the ability of local officials to decide how best to meet the needs of students. Further, scholarly research and practical experience both indicated that low-income students and English language learners come to school with unique challenges and often require supplemental instruction and other support services to be successful in school. Yet, the finance system did not address these issues.

In recognition of the challenges that characterized this system of school finance, the 2013 Budget Act established the Local Control Funding Formula. This new formula expands local control, reduces state bureaucracy, and ensures that student needs drive the allocation of resources. The new funding formula also promises increased transparency in school funding—empowering parents and local communities to access information in a more user-friendly manner and enhancing their ability to engage with their local governing board regarding school financial matters.

The Local Control Funding Formula includes the following major components:

- A base grant for each local education agency equivalent to \$7,829 per unit of average daily attendance (ADA), inclusive of the application of 2013-14 and 2014-15 cost-of-living adjustments. This amount also includes an adjustment of 10.4 percent to the base grant to support lowering class sizes in grades K-3, and an adjustment of 2.6 percent to reflect the cost of operating career technical education programs in high schools.
- A 20-percent supplemental grant for English learners, students from low-income families, and youth in foster care to reflect increased costs associated with educating those students.
- An additional concentration grant of up to 22.5 percent of a local education agency's base grant, based on the number of English learners, students from low-income families, and youth in foster care served by the local agency that comprise more than 55 percent of enrollment.
- An Economic Recovery Target to ensure that almost every local education agency receives at least their pre-recession funding level, adjusted for inflation, at full implementation of the Local Control Funding Formula.

The Budget provides a second-year investment of \$4.5 billion in the Local Control Funding Formula, enough to eliminate more than 28 percent of the remaining funding gap. To provide further funding certainty for school districts, the Administration proposes legislation to create a continuous appropriation for Local Control Funding Formula funding, ensuring that the formula continues to be implemented on schedule in future years.

### **ACCOUNTABILITY**

In addition to fundamentally restructuring the distribution of funds to school districts, the Local Control Funding Formula substantially changed district accountability, moving away from a state-controlled system that emphasized inputs to a locally-controlled system focused on improving outcomes and accountability. Local school districts are now empowered to decide the best way to target funds. However, in exchange for that flexibility, districts are required to increase or improve services for English learner, low-income, and foster youth students in proportion to supplemental and concentration grant funding they receive through the Local Control Funding Formula. Guiding each school district, county office of education, and charter school through this new process will be locally developed and adopted local control and accountability plans, which will

identify local goals in areas that are priorities for the state, including pupil achievement, parent engagement, and school climate.

As the state continues to invest significantly in the Local Control Funding Formula and new accountability model, the state will retain an important role in supporting school districts that struggle to meet state and local expectations. Through the Collaborative for Education Excellence, school districts, county offices of education, and charter schools will be able to access advice and assistance necessary to meet the goals laid out in their local accountability plans. The state will continue to measure student achievement through statewide assessments, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

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## **INCREASING INSTRUCTIONAL FLEXIBILITY**

The primary non-classroom based instructional method available to local educational agencies is through the use of non-classroom based independent study. Students work independently according to a written agreement and under the general supervision of a teacher. Funding for average daily attendance in these courses is calculated on a “time value of student work,” which requires each teacher to individually calculate a classroom time equivalent value for every activity assigned to a student engaged in independent study. Collectively, the requirements that schools must meet to provide and receive funding for this type of instruction are administratively burdensome, requiring teachers to spend time on paperwork instead of providing instruction. In some cases, these requirements may provide a disincentive to schools contemplating the use of these types of courses.

To address the deficiencies in the existing independent study process and provide schools with additional instructional flexibility, the Budget proposes legislation to both streamline and expand the instructional opportunities available through this process. This mode of learning has the potential to solve problems that are not easily addressed in traditional classroom-based settings and may help fill instructional gaps, while stabilizing or increasing the attendance of students who may have otherwise dropped out or transferred to other private instructional providers to accelerate their educational progress.

Schools offering instruction through this new streamlined process shall provide every student with a high quality education, and must ensure that independent study courses meet the following requirements:

- Are of the same rigor and educational quality as their classroom-based equivalent courses.
- Maintain the same number of total educational minutes as their classroom-based equivalent courses.
- Provide adequate teacher and student interaction, including at least one meeting per week to verify the student is working toward successful course completion.
- Maintain classroom-based equivalent pupil-to-teacher ratios unless a new alternative ratio is collectively bargained.
- Do not result in the local educational agency claiming more than one total unit of ADA per year for each student enrolled in independent study.

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## **K-12 SCHOOL FACILITIES**

Since 1998, voters have approved approximately \$35 billion in statewide general obligation bonds to construct or renovate public school classrooms used by the state's roughly six million K-12 students. These bonds cost the General Fund approximately \$2.4 billion in debt service annually. In addition to general obligation bonds, school districts may use developer fees, local bonds, certificates of participation, and Mello-Roos bonds to construct additional classrooms or renovate existing classrooms. There is currently no bond authority remaining in the core school facilities new construction and modernization programs.

As part of the 2014 Five-Year Infrastructure Plan, the Administration proposes to continue a dialogue on the future of school facilities funding, including consideration of what role, if any, the state should play in the future of school facilities funding. This infrastructure discussion should also include the growing debt service costs associated with the state's increased reliance on debt financing.

The Administration proposes that any future program be easy to understand and provide school districts appropriate local control and fiscal incentives. The following problems are inherent in the current program and must be addressed:

- The current program is overly complex and reflects an evolution of assigning over ten different specialized state agencies fragmented oversight responsibility. The result is a structure that is cumbersome and costly for the state and local school districts.
- The current program does not compel districts to consider facilities funding within the context of other educational costs and priorities. For example, districts can generate and retain state facility program eligibility based on outdated or inconsistent enrollment projections. This often results in financial incentives for districts to build new schools to accommodate what is actually modest and absorbable enrollment growth. These incentives are exacerbated by the fact that general obligation bond debt is funded outside of Proposition 98.
- The current program allocates funding on a first-come, first-served basis resulting in a substantial competitive advantage for large school districts with dedicated personnel to manage facilities programs.
- The current program does not provide adequate local control for districts designing school facilities plans. Program eligibility is largely based on standardized facility definitions and classroom loading standards. As a result, districts are discouraged from utilizing modern educational delivery methods.

Any future program should be designed to provide districts with the tools and resources to address their core facility gaps, but should also avoid an unsustainable reliance on state debt issuance that characterizes the current school facilities program.

While the state examines the future of its role in school facilities, the Budget also includes the following proposals totaling an investment in school facilities of nearly \$400 million:

- Transfer \$211 million of remaining School Facility Program bond authority from the specialized programs to the core new construction (\$105.5 million) and modernization (\$105.5 million) programs to continue construction of new classrooms and modernization of existing classrooms for districts that have been awaiting funding. Approximately \$163 million, \$3 million, \$35 million, and \$10 million of general obligation bond authority currently remains in the Seismic Mitigation, Career Technical Education, High-Performance Incentive Grant, and Overcrowding Relief Grant programs, respectively.



- Dedicate \$188.1 million of one-time Proposition 98 General Fund to the Emergency Repair Program to provide grants or reimbursement to local educational agencies for the cost of repairing or replacing building systems that pose a health and safety threat to students and staff at eligible school sites. Schools previously identified by the California Department of Education as ranked in deciles one, two, or three based on the 2006 Academic Performance Index are eligible for funding.

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## **OTHER REFORMS AND INVESTMENTS**

In addition to reforming school finance, facilities, and instructional delivery methods, the Administration remains committed to additional reforms and investments in the areas of adult education, Common Core implementation, and energy efficiency.

### **ADULT EDUCATION**

The 2013 Budget Act provided \$25 million Proposition 98 General Fund for two-year planning and implementation grants to regional consortia of community college districts and K-12 districts, \$15.1 million Proposition 98 General Fund Reversion for the Adults in Correctional Facilities program, and required K-12 districts to maintain the 2012-13 level of adult education and career technical education programs in 2013-14 and 2014-15.

Adult education consortia plans will be completed by early 2015, and the Administration intends to make an investment in the 2015-16 budget for adult education, including adult education provided in county jails, through a single restricted categorical program. The Administration will continue to work jointly with the State Department of Education and the California Community Colleges Chancellor's Office to complete the adult education consortia plans, while working with the Legislature to ensure that any legislation pertaining to adult education aligns with and supports the planning process currently underway, and provides consistent guidance to the K-12 and community college districts.

### **COMMON CORE IMPLEMENTATION**

The 2013 Budget Act provided \$1.25 billion in one-time Proposition 98 General Fund to support the implementation of the Common Core state standards—new standards for evaluating student achievement in English-language arts and mathematics. Funding is provided to support necessary investments in professional development, instructional materials, and technology.

The Budget proposes an increase of \$46.5 million in Proposition 98 General Fund to implement Chapter 489, Statutes of 2013 (AB 484), which established a revised student assessment system aligned to the new state standards. Beginning with the administration of English-language arts and mathematics assessments developed by the Smarter Balanced Assessment Consortium, additional assessments will be included and developed using computer-based testing, whenever feasible, to assess the full breadth and depth of the curriculum.

### **ENERGY EFFICIENCY INVESTMENTS**

Proposition 39, The California Clean Energy Jobs Act, was approved in 2012 and increases state corporate tax revenues. For 2013-14 through 2017-18, the measure requires half of the increased revenues, up to \$550 million per year, to be used to support energy efficiency.

The Budget proposes to allocate the \$363 million of energy efficiency funds available in 2014-15 as follows:

- \$316 million and \$39 million to K-12 school and community college districts, respectively, for energy efficiency project grants.
- \$5 million to the California Conservation Corps for continued technical assistance to K-12 school districts.
- \$3 million to the Workforce Investment Board for continued implementation of the job-training program.

While the Budget does not propose funding for additional revolving loans under the Energy Conservation Assistance Act (which was provided \$28 million in 2013-14), this program will continue to be considered for future funding.

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### **K-12 BUDGET ADJUSTMENTS**

Significant Adjustments:

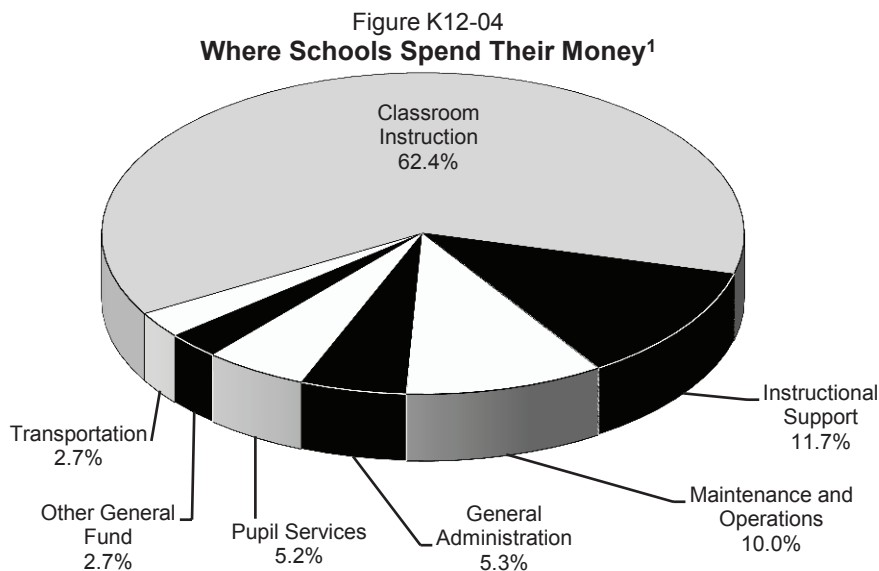
- K-12 Deferrals—An increase of more than \$2.2 billion Proposition 98 General Fund in 2014-15, when combined with the \$3.3 billion Proposition 98 General Fund provided from 2012-13 and 2013-14 funds, to eliminate all remaining outstanding deferral debt for K-12. Inter-year deferrals for K-12 had reached a high of \$9.5 billion in the 2011-12 fiscal year.

- School District Local Control Funding Formula—Additional growth of approximately \$4.5 billion in Proposition 98 General Fund for school districts and charter schools in 2014-15, an increase of 10.9 percent.
- County Office of Education Local Control Funding Formula—An increase of \$25.9 million Proposition 98 General Fund for county offices of education in 2014-15.
- Charter Schools—An increase of \$74.3 million Proposition 98 General Fund to support projected charter school ADA growth.
- Special Education—A decrease of \$16.2 million Proposition 98 General Fund to reflect a decline in Special Education ADA.
- Cost-of-Living Adjustment Increases—The Budget provides \$33.3 million to support a 0.86 percent cost-of-living adjustment for categorical programs that remain outside of the new student funding formula, including Special Education, Child Nutrition, American Indian Education Centers, and the American Indian Early Childhood Education Program. Cost-of-living adjustments for school districts and county offices of education are provided within the increases for school district and county office of education Local Control Funding Formula implementation noted above.
- Emergency Repair Program—An increase of \$188.1 million in one-time Proposition 98 General Fund resources for the Emergency Repair Program.
- Local Property Tax Adjustments—An increase of \$287.1 million Proposition 98 General Fund for the school district and county office of education local control funding formulas in 2013-14 as a result of lower offsetting property tax revenues. A decrease of \$529.7 million in Proposition 98 General Fund for school districts and county offices of education in 2014-15 as a result of increased offsetting local property tax revenues.
- Average Daily Attendance—A decrease of \$214.5 million in 2013-14 for the school district and county office of education local control funding formulas as a result of a decrease in projected ADA from the 2013 Budget Act. A decrease of \$42.9 million in 2014-15 for school districts and county offices of education as a result of projected decline in ADA for 2014-15.

## K-12 SCHOOL SPENDING AND ATTENDANCE

### HOW SCHOOLS SPEND THEIR MONEY

Figure K12-04 displays 2011-12 expenditures reported by school districts from their general funds, the various categories of expenditure and the share of total funding for each category. Figure K12-05 displays the revenue sources for school districts.



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

<sup>1</sup> Based on 2011-12 expenditure data reported by schools for their general purpose funding.

### ATTENDANCE

After a two-year period of increasing attendance, attendance in public schools began to decline in 2012-13. Public school attendance is projected to remain relatively stable during 2013-14 and decline slightly during 2014-15. For 2013-14, K-12 ADA is estimated to be 5,963,132, an increase of 702 from 2012-13. For 2014-15, the Budget estimates that K-12

ADA will drop by 7,002 from the 2013-14 level, to 5,956,130.

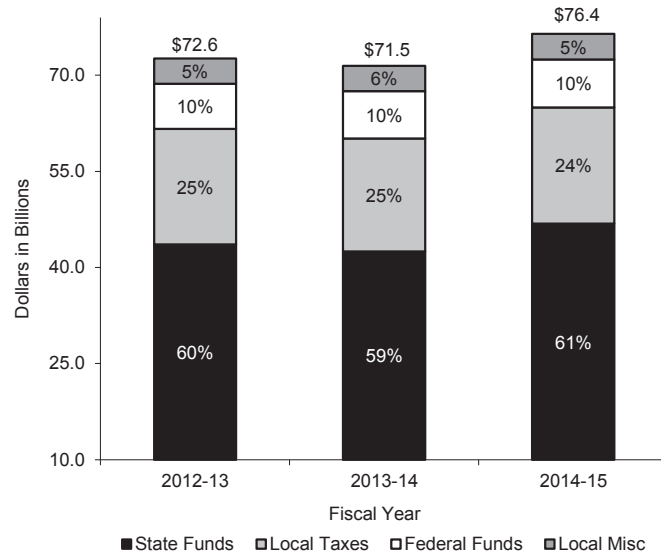
**PROPOSITION 98 GUARANTEE**

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

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

For the 2012-13 through 2014-15 fiscal years, the operative Proposition 98 tests are 1, 3, and 1, respectively.

Figure K12-05  
Sources of Revenue for California's K-12 Schools  
(As a Percent of Total)



**CHILD CARE**

Subsidized Child Care includes a variety of programs designed to support the gainful employment of low-income families. These programs are primarily administered by the Department of Education through non-Proposition 98 funding and the annual federal Child Care and Development Fund grant. All programs are means-tested and require that families receiving subsidies have a need for child care, which means all adults in the family must be working, seeking employment, or in training that leads to employment. Most programs are capped, drawing eligible families from waiting lists, while those specifically limited to CalWORKs families or former CalWORKs families have been funded for all eligible recipients.

The major capped programs include General Child Care, Alternative Payment Program, and Migrant Child Care. CalWORKs programs include: Stage 1, administered by the Department of Social Services, for families on cash assistance whose work activities have not stabilized; Stage 2, administered by the Department of Education, for those CalWORKs families with stable work activities and for families who are transitioning off aid, for up to two years; and Stage 3, also administered by the Department of Education, reserved for families who have successfully transitioned off aid for more than two years and still have a child care need.

As discussed in the Health and Human Services Chapter, the Budget includes a six-county, three-year engagement demonstration pilot to improve the outcome for 2,000 of the most vulnerable, low-income CalWORKs families by providing licensed subsidized child care and other services.

### Significant Adjustments:

- Stage 2—An increase of \$6.3 million non-Proposition 98 General Fund in 2014-15 to reflect an increase in the cost-per-case of eligible CalWORKs Stage 2 beneficiaries and a slight decrease in the number of cases. Total base cost for Stage 2 is \$364.1 million.
- Stage 3—An increase of \$2.8 million non-Proposition 98 General Fund in 2014-15 to reflect an increase in the cost-per-case of eligible CalWORKs Stage 3 beneficiaries and a decrease in the number of cases. Total base cost for Stage 3 is \$185.8 million.
- Child Care and Development Funds—A net decrease of \$9.1 million federal funds in 2014-15 to reflect a reduction of available carryover funds (\$3.2 million), and a decrease of \$5.9 million to the base grant. Total federal funding is \$555.6 million.

## HIGHER EDUCATION

Each year, millions of Californians pursue degrees and certificates or enroll in courses to improve their knowledge and skills at the state's higher education institutions. More are connected to the system as employees, contractors, patients, and community members. California's system of higher education consists of three public segments:

- The University of California (UC) educates approximately 243,000 undergraduate and graduate students and is the primary institution authorized to independently award doctoral degrees and professional degrees.
- The California State University (CSU) provides undergraduate and graduate instruction to approximately 434,000 students, and primarily awards baccalaureate and masters degrees.
- The California Community Colleges (CCC) are publicly supported local educational agencies that provide open-access educational and vocational programs to approximately 2.3 million students.

In addition to providing direct support to these three segments, the state also provides financial aid to students attending public and private postsecondary California institutions through the Cal Grant program and, beginning in 2014-15, to UC and CSU students through the Middle Class Scholarship Program. More than 100,000 students received new Cal Grant awards, and more than 160,000 students received renewal awards in 2012-13.

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## **INVESTING IN HIGHER EDUCATION**

Beginning with the Master Plan in 1960, California's approach to higher education has been to heavily subsidize the public segments and keep costs low for university students and even lower for community college students. Despite significant increases over the past decade, California institutions continue to have some of the lowest tuition and fee levels in the country, and the state fully reimburses UC, CSU, and CCC tuition and fee costs for students with family incomes of up to \$101,000 through the Cal Grant and the CCC Board of Governors Fee Waiver programs. In 2014-15, the Middle Class Scholarship Program will begin to phase in, offsetting a percentage of tuition and fee costs at UC and CSU for students with family incomes of up to \$150,000. In total, California taxpayers provide approximately \$14.5 billion of annual General Fund support to California's higher education system through a combination of general-purpose, categorical program, and Cal Grant program funding.

As a result of these investments, California public college and university graduates carry some of the lowest student loan debt burdens compared to graduates from other states. California students in public and non-profit colleges rank 48<sup>th</sup> in student debt levels—about half of California undergraduates have student debt, averaging \$20,300, compared to more than 70 percent of undergraduates nationally, averaging \$29,400.

The recent economic downturn and resulting shortfalls in state revenues required reductions in the state's subsidies of public higher education. In response to the significant cuts in state funding, UC and CSU almost doubled systemwide tuition and fees from 2007-08 to 2011-12, increasing by \$5,556 at UC and by \$2,700 at CSU during this period (see Figure HED-01). These rapid increases—sometimes put in place twice within a given year—often occurred with little advance notice to students and their families. Although tuition and fees have been flat since 2011-12, these higher tuition levels remain a hardship for students and their families, particularly middle-income families who do not qualify for Cal Grants, although this will be mitigated as the Middle Class Scholarship Program is implemented.

Given growth in state revenues, the 2013 Budget Act provided a \$125.1 million General Fund increase to both UC and CSU, the first installment of a four-year investment plan to provide steady and predictable state funding increases through 2016-17. These multi-year investments, however, are contingent on the segments holding tuition flat at 2011-12 levels through 2016-17: \$12,192 for UC and \$5,472 for CSU. The Administration expects the segments to use these funds to maintain affordability, decrease the time it



Figure HED-01  
**UC and CSU Expenditures and Undergraduate Tuition and Fees**  
(Dollars in Millions)

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Change from 2007-08	
									Dollars	Percent
<b>UC</b>										
General Fund	\$3,257.4	\$2,418.3	\$2,591.2	\$2,910.7	\$2,272.4	\$2,377.3	\$2,642.9 <sup>4/</sup>	\$2,793.4 <sup>4/</sup>	-\$464.0	-14%
Tuition and Fee Revenue	1,593.1	1,676.8	2,054.4	2,212.7	3,022.6	3,018.8	3,090.8	3,090.8	\$1,497.7	94%
Federal Funds - ARRA <sup>1/</sup>	-	716.5	-	106.6	-	-	-	-	-	-
Total Funds <sup>2/</sup>	\$5,453.3	\$5,453.4	\$5,298.1	\$5,948.2	\$6,117.2	\$6,274.5	\$6,700.3 <sup>4/</sup>	\$6,818.6 <sup>4/</sup>	\$1,365.3	25%
Systemwide Tuition and Fees <sup>5/</sup>	\$6,636	\$7,126	\$8,373	\$10,302	\$12,192	\$12,192	\$12,192	\$12,192	\$5,556	84%
<b>CSU</b>										
General Fund <sup>3/</sup>	\$2,970.6	\$2,155.3	\$2,345.7	\$2,577.6	\$1,999.9	2,063.5	\$2,345.9	\$2,507.3 <sup>4/</sup>	-\$463.3	-16%
Tuition and Fee Revenue	1,176.3	1,406.1	1,630.6	1,681.9	2,187.0	2,219.5	2,261.0	2,311.8	\$1,135.5	97%
Federal Funds - ARRA <sup>1/</sup>	-	716.5	-	106.6	-	-	-	-	-	-
Total Funds <sup>2/ 3/</sup>	\$4,487.1	\$4,616.9	\$4,279.9	\$4,674.5	\$4,609.3	\$4,746.9	\$5,072.0	\$5,284.1 <sup>4/</sup>	\$797.0	18%
Systemwide Tuition and Fees <sup>5/</sup>	\$2,772	\$3,048	\$4,026	\$4,440	\$5,472	\$5,472	\$5,472	\$5,472	\$2,700	97%

<sup>1</sup> The second round allocations of American Recovery and Reinvestment Act (ARRA) funding from the State Fiscal Stabilization Fund are shown in 2008-09 to more accurately reflect segmental expenditures between the two fiscal years and intent of federal law to backfill 2008-09 reductions.

<sup>2</sup> Total funds include general purpose income but exclude self-supporting functions such as auxiliary enterprises and extramural programs.

<sup>3</sup> Beginning in 2012-13, the costs of health benefits provided to CSU retired annuitants is included in CSU's main General Fund and Total Funds budget, as reflected in Figure HED-02. However, for purposes of this figure, to compare 2007-08 to 2014-15 funding, these health benefit expenditures are not included in CSU's funding levels.

<sup>4</sup> General obligation bond debt service payments are funded in UC's General Fund budget beginning in 2013-14 and in CSU's General Fund budget beginning in 2014-15. However, for purposes of this figure, to compare 2007-08 to 2014-15 funding levels, general obligation bond debt service amounts are not reflected in the segments' General Fund and Total Funds.

<sup>5</sup> Tuition and fees are in whole dollars.

takes students to complete a degree, increase the number of students who complete programs, and improve the transfer of community college students to four-year colleges and universities. Beginning in March 2014, UC and CSU will report annually on measures that allow for monitoring the progress both segments have made in meeting expectations.

Higher education continues to be a high priority for investment because widely accessible, high-quality higher education drives the innovation that fuels California's ever-evolving, dynamic economy. Nevertheless, as the state reinvests in higher education, it cannot fund the business-as-usual model of providing instruction at its higher education institutions. Both UC and CSU proposed budgets for 2014-15 that call for increases in state funding of 10 percent, compared to the 5 percent General Fund increase the Administration committed to in its long-term funding plan. The state has

## HIGHER EDUCATION

just emerged from the largest recession since the Great Depression, and its finances remain constrained. The state must continue to rebuild its universities' budgets, but only in a manner that is sustainable over the long term.

The California higher education system can, and needs, to continue to improve outcomes. Each segment faces its own unique set of challenges:

- UC has the highest cost structure and receives the highest per-student subsidy of the three segments. The University has undertaken some meaningful initiatives to reduce administrative costs; however, it needs to also implement models of delivering quality education at a lower cost and that improve student outcomes.
- CSU receives roughly half the per-student subsidy as UC and has a lower overall cost structure than UC. However, completion rates are low: only 16 percent of admitted freshmen complete their studies within 4 years. Like UC, CSU has worked to reduce administrative costs, and CSU has been actively examining and implementing strategies to provide more effective remedial programs, reduce course bottlenecks, enhance its completion rates, and simplify the transfer process. As these efforts are expanded, the system will be able to serve more students within existing resources.
- The CCCs serve far more students than either the UC or CSU and face many challenges—with low completion rates a primary concern—that were exacerbated during the tight Proposition 98 budgets in the recent economic downturn. In 2012, the system convened a Student Success Task Force, which made a number of recommendations to improve student success in various measures, such as completion of basic skills and English as a second language courses, persistence and retention, and successful transfer to four-year institutions. The colleges have started to enhance the measurement of student success, which can be used to target investment in programs that best improve student outcomes. However, the state funds numerous categorical programs that are not well coordinated.

The Administration's long-term plan moves away from funding higher education based on enrollment targets. By itself, enrollment-based funding does not encourage institutions to focus on critical outcomes—affordability, timely completion rates, and quality programs—nor does it encourage institutions to better integrate their efforts to increase productivity given the state's investment. Instead, it builds upon the existing institutional infrastructure, allowing public universities and colleges to continue to deliver education in the high-cost, traditional model. Under this old model, increased funding comes from

admitting more students, rather than ensuring students complete degrees in a timely or efficient manner.

The Budget proposes total funding of \$26.3 billion, reflecting an increase of \$1.1 billion, or 4.2 percent, above 2013-14. Within these resources, the Budget includes funding of \$14.5 billion in General Fund and Proposition 98-related sources. See Figure HED-02 for a summary of higher education funding.

Figure HED-02  
Higher Education Expenditures  
(Dollars in Millions)

	2012-13	2013-14	2014-15	Change from 2013-14	
				Dollars	Percent
University of California <sup>1/</sup>					
Total Funds <sup>2/</sup>	\$6,463.9	\$6,901.8	\$7,011.9	\$110.1	1.6%
General Fund	2,566.7	2,844.4	2,986.7	142.2	5.0%
California State University <sup>1/</sup>					
Total Funds <sup>2/ 3/</sup>	\$5,157.5	\$5,515.4	\$5,743.1	\$227.7	4.1%
General Fund <sup>3/</sup>	2,474.1	2,789.3	2,966.3	177.0	6.3%
Community Colleges <sup>1/</sup>					
Total Funds	\$10,897.9	\$11,054.9	\$11,556.3	\$501.4	4.5%
General Fund & P98 <sup>4/</sup>	6,623.2	6,744.2	7,233.6	489.4	7.3%
Student Aid Commission					
Total Funds	\$1,588.3	\$1,712.0	\$1,933.7	\$221.7	12.9%
General Fund	670.5	1,042.2	1,298.8	256.6	24.6%
Other Higher Education <sup>5/</sup>					
Total Funds	\$55.5	\$57.0	\$56.0	-\$1.0	-1.8%
General Fund	7.8	8.4	9.6	1.3	15.2%
<b>Total Funds</b>	<b>\$24,163.1</b>	<b>\$25,241.1</b>	<b>\$26,301.0</b>	<b>\$1,059.9</b>	<b>4.2%</b>
<b>General Fund</b>	<b>\$12,342.3</b>	<b>\$13,428.5</b>	<b>\$14,495.0</b>	<b>\$1,066.5</b>	<b>7.9%</b>

<sup>1/</sup> For purposes of this table, UC, CSU, and CCC General Fund and Total Funds include general obligation bond debt service to provide consistency. However, in 2012-13, GO bond debt service payments for UC and CSU were budgeted separately from the segments' support budgets. Beginning in 2013-14, UC's GO debt service costs were included in its General Fund budget; beginning in 2014-15, CSU's GO debt service costs are included in its General Fund budget.

<sup>2/</sup> Expenditures for UC and CSU have been adjusted to include general purpose income and exclude self-supporting functions, such as auxiliary enterprises and extramural programs. This adjustment provides consistency in comparing magnitudes and growth among the various segments of education.

<sup>3/</sup> Beginning in 2012-13, health benefits provided for CSU retired annuitants are reflected in CSU's budget.

<sup>4/</sup> To provide consistency in comparing magnitudes and growth with UC and CSU General Fund, CCC includes property tax revenue, which is a component of the state's obligation under Proposition 98.

<sup>5/</sup> Other Higher Education includes Hastings College of the Law, excluding Hastings' GO bond debt service, and the California Postsecondary Education Commission (which incurred minimal close-out costs in 2012-13).

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### **STABLE FUNDING SUPPORTS STUDENT SUCCESS**

The Administration continues to support the four-year investment plan started in 2013-14. The plan calls for growing General Fund support for UC and CSU by 5 percent in 2014-15 and by 4 percent in each of the subsequent two years. The continuation of the multi-year plan is predicated on the UC Regents and the CSU Board of Trustees adopting three-year sustainability plans that set targets for key measures, within resource assumptions provided by the Department of Finance. The Administration expects this requirement will foster greater transparency in the budget decisions facing the systems, as well as responsible planning within sustainable state funding. Institutions will be expected to implement reforms to improve student success and to realize institutional efficiencies. With savings achieved in this way, in combination with the General Fund increases and realizing the savings of current efficiency efforts (e.g., UC's Working Smarter Initiative and CSU's Systemwide Administrative Efficiencies), the Administration expects the universities to maintain current tuition and fee levels through 2016-17.

State funding for the CCCs will increase by 11.4 percent in 2014-15. It is expected that community colleges funding will continue to grow significantly over the next several years as Proposition 98 resources continue to rebound. The Budget focuses this increased funding to support student success and to prioritize expanded access in districts where there is the greatest unmet need in the primary missions of the CCCs: providing basic skills and remedial education, workforce development and training, and preparing students to transfer to four-year universities. The CCCs are in the process of implementing many of the recommendations of the Student Success Task Force. The Administration expects this effort to improve completion rates while closing achievement gaps and proposes additional state investment in this area. This includes expanding current services to improve student outcomes, such as: effective orientation, assessment, placement, counseling, and other education planning services. It also includes resources to mitigate disproportionate impacts on access and achievement in underrepresented student groups, aligned with each district's board-approved Student Equity Plan. Districts will be provided flexibility to reallocate up to 25 percent of select categorical programs to other federal, state, or local student support programs to better meet the needs of their underrepresented student groups.

The Budget also provides the Chancellor's Office enhanced oversight tools and resources to provide districts with focused technical assistance to support implementation of effective practices, with a focus on underperforming districts. The Chancellor's Office

will develop leading indicators of success and develop systemwide and individual district goals for student success.

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### **PROMOTE INNOVATIVE MODELS OF HIGHER EDUCATION**

To meet future demands for higher education within the reality of the state budget, the state's public higher education segments are expected to create innovative cost-effective approaches to delivering quality higher education for more students.

Many of the decisions that shape how instruction is delivered—particularly course content and credit approval—are made by administrators, faculty, and other stakeholders at individual campuses and within individual academic departments. To encourage higher education entities to take innovative and ambitious actions locally and integrate their efforts across campuses and segments, the Administration proposes to use \$50 million in one-time General Fund for the Awards for Innovation in Higher Education program. These incentive awards will recognize models of innovation in higher education that: (1) significantly increase the number of individuals in the state who earn bachelor's degrees, (2) allow students to earn bachelor's degrees that can be completed within four years of enrollment in higher education, and (3) ease transfer through the state's education system, including by recognizing learning that has occurred across the state's education segments or elsewhere.

Awards will be selected based on the extent to which an application submitted by a UC, CSU, or a community college—or a group of any of these entities—proposes an innovative model that: (1) advances the state's priorities, as noted above, (2) can have a statewide impact if expanded, and (3) is likely to be implemented effectively. The awards process is anticipated to be completed by Spring 2015 and will be managed by a committee chaired by Finance with members representing each of the public education segments and the Legislature.

The incentive awards program builds on the Administration's 2013-14 request to expand the use of technology to remove course bottlenecks and reduce the costs of education. The Administration expects that the segments will continue to implement plans to expand investments in technology that lower costs at each segment and allow students to complete their degrees sooner. The Budget also proposes to further expand opportunities for students to earn credit toward their degrees for knowledge and skills acquired outside of the classroom.

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### **CALIFORNIA COMMUNITY COLLEGES**

The CCCs are publicly supported institutions of higher education that provide basic skill, vocational training, and transfer programs and are the largest system of higher education in the world, with 72 districts, 112 campuses, and 72 educational centers. The CCCs awarded 57,745 certificates and 96,691 degrees, and transferred 88,487 students to four-year higher education institutions in 2012-13.

Significant Adjustments:

- **Implementing Statewide Performance Strategies**—The Budget provides \$1.1 million non-Proposition 98 General Fund and 9 positions for the Chancellor’s Office to develop leading indicators of student success and to monitor districts’ performance. Further, the Budget provides \$2.5 million Proposition 98 General Fund to provide local technical assistance to support implementation of effective practices across all districts, with a focus on underperforming districts.
- **Investing in Student Success**—The Budget provides \$200 million Proposition 98 General Fund to improve and expand student success programs and to strengthen efforts to assist underrepresented students. This includes \$100 million to increase orientation, assessment, placement, counseling, and other education planning services for all matriculated students. It also targets \$100 million to close achievement gaps in access and achievement in underrepresented student groups, as identified in local Student Equity Plans. This funding will allow colleges to better coordinate delivery of existing categorical programs.
- **Allocating Apportionments**—The Budget proposes an increase of \$155.2 million Proposition 98 General Fund for growth in general-purpose apportionments, which represents a 3-percent increase in enrollment. The Budget directs the Board of Governors to adopt a growth formula that gives first priority to districts identified as having the greatest unmet need in adequately serving their community’s higher educational needs. All districts will receive some additional growth funding, and over time will be fully restored to pre-recession apportionment levels.
- **Cost of Living Adjustment**—The Budget proposes an increase of \$48.5 million for a statutory cost of living adjustment of 0.86 percent.
- **Eliminating Apportionment Deferrals**—The Budget proposes \$235.6 million Proposition 98 General Fund, combined with \$356.8 million Proposition 98 General Fund provided from 2012-13 and 2013-14 funds, to eliminate all remaining

outstanding deferral debt owed to the CCCs. Inter-year deferrals for CCCs reached a high of \$961 million in the 2011-12 fiscal year. The increase will eliminate the substantial borrowing costs borne by the districts as a result of funding deferrals, and will allow those resources to instead be used in the classroom.

- **Financial Stability for Apportionments**—The Budget proposes an increase of \$38.4 million in 2013-14 and \$35.6 million in 2014-15 in Proposition 98 General Fund by shifting a portion of the redevelopment agency revenues that are scheduled to be received in the final months of the fiscal year to the following fiscal year. Proposition 98 General Fund would be used to backfill the difference between estimated total fiscal year redevelopment agency revenues and the amount the CCCs receive through April 15<sup>th</sup>. This change will allow districts to have more certainty when preparing their fiscal plans.
- **Investing in Deferred Maintenance and Instructional Equipment**—The Budget proposes a one-time increase of \$175 million Proposition 98 General Fund, split equally between deferred maintenance and instructional equipment purchases. These resources will allow districts to protect investments previously made in facilities, and improve students' experience by replenishing and investing in new instructional equipment.

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## CALIFORNIA STATE UNIVERSITY

CSU provides undergraduate and graduate instruction through master's degrees and independently awards doctoral degrees in education, nursing practice, and physical therapy, or jointly with UC or private institutions in other fields of study. With 23 campuses, CSU is the largest and most diverse university system in the country. CSU plays a critical role in preparing the workforce of California, awarding 101,209 degrees in 2012-13; it grants more than one-half of the state's bachelor's degrees and one-third of the state's master's degrees. CSU prepares more graduates in business, engineering, agriculture, communications, health, and public administration than any other California institution of higher education. It also produces more than 50 percent of California's teachers.

Significant Adjustments:

- **General Fund Increase**—As discussed above, an ongoing increase of \$142.2 million General Fund. This funding should obviate the need for CSU to increase student tuition and fees and can be used by the University to meet its most pressing needs.

## HIGHER EDUCATION

- Mechanism to Address Infrastructure Needs—Currently, the state separately funds general obligation and lease revenue debt service for CSU capital improvement projects. The Budget proposes to fund the costs of debt service from CSU’s main General Fund appropriation. Any new CSU capital expenditures will be subject to approval to ensure the funds are used for academic facilities to address seismic and life safety needs, enrollment growth, modernization, or deferred maintenance. Further, there will be limits on the amount of the budget that can be spent on capital expenditures. This change will require CSU to factor these costs into the University’s overall fiscal outlook and decision-making process.

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### **UNIVERSITY OF CALIFORNIA**

Consisting of ten campuses, UC is the primary institution authorized to independently award doctoral degrees and professional degrees in law, medicine, business, dentistry, veterinary medicine, and other programs. The University manages one U.S. Department of Energy national laboratory, partners with private industry to manage two others, and operates five medical centers that support the clinical teaching programs of UC’s medical and health sciences schools that handle almost 4 million patient visits each year.

Significant Adjustment:

- General Fund Increase—As discussed above, an ongoing increase of \$142.2 million General Fund. This funding should obviate the need for UC to increase student tuition and fees and can be used by the University to meet its most pressing needs.

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### **HASTINGS COLLEGE OF THE LAW**

Affiliated with UC, the Hastings College of the Law is the oldest and one of the largest public law schools in the West, providing instruction to approximately 1,000 students.

Significant Adjustment:

- General Fund Increase—An ongoing increase of \$1.3 million General Fund. This funding will mitigate the need for Hastings to increase student tuition and fees and can be used by the law school to meet its most pressing needs.



## CALIFORNIA STUDENT AID COMMISSION

The California Student Aid Commission administers state financial aid to students attending California institutions of public and private postsecondary education through a variety of programs including the Cal Grant High School and Community College Transfer Entitlement programs, the Competitive Cal Grant program, the Assumption Program of Loans for Education, and the Middle Class Scholarship Program. More than 100,000 students received new Cal Grant awards, and more than 160,000 students received renewal awards in 2012-13. These programs are a key way in which the state supports public higher education to make college more affordable for the state's lower-income students.

Prior to 2001, the program offered a capped number of awards to students and award amounts were specified in the Budget. The program is now an entitlement. The Cal Grant program is one of the most generous entitlement financial aid programs in the country. Only New York has need-based student financial aid programs comparable in size to California's. Costs for the program have increased dramatically due to UC and CSU tuition and fee increases in recent years and an increased number of students participating in the program. Over a ten-year period, participation in the program and costs have increased from 176,000 students and \$644 million in 2003-04, to more than 280,000 students and \$1.6 billion estimated for 2013-14. Stable tuition and fee levels since 2011-12 at UC and CSU have slowed the rate of growth in the program in recent years.

In 2014-15, the Commission will begin implementation of the Middle Class Scholarship Program. When fully implemented, tuition and fees for students attending UCs and CSUs will be reduced by up to 40 percent for families with incomes up to \$150,000. The program will be phased in over four years, with \$107 million in 2014-15, \$152 million in 2015-16, \$228 million in 2016-17, and \$305 million in 2017-18.

Significant Adjustments:

- Middle Class Scholarship Implementation—An increase of \$107 million General Fund in 2014-15 to begin implementation of the Middle Class Scholarship Program.
- Expand Cal Grant Renewal Award Eligibility—An increase of \$14.9 million General Fund in 2014-15 to allow students who have previously been denied a Cal Grant renewal award for financial reasons (their income rose above eligibility levels) to reapply for the program no more than three academic years after

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receiving their original award (if their incomes fall below the income threshold in that timeframe).

- Cal Grant Program Growth—An increase of \$3.4 million General Fund in 2013-14 and \$103.3 million General Fund in 2014-15 to reflect increased participation in the Cal Grant program. Of the 2014-15 amount, \$5.5 million is attributable to the second year of implementation of the California Dream Act.
- Offset Cal Grant Costs with Federal Temporary Assistance for Needy Families (TANF) Reimbursements—A decrease of \$3.2 million General Fund in 2014-15 to reflect increased TANF funds available through an interagency agreement with the Department of Social Services. This adjustment will bring the total TANF funds expended on the Cal Grant program to \$544.9 million in 2014-15.
- Offset Cal Grant Costs with Student Loan Operating Fund (SLOF)—Total SLOF funds expended on the Cal Grant program are \$60 million in 2014-15, offsetting General Fund costs on a dollar-for-dollar basis.

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### **CALIFORNIA STATE LIBRARY**

Since 1850, the California State Library has promoted innovative library services statewide, ensuring that all Californians have access via their local libraries to information and educational resources.

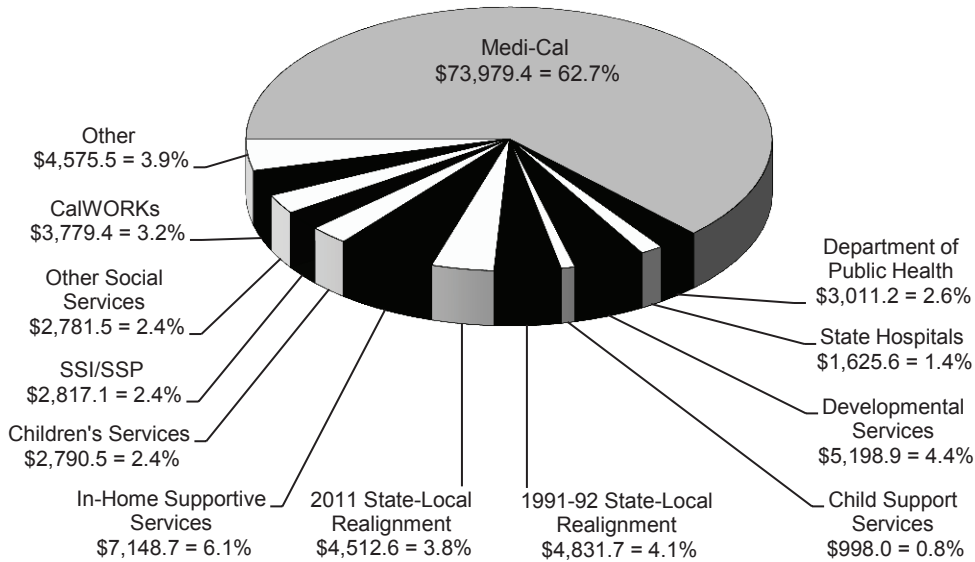
Significant Adjustment:

- High-Speed Internet Access—The Budget proposes \$3.3 million General Fund to provide public libraries access to high-speed Internet to better meet the demands of today's library patrons. This includes \$2.3 million to allow California's public library branches to access a statewide, high-speed Internet network, and \$1 million General Fund on a one-time basis for grants to public libraries that require equipment upgrades to connect to a high-speed network.

# HEALTH AND HUMAN SERVICES

The Health and Human Services Agency oversees departments and other state entities that provide health and social services to California’s vulnerable and at-risk residents. The Budget includes \$118 billion (\$28.8 billion General Fund and \$89.2 billion other funds) for these programs. Figure HHS-01 displays expenditures for each major program area and Figure HHS-02 displays program caseload.

Figure HHS-01  
**Health and Human Services Proposed 2014-15 Funding<sup>1</sup>**  
**All Funds**  
 (Dollars in Millions)



<sup>1</sup> Totals \$118,050.0 million for support, local assistance, and capital outlay. This figure includes reimbursements of \$11,610.3 million and excludes \$5.2 million in Proposition 98 funding in the Department of Developmental Services budget and county funds that do not flow through the state budget.

Figure HHS-02

**Major Health and Human Services Program Caseloads**

	<b>2013-14 Revised</b>	<b>2014-15 Estimate</b>	<b>Change</b>
Medi-Cal enrollees	9,170,500	10,106,200	935,700
California Children's Services (CCS) <sup>a</sup>	20,271	19,754	-517
CalWORKs	545,647	529,367	-16,280
CalFresh households	1,733,474	1,956,817	223,343
SSI/SSP (support for aged, blind, and disabled)	1,297,289	1,308,166	10,877
Child Welfare Services <sup>b</sup>	136,172	135,669	-503
Foster Care	41,926	40,129	-1,797
Adoption Assistance	84,535	84,961	426
In-Home Supportive Services	447,702	453,417	5,715
Regional Centers for persons with developmental disabilities	265,709	273,643	7,934
State Hospitals <sup>c</sup>	6,894	7,214	320
Developmental Centers <sup>d</sup>	1,333	1,110	-223
Vocational Rehabilitation	28,318	28,318	0

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

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

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

d Represents average in-center population.

California is in the midst of implementing federal health care reform that will provide coverage to millions of Californians. Starting this month, Californians have access to affordable, quality health insurance coverage through Covered California, the new health insurance marketplace. By law, health coverage cannot be dropped or denied because of pre-existing conditions or illness. Also this month, California expanded Medi-Cal to cover childless adults and parent/caretaker relatives with incomes up to 138 percent of the federal poverty level.

**DEPARTMENT OF HEALTH CARE SERVICES**

Medi-Cal, California's Medicaid program, is administered by the Department of Health Care Services (DHCS). Medi-Cal is a public health insurance program that provides comprehensive health care services at no or low cost for low-income individuals including families with children, seniors, persons with disabilities, children in foster care, and pregnant women. The federal government mandates basic services including physician services, family nurse practitioner services, nursing facility services, hospital inpatient and outpatient services, laboratory and radiology services, family planning,

and early and periodic screening, diagnosis, and treatment services for children. In addition to these mandatory services, the state provides optional benefits such as outpatient drugs, home and community-based services, and medical equipment. DHCS also operates the California Children's Services program, the Primary and Rural Health program, Targeted Low-Income Children's Program (formerly Healthy Families Program) and oversees county operated community mental health and substance use disorder programs.

Since 2006-07, total Medi-Cal benefit costs grew 11.8 percent annually (approximately \$5.1 billion per year) to \$65.6 billion in 2013-14 because of a combination of health care cost inflation, program expansions, federal funds, provider fees, intergovernmental transfers, and caseload growth. Medi-Cal General Fund spending is projected to increase 4.1 percent from \$16.2 billion in 2013-14 to \$16.9 billion in 2014-15. Growth in Medi-Cal General Fund expenditures has been reduced through the use of other funding sources, including the Gross Premiums Tax (authorized from 2009-10 to 2012-13), the Managed Care Organization Tax (authorized in 2013-14), Hospital Quality Assurance Fee (first authorized in 2011-12), and Medicaid waivers that allow claiming of federal funds for state-only health care costs.

The Budget assumes that caseload will increase approximately 10.2 percent from 2013-14 to 2014-15 (from 9.2 million to 10.1 million), largely because of the implementation of federal health care reform and the shift of children from the Healthy Families Program to Medi-Cal. Caseload would increase by 1 percent absent these changes. Federal health care reform will increase the program's caseload by an estimated 1.03 million in 2013-14 and 1.36 million in 2014-15. The state will receive 100 percent federal funding for childless adults with income up to 138 percent of the federal poverty level (FPL), and parent and caretaker relatives with incomes above 114 percent of FPL. The Medi-Cal caseload is expected to be approximately 24 percent of the state's total population.

The Federal Medical Assistance Percentage (FMAP) determines the level of federal financial support for the Medi-Cal program. California has generally had an FMAP of 50 percent (the minimum percentage authorized under federal law) since the inception of the Medicaid program in 1965. California's percentage is lower than the national average and is lower than those of neighboring states. Oregon, Nevada, and Arizona currently have percentages of 62 percent, 60 percent, and 66 percent, respectively. The state's percentage is also substantially lower than Mississippi's 73 percent FMAP percentage, currently the highest in the country.

The Medi-Cal program cost per case is lower than the national average. California's cost per case of \$3,441 was substantially lower than other low FMAP states such as Massachusetts (\$6,841) and New York (\$8,910) according to data from federal fiscal year 2010.

California is one of 26 states implementing the optional expansion under federal health care reform, which expands Medi-Cal to all parent/caretaker relatives and childless adults under 138 percent of FPL. In addition, California provides coverage for pregnant women up to 208 percent of FPL and for non-working persons with disabilities up to 100 percent of FPL; these two eligibility levels are the 7<sup>th</sup> highest in the nation.

Significant Adjustments:

- **Forgive Specified AB 97 Retroactive Recoupments**—Chapter 3, Statutes of 2011 (AB 97), generally reduced provider payments by 10 percent. These reductions will result in General Fund savings of \$282.8 million in 2014-15. The state has already exempted key provider categories from the AB 97 provider reductions to maintain access to services. In addition, to provide further support to the state's health care delivery system during the implementation of federal health care reform, the state will forgive the retroactive recoupments for specified providers and services (physicians/clinics, certain drugs that are typically high-cost and used to treat serious conditions, dental, intermediate care facilities for the developmentally disabled, and medical transportation), resulting in an increase of \$5.8 million General Fund in 2013-14 and \$36.3 million General Fund in 2014-15. Given the retroactive recoupments are spread over a period of up to 72 months depending on the service type, the total cost is \$217.7 million General Fund over the next several years. DHCS will continue to monitor access to covered services as health care reform is implemented.
- **Pediatric Dental and Vision Services Outreach**—The state is constantly monitoring utilization of Medi-Cal services to maintain access to critical health services. Recent reviews have focused on children's dental and vision utilization. The Medi-Cal program provides children with comprehensive dental benefits and screenings, exams, and eyeglasses to promote improved vision. The Budget includes \$17.5 million to increase dental outreach activities for children ages zero to three years. Educating parents of young children about the importance of early dental benefits should provide positive health outcomes and result in decreased future costs associated with more expensive treatment for poor dental hygiene. The Budget assumes Proposition 10 funding provided by the California Children and

Families Commission will be available for the non-federal share of costs. In addition, the state will continue to evaluate methods for improving the utilization and quality of children's vision benefits offered through the Medi-Cal program.

- Pregnancy Coverage—Medi-Cal beneficiaries with incomes under 100 percent of FPL will receive full-scope Medi-Cal services. Pregnancy-only Medi-Cal beneficiaries with incomes between 100 and 208 percent of FPL will receive comprehensive health coverage through Covered California. The Budget proposes to pay for the out-of-pocket costs for pregnancy-only Medi-Cal beneficiaries electing to receive comprehensive coverage through Covered California beginning in January 2015, which will result in General Fund savings of \$16.6 million in 2014-15.

### **COORDINATED CARE INITIATIVE**

Under the Coordinated Care Initiative (CCI), persons eligible for both Medicare and Medi-Cal (dual eligibles) will receive medical, behavioral health, long-term supports and services, and home and community-based services coordinated through a single health plan. These changes will be accomplished through a federal demonstration project known as Cal MediConnect. The CCI will also enroll all dual eligibles in managed care plans for their Medi-Cal benefits. The CCI will operate in eight counties: Alameda, Los Angeles, Orange, Riverside, San Bernardino, San Diego, San Mateo, and Santa Clara.

The following changes have occurred to the structure of the CCI since enactment of the 2013 Budget Act:

- Dual-eligibles in Medicare fee-for-service will be passively enrolled for both Medicare and Medi-Cal benefits beginning April 2014 in all participating counties except Los Angeles, Alameda, and Santa Clara. In Los Angeles, dual-eligibles may voluntarily enroll in Cal MediConnect or opt out beginning April 2014 and the remaining dual-eligibles will be passively enrolled beginning July 2014. Alameda and Santa Clara counties will passively enroll dual-eligibles no sooner than July 2014.
- Dual-eligibles in Medicare Advantage plans and those opting out of Cal MediConnect in all participating counties will be enrolled in managed care for Medi-Cal benefits beginning in July 2014. Dual-eligibles in Medicare Advantage plans who do not opt out of Cal MediConnect will be enrolled into Cal MediConnect for Medicare benefits in January 2015.
- Those only eligible for Medi-Cal or for partial Medicare coverage in all participating counties will have long-term supports and services and home and community-based services included in managed care beginning July 2014.

The Budget projects net General Fund savings for the CCI of \$159.4 million in 2014-15. General Fund savings from the sales tax on managed care organizations is included in the net savings figure. Without the tax revenue, the CCI would have a General Fund cost of \$172.9 million in 2014-15.

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### **HEALTH CARE REFORM IMPLEMENTATION**

In the past year, California has implemented significant portions of the Affordable Care Act (ACA). On October 1, 2013, Covered California, the new insurance marketplace, began offering affordable health insurance, including plans subsidized with federally funded tax subsidies and products for small businesses with coverage that started January 1, 2014.

In addition, the Medi-Cal program was expanded in two ways:

- The mandatory expansion simplified eligibility, enrollment, and retention rules making it easier to get on and stay on the program.
- The optional expansion extended eligibility to adults without children and parent and caretaker relatives with incomes up to 138 percent of the federal poverty level.

Further, California increased the mental health and substance use disorder benefits available through Medi-Cal to provide needed services, including to those who are released from prisons or jails and need these types of services to better support their reentry into the community.

Significant reforms in the individual and small group insurance markets will also take effect January 1, 2014. Most health plans and insurers in California are required to cover the 10 essential health benefits as required by federal law: ambulatory patient services; emergency services; hospitalization; maternity and newborn care; mental health, including behavioral health treatment; prescription drugs; rehabilitative and habilitative services and devices; laboratory services; preventive and wellness services and chronic disease management; and pediatric oral and vision care.

With these reforms and coverage opportunities, an estimated 1.4 million additional people will enroll in Medi-Cal and 1.9 million people will enroll in Covered California by the end of 2015-16. Covered California has received over \$1 billion in start-up funding from the federal government with the vast majority of the funds paying for staff, information



technology systems, and marketing. It must be self-sustaining by January 1, 2015, and will assess fees on its 11 qualified health plans to fund its operating budget.

### **PAYING FOR THE MEDI-CAL EXPANSION**

The Budget assumes net costs of \$867.4 million (\$404.9 million General Fund) in 2014-15 to provide for the mandatory Medi-Cal expansion. California will split these costs with the federal government. Additionally, the federal government has committed to pay 100 percent of the cost of the new adult group optional expansion for the first three years; by 2020-21, the federal share will have decreased to 90 percent and the state will pay 10 percent. The Budget assumes net costs of \$6.7 billion in 2014-15 for the optional Medi-Cal expansion.

Under the ACA, county costs and responsibilities for indigent health care are expected to decrease as more individuals gain access to health care coverage. The state-based Medi-Cal expansion will result in indigent care costs previously paid by counties shifting to the state.

Chapter 24, Statutes of 2013 (AB 85), modifies 1991 Realignment Local Revenue Fund (LRF) distributions to capture and redirect savings counties will experience from the implementation of federal health care reform effective January 1, 2014. County savings are estimated to be \$300 million in 2013-14 and \$900 million in 2014-15, and those savings will be redirected to counties for CalWORKs expenditures. This redirection mechanism frees up General Fund resources to pay for rising Medi-Cal costs.

Counties can either choose a reduction of 60 percent of their health realignment funds, including their maintenance of effort, or choose a formula that accounts for the revenues and costs of indigent care programs in their county. Counties have the following options:

- **Option 1** uses a formula that measures actual county health care costs and revenues. The state receives 80 percent of any calculated savings, with the county retaining 20 percent of savings to invest in the local health care delivery system or spend on public health activities.
- **Option 2** transfers 60 percent of a county's health realignment allocation plus the county maintenance of effort to the state to be captured as savings; the county retains 40 percent of its realignment funding for public health, remaining uninsured, or other health care needs.

Counties participating in the County Medical Services Program (CMSP) are subject to an alternative similar to Option 2. Total realignment funding for CMSP consists of a direct allocation that grows over time and \$89 million that CMSP counties collectively contribute annually to the CMSP Governing Board. For CMSP counties, AB 85 redirects the \$89 million as savings, and the Governing Board will be responsible for covering the remainder of the amount equal to 60 percent of the program's total realignment and MOE funding.

Future year savings for all counties will be estimated in January and May, prior to the start of the year, based on the most recently available data. Further, for counties that choose the formula, reconciliation will occur within two years of the close of each fiscal year. Counties have until January 22, 2014 to adopt a resolution to select Option 1 or Option 2 and inform DHCS of the final decision. DHCS will issue a final determination on the historical percentage spent on indigent health care to each county no later than January 31, 2014.

### **1991 STATE-LOCAL REALIGNMENT—REVISED FLOW OF FUNDS**

LRF sales tax revenues are first allocated to base funding to the subaccounts (Mental Health, Health, Social Services, and CalWORKs) within the fund. Any sales tax revenues deposited into the LRF in excess of base funding are distributed through various growth formulas. These growth funds are first distributed to fund cost increases in social services programs, followed by CMSP growth pursuant to a statutory formula. Any remaining growth funds, or general growth, is distributed to each of the subaccounts within the LRF.

AB 85 established two new subaccounts within the LRF beginning in 2013-14: (1) the Family Support Subaccount, which will receive sales tax funds redirected from the Health Subaccount, as noted above, and then redistributed to counties in lieu of General Fund for the CalWORKs program, and (2) the Child Poverty and Family Supplemental Support Subaccount, which will receive base and growth revenues dedicated solely towards funding increases to CalWORKs grant levels. Additionally, under AB 85, the Health Subaccount will receive a fixed percentage of general growth funds, 18.5 percent, while the Mental Health Subaccount will continue to receive general growth without any changes to the original statutory formula. The Child Poverty and Family Supplemental Support Subaccount will receive any remaining general growth funds.

Based on current revenue estimates, the Child Poverty and Family Supplemental Support Subaccount is projected to receive \$69 million in general growth funds in 2013-14. Of this amount, \$57.5 million will be used to fund the 5-percent increase to CalWORKs grant levels that takes effect on March 1, 2014. The remaining \$11.4 million will be carried over to 2014-15 to help fund the full-year costs of the grant increase, estimated to be \$168 million. Including the carryover funding, total deposits to the Child Poverty and Family Supplemental Support Subaccount in 2014-15 are projected to be \$161.7 million. The Budget includes an increase of \$6.3 million General Fund to support the full-year costs of the 5-percent grant increase.

### **MENTAL HEALTH AND SUBSTANCE USE DISORDER SERVICES**

California has expanded the mental health and substance use disorder benefits available to those eligible for Medi-Cal, including individuals released from prisons or jails who need these types of services to better support their reentry into the community. The Budget reflects the costs of expanding both the services provided and the population served.

To achieve these and other benefits, DHCS will seek a waiver from the federal Centers for Medicare and Medicaid Services to better coordinate substance use disorder treatment services and build upon the experience and positive results California has achieved in the specialty mental health system. The waiver will give state and county officials more authority to select quality providers to meet drug treatment needs.

Due to concerns about program integrity in the Drug Medi-Cal program, DHCS took steps in July 2013 to eliminate fraud and abuse in the program, including temporarily suspending the certification of 177 facilities providing drug treatment inconsistent with program goals, and referring 68 drug treatment providers to the Department of Justice for potential criminal prosecution. DHCS has conducted a review of internal operations to improve oversight and monitoring of drug treatment programs, and has improved coordination with counties to ensure appropriate monitoring and recertification of all drug treatment providers. The Budget proposes 21 positions and \$2.2 million (\$1.1 million General Fund) to continue the state's intensive focus on program integrity and expansion of drug treatment services by recertifying all providers in the state.

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### **2011 REALIGNMENT FUNDING**

In an effort to provide services more efficiently and effectively, 2011 Realignment shifted responsibility and dedicated funding for public safety services to local governments.

In addition, community mental health programs previously funded in 1991 State-Local Realignment are now funded by revenue dedicated for 2011 Realignment.

2011 Realignment is funded through two sources: a state special fund sales tax of 1.0625 cents totaling \$6.3 billion and \$497.1 million in Vehicle License Fees. Pursuant to Chapter 40, Statutes of 2012 (SB 1020), these funds are deposited into the Local Revenue Fund 2011 for allocation to the counties and are constitutionally guaranteed for the purposes of 2011 Realignment. Figure HHS-03 identifies the programs and funding for 2011 Realignment.

Figure HHS-03

**2011 Realignment Estimate<sup>1</sup> - at 2014-15 Governor's Budget**

	2012-13	2012-13 Growth	2013-14	2013-14 Growth	2014-15	2014-15 Growth
<b>Law Enforcement Services</b>	<b>\$1,942.6</b>		<b>\$2,124.3</b>		<b>\$2,075.4</b>	
Trial Court Security Subaccount	496.4	11.6	508.0	8.6	516.6	21.3
Enhancing Law Enforcement Activities Subaccount <sup>2</sup>	489.9	-	489.9	-	489.9	7.2
Community Corrections Subaccount <sup>3</sup>	842.9	86.7	998.9	64.3	934.1	159.8
District Attorney and Public Defender Subaccount <sup>3</sup>	14.6	5.8	17.1	4.3	15.8	10.7
Juvenile Justice Subaccount	98.8	11.6	110.4	8.6	119.0	21.3
<i>Youthful Offender Block Grant Special Account</i>	<i>(93.4)</i>	<i>(11.0)</i>	<i>(104.3)</i>	<i>(8.1)</i>	<i>(112.4)</i>	<i>(20.1)</i>
<i>Juvenile Reentry Grant Special Account</i>	<i>(5.5)</i>	<i>(0.6)</i>	<i>(6.1)</i>	<i>(0.5)</i>	<i>(6.6)</i>	<i>(1.2)</i>
<b>Growth, Law Enforcement Services</b>	<b>115.7</b>	<b>115.7</b>	<b>85.8</b>	<b>85.8</b>	<b>220.3</b>	<b>220.3</b>
<b>Mental Health<sup>4</sup></b>	<b>1,120.6</b>	10.7	<b>1,120.6</b>	8.0	<b>1,120.6</b>	19.8
<b>Support Services</b>	<b>2,604.9</b>		<b>2,829.3</b>		<b>2,996.1</b>	
Protective Services Subaccount	1,640.4	176.2	1,837.0	98.5	1,950.8	191.8
Behavioral Health Subaccount <sup>5</sup>	964.5	27.9	992.3	52.8	1,045.3	184.3
<i>Women and Children's Residential Treatment Services</i>	<i>(5.1)</i>	-	<i>(5.1)</i>	-	<i>(5.1)</i>	-
<b>Growth, Support Services</b>	<b>214.8</b>	<b>214.8</b>	<b>159.3</b>	<b>159.3</b>	<b>395.9</b>	<b>395.9</b>
<b>Account Total and Growth</b>	<b>\$5,998.6</b>		<b>\$6,319.3</b>		<b>\$6,808.3</b>	
<b>Revenue</b>						
1.0625% Sales Tax	5,516.6		5,880.5		6,311.2	
Motor Vehicle License Fee	482.0		438.8		497.1	
<b>Revenue Total</b>	<b>\$5,998.6</b>		<b>\$6,319.3</b>		<b>\$6,808.3</b>	

This chart reflects estimates of the 2011 Realignment subaccount and growth allocations based on current revenue forecasts and in accordance with the formulas outlined in Chapter 40, Statutes of 2012 (SB 1020).

<sup>1</sup> Dollars in millions.

<sup>2</sup> Allocation is capped at \$489.9 million. 2014-15 growth will not add to subsequent fiscal year's subaccount base allocations.

<sup>3</sup> 2012-13 and 2013-14 growth is not added to subsequent fiscal year's subaccount base allocations.

<sup>4</sup> Growth does not add to base.

<sup>5</sup> The Early and Periodic Screening, Diagnosis, and Treatment and Drug Medi-Cal programs within the Behavioral Health Subaccount do not yet have a permanent base.

The Administration continues to develop an allocation for the 2011 Realignment Behavioral Health Services Growth Special Account, in consultation with county partners and stakeholders. From 2012-13 revenues, the Account has \$27.9 million. The first priority for growth funds is federal entitlement programs: Medi-Cal Specialty Mental Health, including the Early Periodic Screening, Diagnosis, and Treatment benefit, and Drug Medi-Cal.

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## **MANAGED RISK MEDICAL INSURANCE BOARD**

The Managed Risk Medical Insurance Board (MRMIB) currently administers three programs that provide health coverage through commercial health plans, local initiatives, and county organized health systems to eligible individuals who do not have health insurance: the Access for Infants and Mothers Program, which provides comprehensive health care to lower middle-income pregnant women, the County Health Initiative Matching Fund Program, which provides comprehensive health benefits through county-sponsored insurance programs, and the Major Risk Medical Insurance Program, which provides health coverage for individuals with pre-existing conditions.

Given the substantial reduction in the Board's role in recent years, the Budget proposes to eliminate MRMIB and transfer these programs to the Department of Health Care Services effective July 1, 2014. The Budget includes \$177.6 million (\$1.2 million General Fund) for the programs currently administered by MRMIB.

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## **DEPARTMENT OF PUBLIC HEALTH**

The Department of Public Health is charged with protecting and promoting the health and well-being of the people in California. Funding for 2013-14 is \$3.5 billion (\$115.2 million General Fund), and proposed funding for 2014-15 is \$3 billion (\$110.6 million General Fund).

Significant Adjustments:

- **Drinking Water Program Reorganization**—The Budget proposes to transfer \$200.3 million (\$5 million General Fund) and 291.2 positions for the administration of the Drinking Water Program from the Department to the State Water Resources Control Board. Please see the State Water Resources Control Board narrative in the Environmental Protection Agency chapter for additional information.

- Genetic Disease Screening Program—The activities of the Prenatal Screening Program focus on detecting birth defects during pregnancy. Although participation is voluntary, providers are required to offer the screening to all women in California. The program is planning to implement a fee increase of \$45 in the Prenatal Screening Program, effective July 1, 2014. This increase will bring the total fee to \$207. The fee covers a blood test for participating women and follow-up services offered to women with positive screening results. The fee increase is necessary to correct for the historic overstatement of caseload and inadequate fee revenue in recent years to cover costs.

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### **DEPARTMENT OF DEVELOPMENTAL SERVICES**

The Department of Developmental Services (DDS) provides consumers with developmental disabilities a variety of services and supports that allow them to live and work independently, or in supported environments. California is the only state providing developmental services as an entitlement. DDS serves approximately 273,000 individuals with developmental disabilities in the community and 1,110 individuals in state-operated developmental centers (DCs). For 2014-15, the Budget includes \$5.2 billion (\$2.9 billion General Fund) for support of the Department.

#### **FUTURE OF THE DEVELOPMENTAL CENTERS TASK FORCE**

In May 2013, the California Health and Human Services Agency convened a task force on the future of the DCs. Since the passage of the Lanterman Act in 1967, the role of the DCs has been evolving. The resident population has dropped from a high of 13,400 in 1968, with thousands on a waiting list for admission, to 1,110 residents in 2014-15. The 2012 Budget Act placed a moratorium on new admissions except for individuals involved in the criminal justice system and consumers in an acute crisis needing short-term stabilization. In addition, funding is provided to regional centers to expand and improve services to meet the needs of DC residents transitioning to the community. While the moratorium has reduced the reliance on DCs and expedited the population decrease in these facilities, it also resulted in higher average costs per resident.

The Task Force recommends that the future role of state-operated facilities should be to provide secure treatment services; smaller, safety-net crisis and residential services; and specialized health care resource centers. As the state moves in this direction, the stakeholder process will continue to be used to monitor changes and make recommendations for the most effective use of available resources.

## Significant Adjustments:

- **Certification Issues**—The Budget includes \$9.2 million (\$5.1 million General Fund) to reflect anticipated costs related to the ongoing implementation of the Sonoma Developmental Center Program Improvement Plan. The Plan was entered into on March 13, 2013 with the California Department of Public Health and the Centers for Medicare and Medicaid Services (CMS) to bring the facility back into compliance with federal requirements. DDS is currently working with Public Health and CMS on certification actions at the Fairview, Porterville and Lanterman Developmental Centers and anticipates entering into an agreement in January specifying a path to resolving these certification issues.
- **Labor Regulations and Minimum Wage**—In September 2013, the United States Department of Labor announced new regulations, effective January 1, 2015, that affect pay for domestic workers. The Budget includes \$7.5 million (\$4 million General Fund) to adjust for these new rules. Chapter 351, Statutes of 2013 (AB 10), incrementally increases California’s minimum wage to \$10 per hour, effective January 1, 2016. To accommodate the increase to \$9 per hour, effective July 1, 2014, the Budget includes \$110.1 million (\$69.5 million General Fund).
- **Deferred Maintenance**—The Budget provides \$100 million to various state agencies to address critical infrastructure deferred maintenance needs. Of this amount, \$10 million will be allocated to DDS.

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## DEPARTMENT OF STATE HOSPITALS

The Department of State Hospitals (DSH) was established as a stand-alone department in July 2012 to administer the state mental health hospital system, the Forensic Conditional Release Program, the Sex Offender Commitment Program, and the evaluation and treatment of judicially and civilly committed patients. The Budget includes \$1.6 billion (\$1.5 billion General Fund) in 2014-15 for support of DSH. The patient population is projected to reach a total of 7,214 in 2014-15.

### A CHANGING POPULATION

The composition of the patients served by DSH has changed greatly over time, with over 90 percent currently coming from the criminal justice system. In addition, the class action lawsuit (*Coleman v. Brown*) involving mental health care in state prisons has increased referrals from the Department of Corrections and Rehabilitation to DSH for inpatient treatment. The inmates referred to DSH tend to have a more violent history.

### Significant Adjustments:

- **Enhanced Treatment Program**—The state hospital facilities were not designed to accommodate a forensic population. The Budget includes \$1.5 million General Fund to design and plan for specialized short-term housing units at most hospitals, totaling approximately 44 beds. On a long-term basis, DSH is looking at the feasibility of creating a new facility model specializing in longer-term treatment and stabilization of the most violent patients. Improving the physical configuration, screening, and treatment space will increase employee safety and protection of other patients, and enable those with behavioral issues more opportunities for treatment.
- **Personal Duress Alarm System**—In 2011, DSH began the process of updating its antiquated alarm system, beginning with Napa State Hospital. The new alarm system is more reliable, alerts employees in the affected area, and provides campus-wide coverage. The new system is currently being installed in Patton and Metropolitan State Hospitals, and installation will begin at Atascadero and Coalinga in 2014. The Budget includes \$8 million General Fund to conclude deployment of the new alarm system.
- **Deferred Maintenance**—The Budget provides \$100 million to various state agencies to address critical infrastructure deferred maintenance needs. Of this amount, \$10 million will be allocated to DSH.

### **WAITLISTS**

The population of DSH continues to increase. This trend is most pronounced in two patient categories, incompetent to stand trial (IST) and *Coleman* patients. Currently, DSH has over 300 IST and approximately 100 *Coleman* patients waiting to be admitted.

### Significant Adjustments:

- **Patient Management Unit**—Currently, DSH has no centralized intake management of its patient population. Referrals are made from individual courts to individual hospitals, regardless of current capacity at each facility. This lack of coordination leads to inefficient use of state hospital resources and results in ad hoc management of bed capacity. The Budget includes \$1.1 million General Fund to establish a Patient Management Unit to centralize admissions and transfers. The unit will improve utilization of beds, and direct patients to the hospital most appropriate for their individual needs, thereby reducing the waitlist.



- **IST Workgroup**—The Administration has engaged in an ongoing series of meetings with stakeholders to work on issues related to the IST population with the goal of improving coordination to reduce the waitlist. The Budget includes \$27.8 million General Fund to increase IST bed capacity by 105 beds to help ameliorate the waitlist. The Administration will continue to work with county partners and other stakeholders on the larger IST system issues.
- **Coleman**—The Budget includes \$26.3 million General Fund to keep 137 beds active in the psychiatric programs at Salinas Valley and Vacaville to maintain sufficient capacity for DSH to serve *Coleman* patients during the activation of the California Health Care Facility in Stockton.

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## DEPARTMENT OF SOCIAL SERVICES

The Department of Social Services (DSS) serves, aids, and protects needy and vulnerable children and adults in ways that strengthen and preserve families, encourage personal responsibility, and foster independence. The Department's major programs include CalWORKs, CalFresh, In-Home Supportive Services (IHSS), Supplemental Security Income/State Supplementary Payment (SSI/SSP) program, Child Welfare Services, Community Care Licensing, and Disability Determination.

The Budget includes \$19.3 billion (\$6.5 billion General Fund) for DSS, a decrease of \$383 million General Fund from the revised 2013-14 budget, primarily due to an increase from the 1991 Realignment Family Support Subaccount that will be used to offset General Fund costs in the CalWORKs program.

Significant Adjustments:

- **Community Care Licensing**—In response to a number of high-profile incidents at children's and adult residential care facilities licensed by the state, the Budget includes \$7.5 million (\$5.8 million General Fund) and 71.5 positions for quality enhancement and program improvement in Community Care Licensing. By significantly increasing civil penalties and improving the timeliness of investigations, this proposal will strengthen enforcement. A specialized complaint hotline will assist in acquiring better initial information, conducting consistent prioritization, and dispatching incoming complaints to regional offices. Further, the Department will assist with policy and practice development for medical and mental health conditions in community facilities to enhance quality and accountability by increasing training for new field staff and creating training for

supervisors and managers. The Department will also commit resources to achieve quality assurance and consistency for consumer safety and protection throughout the state. These changes are funded in part by a proposed 10-percent increase in licensing fees.

- State Hearings Division—The Budget includes \$9.8 million (\$1.3 million General Fund) and 63 two-year limited-term positions in 2014-15 to address the anticipated workload impact on the State Hearings Division resulting from implementation of the Affordable Care Act. The additional resources will provide timely hearing decisions to address disputes from Medi-Cal and Covered California applicants.

### **CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO KIDS**

The CalWORKs program, California's version of the federal Temporary Assistance for Needy Families (TANF) program, provides temporary cash assistance to low-income families with children to meet basic needs. It also provides welfare-to-work services so that families may become self-sufficient. Eligibility requirements and benefit levels are established by the state. Counties have flexibility in program design, services, and funding to meet local needs.

Total TANF expenditures are \$7.1 billion (state, local, and federal funds) in 2014-15. The amount budgeted includes \$5.5 billion for CalWORKs program expenditures and \$1.6 billion in other programs. Other programs primarily include expenditures for Cal Grants, Department of Education child care, Child Welfare Services, Foster Care, Department of Developmental Services programs, the Statewide Automated Welfare System, California Community Colleges child care and education services, and the Department of Child Support Services.

Average monthly CalWORKs caseload is estimated to be about 529,000 families in 2014-15, a 4-percent decrease from the 2013 Budget projection.

Significant Adjustments:

- Parent/Child Engagement Demonstration Pilot—To support some of the most vulnerable low-income families who have multiple barriers of entry into the workforce, and do not have access to licensed child care, or who fall into CalWORKs sanction status, the Budget proposes a six-county, 2,000-family pilot project over three years to:
  - Connect vulnerable children with stable licensed child care.

- Engage parents with their children in the child care setting.
- Enhance parenting and life skills.
- Provide parents with work readiness activities that will move the family toward self-sufficiency.

The project will cost \$9.9 million General Fund in 2014-15, assuming March 2015 enrollment of the first cohort of families, and \$115.4 million General Fund over three years.

- **Maximum Aid Payment Levels**—The 2013 Budget increases Maximum Aid Payment levels by 5 percent, effective March 1, 2014. The 5-percent increase is expected to cost approximately \$168 million annually. The increase will be funded by 1991 Realignment growth funds deposited in the Child Poverty and Family Supplemental Support Subaccount (see Health Care Reform Implementation section within Department of Health Care Services), as well as a \$6.3 million General Fund augmentation. Subsequent increases will be based on analysis of revenue and caseload estimates in future years.

### **IN-HOME SUPPORTIVE SERVICES**

The IHSS program provides domestic and related services such as housework, transportation, and personal care services to eligible low-income aged, blind, and disabled persons. These services are provided to assist individuals to remain safely in their homes and prevent institutionalization.

The Budget includes \$2 billion General Fund for the IHSS program in 2014-15, a 6.4-percent increase over the 2013 Budget. Average monthly caseload in this program is estimated to be 453,000 recipients in 2014-15, a 1.2-percent increase from the 2013 Budget projection.

In September 2013, the United States Department of Labor announced new regulations, effective January 1, 2015, that require overtime pay for domestic workers. In addition, new requirements were added that require compensation for providers traveling between multiple recipients, wait time that is associated with medical accompaniment, and time spent in mandatory provider training. These regulations have the potential to increase IHSS program costs by over \$600 million by 2015-16.

To control costs and promote the continued health and safety of Medicaid recipients in the program, the Budget proposes to prohibit providers from working overtime. As the

employer for purposes of hiring, firing, scheduling, and supervising the work of his/her IHSS provider, this restriction will require some recipients to hire and train additional providers to fully provide their authorized services. The IHSS workforce will need to increase to accommodate this change.

A Provider Backup System will be established to assist recipients in an unexpected circumstance to obtain a provider for continued care when their regular provider would exceed the limitations on hours worked by continuing to provide services. In these circumstances, a recipient could contact the Provider Backup System for assistance in obtaining a backup provider who would be available in a short amount of time. Any services provided by the backup provider will be deducted from the recipient's authorized hours.

Combined implementation of the new federal requirements will cost \$208.9 million (\$99 million General Fund) in 2014-15 and \$327.9 million (\$153.1 million General Fund) thereafter.

The IHSS program is also a key component of the Coordinated Care Initiative (CCI). No earlier than April 2014, certain Medi-Cal beneficiaries residing in a county authorized to participate in the CCI demonstration will begin transitioning from the traditional fee-for-service model to a managed care model for receiving health care services, including IHSS services. Under CCI, the fundamental structure of the IHSS program will remain the same, with eligibility determination, assessment of hours, and program administration conducted by county social workers and administrative staff. For additional information on CCI, refer to the Department of Health Care Services section.

### **SUPPLEMENTAL SECURITY INCOME/STATE SUPPLEMENTARY PAYMENT**

The federal SSI program provides a monthly cash benefit to eligible aged, blind, and disabled persons who meet the program's income and resource requirements. In California, the SSI payment is augmented with a SSP grant. These cash grants assist recipients with basic needs and living expenses. The federal Social Security Administration (SSA) administers the SSI/SSP program, making eligibility determinations, grant computations, and issuing combined monthly checks to recipients. The state-only Cash Assistance Program for Immigrants (CAPI) provides monthly cash benefits to aged, blind, and disabled legal non-citizens who are ineligible for SSI/SSP due solely to their immigration status.

Effective January 2013, maximum SSI/SSP grant levels are \$866 per month for individuals and \$1,462 per month for couples. SSA applies an annual cost-of-living adjustment to the SSI portion of the grant equivalent to the year-over-year increase in the Consumer Price Index (CPI). The current CPI growth factors are 1.5 percent for 2014 and a projected 0.6 percent for 2015. Maximum SSI/SSP monthly grant levels will increase by \$11 and \$16 for individuals and couples, respectively, effective January 2014. CAPI benefits are equivalent to SSI/SSP benefits, less \$10 per month for individuals and \$20 per month for couples.

The Budget includes \$2.8 billion General Fund for the SSI/SSP program. This represents a 1.2-percent increase (\$34 million) from the revised 2013-14 budget. The average monthly caseload in this program is estimated to be 1.3 million recipients in 2014-15, a slight increase over the 2013-14 projected level. The SSI/SSP caseload consists of 27-percent aged, 2-percent blind, and 71-percent disabled persons.

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## PUBLIC SAFETY

California's state and local corrections system is markedly different in 2014 than in 2011 when Governor Brown took office. With the implementation of 2011 Public Safety Realignment, it remains clear that the two ends of the public safety continuum must work together to achieve a balance of custody, supervision, treatment, and programming needs for offenders.

The need for fundamental change in the state correctional system had been building for years as the state confronted the difficulty of complying with federal court orders regarding the provision of a constitutional level of medical and mental health services with an ever-increasing number of prisoners and a recidivism rate of 70 percent. Perhaps even more important, correctional policy was evolving and developing better ways to rehabilitate offenders. One of the core principles of evidence-based programming is that lower-level offenders have the best chance of successfully reintegrating into society when they remain linked to community-based support systems that provide services geared to help them rebuild their lives.

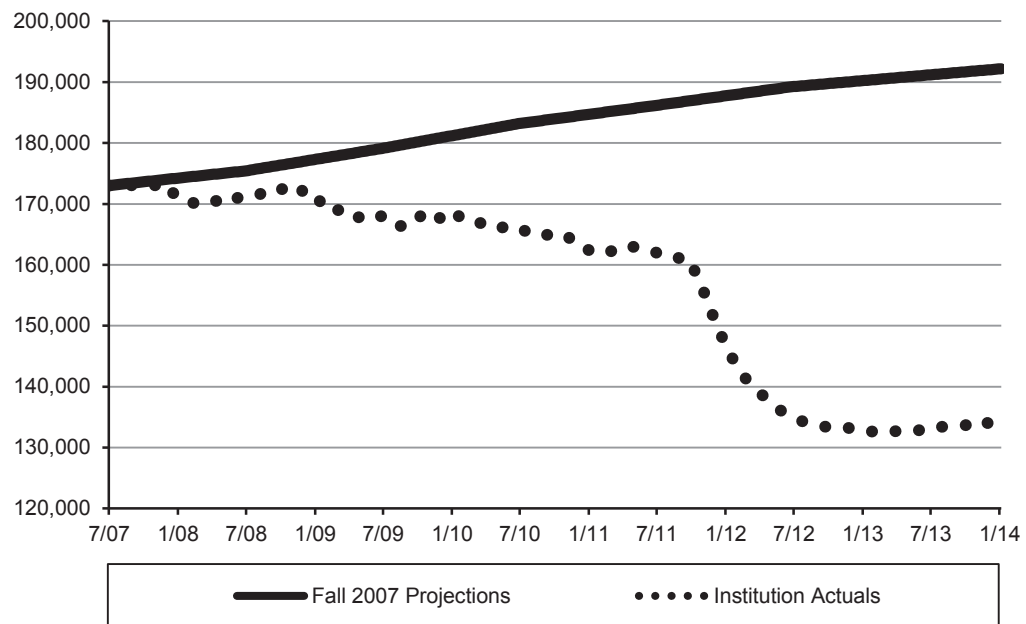
Over the past few years, the Administration has spent significant resources addressing many issues in the public safety arena. Specifically, there have been measures implemented to address prison population pressures, and state and local collaboration on public safety. A Blueprint was developed for managing state correctional resources, inmate health and mental health services, and prison construction. Many of these efforts have changed the composition of the state's prison population and made strides toward meeting the federal court-ordered population cap while avoiding early release.

The Administration continues to support local governments and community-based rehabilitation programs as key to successfully maintaining public safety and justice.

## DECLINING PRISON POPULATION

In the fall of 2007, the prison population was skyrocketing and projected to be over 190,000 by 2013. Through a number of reforms enacted since, the state has been able to reverse this trend, resulting in a dramatic decline of the prison population to an estimated 134,000 inmates at the end of 2013. Figure SAF-01 displays the population change over time. Based on federal Bureau of Justice statistics, in 2012 California ranked 29<sup>th</sup> among states in incarceration rates per 100,000 population.

Figure SAF-01  
Adult Inmate Population



In 2009, two statutes were enacted that were instrumental in the initial reduction of the prison population.

Chapter 28, Statutes of 2009 (SBX3 18), changed the dollar threshold for determining whether specified property crimes are punishable as felonies from \$400 to \$950,



to account for inflation since 1982, and expanded milestone and day-for-day credits for eligible inmates. This legislation also authorized non-revocable parole which prohibited the California Department of Corrections and Rehabilitation from returning parolees to prison who were classified as non-serious, non-violent, and non-sex offenders, with no prior or serious violent convictions and who were low- and moderate-risk as determined by a validated risk assessment tool. Under non-revocable parole, reentry court programs were established for parolees who violated parole and had a history of substance abuse or mental illness.

Chapter 608, Statutes of 2009 (SB 678), the California Community Corrections Performance Incentives Act, was designed to achieve two purposes: alleviate state prison overcrowding and establish a system of performance-based funding that shared state General Fund savings with county probation departments that demonstrated success in reducing the number of adult felony probationers committed to state prison. Critical to the success of the SB 678 program is the requirement that county probation departments reinvest their share of the savings in further implementation of evidence-based probation programs and practices.

SB 678 grants have been very successful in decreasing probation failure rates. The county funding level grew from \$89.2 million in 2011-12 to \$138.9 million in 2012-13 due to improved performance in the prevention of probation failures in 2011 compared to 2010. Over these two years, it is estimated that SB 678 prevented over 15,000 prison admissions.

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## **2011 PUBLIC SAFETY REALIGNMENT**

At the beginning of 2011, lower-level offenders represented about half of the prison population. The number of these offenders had increased dramatically in part because of major reductions in county adult probation departments due to severe county budget constraints. The large number of short-term, lower-level offenders and parole violators in prison resulted in overloaded reception centers, inefficient prison operations, and diminished rehabilitation efforts. Parole violators returned to prison for short stays of six months or less. Reception centers processed between 250,000 and 300,000 individual offenders annually. The constant cycling of parole violators and short-term offenders contributed greatly to prison overcrowding and created a situation where many inmates were housed in gyms and day rooms which, coupled with unprecedented state budget shortfalls, made rehabilitation virtually impossible.

As part of his first budget, Governor Brown proposed 2011 Public Safety Realignment which encompassed a number of law enforcement and health and human services programs that are interrelated in the community. Programs and funding were transferred to counties where locally elected officials could tailor programs to meet community needs. The biggest reform component of 2011 Realignment was contained in Chapter 15, Statutes of 2011 (AB 109)—the transfer of jurisdiction for lower-level, non-violent, non-serious, non-sex offenders to the counties; the realignment of most of parole to the counties as Post Release Community Supervision; and the requirement that virtually all parole violators serve any parole violation term in county jail. Critical support services such as substance use disorder programs, drug courts, and mental health treatment were also realigned to the counties. The majority of funding for 2011 Public Safety Realignment comes from a portion of the state sales tax (1.0625 cents) which is directed to all 2011 realigned programs and is constitutionally protected. Counties receive almost \$1 billion each year for the Community Corrections Program associated with AB 109 and their local correctional system.

AB 109 has reduced the state’s prison population by an estimated 25,000 inmates.

Realignment was a logical way of responding to a court-ordered population cap, plus research shows that services along with programs delivered at the local level result in more effective supervision, reduced recidivism and incarceration, and better utilization of limited resources. In addition, county probation had proven its ability to supervise this population and keep a large number of offenders out of state prison through the implementation of SB 678. Realignment has strengthened the state and local criminal justice partnership and creates a strong incentive for rehabilitation and evidence-based programs to reduce recidivism.

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### **THE BLUEPRINT**

A year after 2011 Realignment, the Administration released a report entitled “The Future of California Corrections”—essentially a Blueprint for reducing the cost of the state’s prison system by over a billion dollars while improving operations through an overhaul of the inmate classification system and implementing uniform staffing standards for each prison. The Blueprint also significantly expanded rehabilitation in prisons through programs and housing improvements to better suit the prison population that remained after 2011 Realignment.

The Department provides academic and vocational education, substance use disorder treatment, cognitive behavioral therapy programs, transitional services, and employment programs aimed at reducing recidivism and promoting positive behavior within the institutional setting.

Through the Blueprint, the Department is increasing the percentage of inmates served in rehabilitative programs to 70 percent of the Department's target population prior to their release. According to a report by the Office of Inspector General in October 2013, while continuing to ramp-up the programming plan authorized by the Blueprint, the Department served 42 percent of the target population in 2012-13. An inmate is included in the target population if an assessment indicates a high or moderate risk to reoffend and a higher or medium need for rehabilitative services. The Department remains committed to training effective managers and developing a workforce that understands both public safety and the rehabilitation needs of inmates.

A major component of the Blueprint is the establishment of 13 reentry hubs in designated prisons. Reentry hubs provide relevant services to inmates who are within four years of release and who demonstrate a willingness to maintain appropriate behavior to take advantage of this programming. Four hubs are currently in operation and the remainder will be activated in 2014. Reentry hubs provide the following array of programs:

- Career technical education programs focusing on inmates with 13 to 48 months left to serve.
- Cognitive behavioral therapy programs to address inmates' needs as identified through an assessment tool. These programs are a priority for inmates serving their last year of incarceration.
- Substance use disorder treatment programs for inmates with 6 to 12 months left to serve. Research shows that in-custody treatment during the last six months of incarceration, combined with services in the community after release, results in a significant reduction in recidivism.
- Employment training that includes job-readiness skills prior to release, as well as linkages to one-stop career centers and other social service agencies in the offender's county of residence. Lack of employment is one of the greatest barriers to successful reintegration into society.

- The Cal ID project assists eligible inmates in obtaining state-issued identification cards to satisfy federal requirements for employment documentation and to allow them to be eligible for public assistance programs, such as Medi-Cal and CalFresh. The first Cal ID cards arrived at institutions in December 2013.

The Blueprint also added 159 academic teachers and 98 vocational instructors in the Department over a two-year period. Academic programming focuses on increasing an inmate’s reading ability to at least a ninth grade level. For inmates reading at ninth grade level or higher, the focus is on helping the inmate obtain a GED. College programs continue to be offered through the voluntary education program. The vocational programs target inmates with a need for employment services who are closer to release.

Chapter 699, Statutes of 2013 (AB 218), requires that state and local agencies determine a job applicant’s minimum qualifications before obtaining and considering information regarding an applicant’s conviction history on an employment application. This will have a positive impact for offenders seeking employment after being released from jail or prison.

## INMATE HEALTH CARE AND MENTAL HEALTH SERVICES

The state has demonstrated a significant financial commitment to improving the Department’s delivery of health care services to inmates. The cost per inmate has increased from approximately \$7,500 annually in 2005-06 to slightly above \$16,000 annually in 2012-13 as displayed in Figure SAF-02. Funding has been used to provide

Figure SAF-02

### Historical Health Care Costs Per Inmate (Dollars in millions except cost per inmate)

	Actual Expenditures			Estimated Expenditures	
	2005-06	2006-07 <sup>2</sup>	2012-13	2013-14	2014-15
Medical Services <sup>1</sup>	\$943	\$1,196	\$1,518	\$1,663	\$1,671
<b>Medical Care Cost per Inmate</b>	<b>\$5,803</b>	<b>\$7,183</b>	<b>\$12,280</b>	<b>\$13,585</b>	<b>\$13,845</b>
Mental Health Services <sup>1</sup>	\$238	\$329	\$321	\$393	\$399
<b>Mental Health Care Cost per Inmate</b>	<b>\$1,463</b>	<b>\$1,976</b>	<b>\$2,596</b>	<b>\$3,214</b>	<b>\$3,304</b>
Dental Services <sup>1</sup>	\$51	\$66	\$144	\$153	\$153
<b>Dental Care Cost per Inmate</b>	<b>\$313</b>	<b>\$398</b>	<b>\$1,163</b>	<b>\$1,248</b>	<b>\$1,266</b>
Total Health Care Cost	\$1,231	\$1,591	\$1,982	\$2,209	\$2,222
<b>Total Health Care Cost per Inmate</b>	<b>\$7,580</b>	<b>\$9,558</b>	<b>\$16,039</b>	<b>\$18,048</b>	<b>\$18,415</b>

<sup>1</sup> Dollars reflect administration and ancillary services

<sup>2</sup> First year of Receivership

the federal Receiver, appointed to oversee inmate medical care, with resources to operate a constitutionally adequate medical services program. In addition, resources have been devoted to implementing the mental health care staffing plan. Since 2008, the Department has completed over \$1 billion in health care-related projects. Moreover, there are still many health care projects under development and once completed will bring the state's total investment in prison health care-related improvements to more than \$2 billion. The funds dedicated to health care services programs result in inmates having continued access to mental health, medical, and dental care that is consistent with the standards and scope of services appropriate within a custodial environment.

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## **PRISON CONSTRUCTION**

As the state faced lawsuits regarding the provision of health and mental health care in prison, additional housing and treatment space was necessary. Chapter 7, Statutes of 2007 (AB 900), provided the initial authority for this expansion. However, AB 900 was later amended by Chapter 42, Statutes of 2012 (SB 1022), to repeal approximately \$4.1 billion of lease revenue bond financing authority originally appropriated for the construction of various state prison facilities that were no longer needed because of the implementation of realignment and the adoption of the Blueprint. SB 1022 maintained total AB 900 lease revenue bond financing authority of approximately \$2.1 billion for design and construction of state prison facilities that include the California Health Care Facility (CHCF) and the adjacent DeWitt Nelson Correctional Annex, located in Stockton, and several other medical and mental health projects throughout the state, including the projects in the Health Care Facility Improvement Program. A number of projects authorized with the remaining AB 900 lease revenue bond financing authority have already been completed and occupied, and several other projects are in construction and will be completed in 2014 and 2015. The CHCF began occupancy in July 2013, the DeWitt Nelson Correctional Annex is scheduled to begin occupancy in March 2014, and the Central California Women's Facility Enhanced Outpatient Program Treatment and Office Space project is scheduled to begin occupancy in June 2015. In addition, approximately 20 projects in the Health Care Facility Improvement Program are in the design phase, and it is anticipated the remaining projects will be initiated during 2014.

The 2012 Budget Act included an additional \$810 million of lease revenue bond financing authority for the design and construction of three new level II dormitory housing facilities at existing prisons. Two of these new dormitory housing facilities will be located adjacent to Mule Creek State Prison in Lone, and the third is to be located at Richard J.

Donovan Correctional Facility in San Diego. Solicitation of design-build proposals is currently underway. It is anticipated the design-build contracts will be awarded in early 2014 and construction will be completed in spring 2016.

## WHO IS IN STATE PRISON?

As the Department changes its operations and programming in prison, it is important to understand who is currently housed in the state system. With the responsibility for lower-level offenders transferred to the counties, the state prison system houses a significantly different mix of offenders than prior to 2011 Realignment.

The population distribution by age and gender has remained fairly consistent over the past two years. Inmates over the age of 50 increased from a total of 18 percent of the population on June 30, 2011 to 20 percent on June 30, 2013. The female population has declined from 6 percent of the total population on June 30, 2011, to 4 percent of the total population on June 30, 2013.

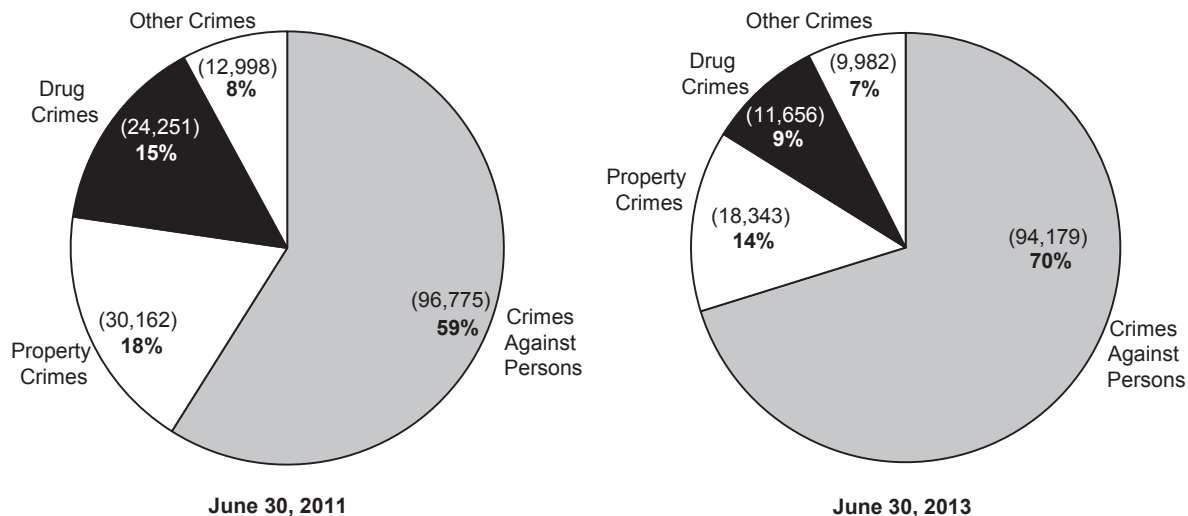
The charts below provide comparisons of the more significant changes in the prison population since 2011 Realignment.

### COMMITMENT CRIME

In the past two years, the most significant change in the population by commitment crime has occurred in the Crimes Against Persons category. On June 30, 2011, as shown in Figure SAF-03, 59 percent of the prison population was serving a sentence

Figure SAF-03

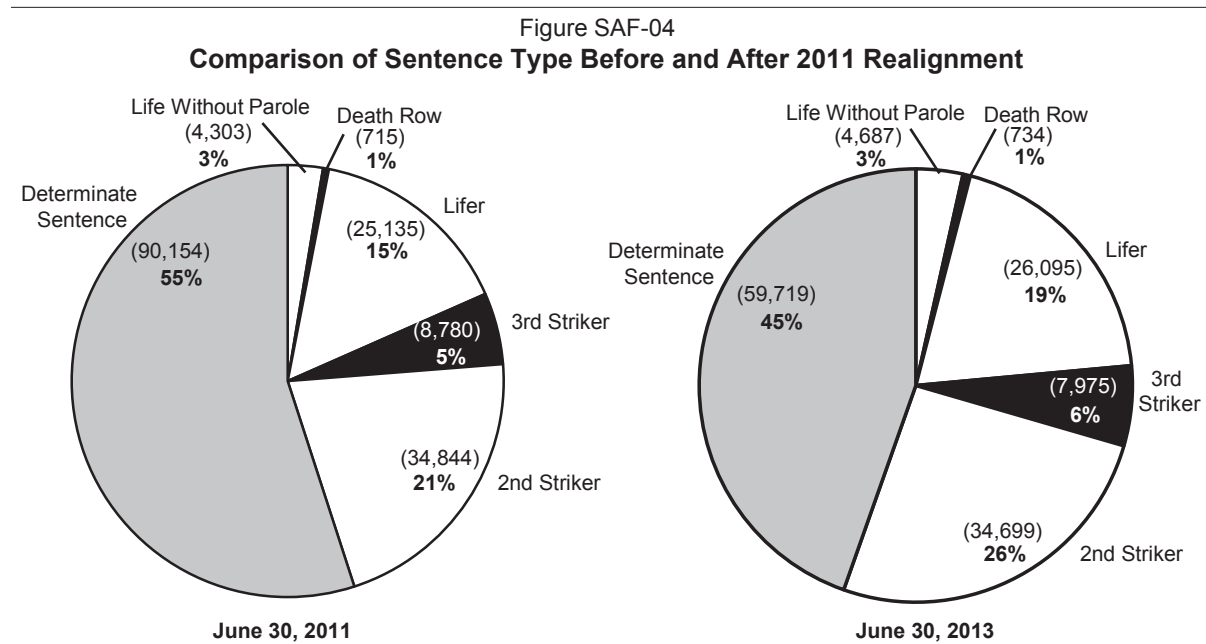
#### Comparison of Commitment Crime Before and After 2011 Realignment



categorized as Crimes Against Persons; whereas on June 30, 2013, this population subset was 70 percent. This indicates that the state is now housing a higher proportion of violent offenders.

**SENTENCE TYPE**

In the past two years, there has been a significant decrease in the percentage of inmates serving a determinate sentence. On June 30, 2011, 55 percent of the population had a determinate sentence and as of June 30, 2013, the number had declined to 45 percent. Conversely, there has been an increase in the percentage of inmates sentenced to life in prison (lifers) and second-strike offenders over the same period of time. The percentages have increased by 4 percent and 5 percent, respectively. See Figure SAF-04 for all sentence categories.



Recent admissions data provide an indication of a change at the local level, specifically in the significant increase in admissions for second-strike convictions for non-violent, non-serious felonies. This uptick in second-strike admissions for non-violent and non-serious crimes has reversed a nearly 20-year decline in admissions for these offenders. This has a significant impact on the state prison population because offenders serving a second-strike receive sentences that are double the normal length for the commitment offense and they are limited to 20 percent credit earnings while incarcerated (the average inmate receives 50 percent credit).

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## **MEETING THE COURT-ORDERED POPULATION CAP**

For over two decades, California's prison system has faced many challenges with overcrowding, the need for General Fund resources, and lawsuits related to the provision of health and mental health services in prison. The population increased from approximately 60,000 inmates in 1986 to an all-time high of 173,479 in 2006. In 2011, notwithstanding the significant progress made in providing medical and mental health services and reducing the prison population, the United States Supreme Court upheld a lower court ruling that the Department reduce population in its institutions to 137.5 percent of the system's design capacity by June 30, 2013. This deadline was subsequently extended to December 31, 2013.

To comply with the federal court order and avoid the early release of offenders, the Administration proposed legislation in September 2013 for an increased capacity solution to meet the 137.5 percent target by the end of December 2013. At the same time, the Administration petitioned the court for an extension of time to meet the court-imposed cap.

Chapter 310, Statutes of 2013 (SB 105), provided the statutory changes and funding necessary for the Department to comply with the court mandate by December 2013. SB 105 appropriated \$315 million that could be used in different ways, depending on whether or for how long the federal court extended the deadline for meeting the population cap.

If no extension were granted, the funding would be used for in-state contracts for community correctional facility or jail beds, a contract with the private California City correctional facility, and additional out-of-state capacity. All of these actions would be in addition to those assumed in the Blueprint.

If a sufficient time extension were granted and all funding not used for capacity, the first \$75 million of any savings would be transferred into the Recidivism Reduction Fund created by SB 105. Savings beyond the \$75 million would be split, with half going to the Recidivism Reduction Fund and half going to the General Fund.

In late September, the federal court ordered a meet-and-confer process, provided an extension to January 27, 2014 for the state to comply, and also blocked the state from sending additional inmates to out-of-state correctional facilities beyond the currently contracted 8,988 beds. Subsequently, the federal court granted the state an extension until April 18, 2014 to meet the population cap.



In building the Budget, the Administration has assumed the court will grant a two-year extension to meet the cap. Based on this assumption, SB 105 expenditures are anticipated to be \$228 million in 2013-14 for a savings of \$87 million. This funding allows the Department to house additional inmates in contract facilities—5,633 in California and maintain its current population in out-of-state facilities (6,292 additional out-of-state beds above the Blueprint by June 30, 2014). The Recidivism Reduction Fund is expected to have \$81.1 million available for expenditure in 2014-15. If no extension beyond April 2014 is granted, it is estimated that the \$315 million appropriated in SB 105 will be used to meet the population cap through contracting for bed space. The expenditures proposed from the Recidivism Reduction Fund would also need to be reconsidered if the extension is not granted.

Additionally, SB 105 suspended the planned closure of the California Rehabilitation Center (CRC) pending the Administration's review of the need for the facility to comply with the court-imposed population cap. The Blueprint proposed closure of this facility upon completion of three authorized infill projects which are expected to be activated in 2016. The Blueprint estimated the ongoing cost of CRC to be \$160 million annually, not including facility repairs and maintenance.

Lastly, SB 105 made changes to the SB 678 funding formula thereby increasing payments to local probation departments by \$86 million in 2014-15. SB 105 changed the calculation for the payments to counties so that it is now based on the amount the state saves by avoiding incarcerations in contracted facilities, which is estimated to be \$29,491 per bed in 2013-14. As a result of SB 105, it is estimated that payments to county probation departments will be approximately \$128 million General Fund in 2014-15 as opposed to the \$42 million that was anticipated based on prior law. These additional payments are anticipated to greatly assist county probation departments in continuing to reduce recidivism among felony probationers, therefore reducing the prison population.

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### **COMPLYING WITH THE COURT-IMPOSED CAP TO AVOID EARLY RELEASE**

Notwithstanding the efforts identified above, the state's prison population is projected to be above the court-imposed cap. Consequently, additional efforts are necessary to meet the cap so that any early release will be avoided.

### **EFFORTS CURRENTLY UNDERWAY**

The following two policies are currently being implemented and will reduce the state's prison population.

- Three Strikes Reform—Proposition 36, the Three Strikes Reform Act of 2012, was approved by California voters in 2012. It restructures sentencing for third-strike offenders whose current conviction is for a non-serious, non-violent offense from an indeterminate (life) term to a determinate (non-life) term. Repeat offenders convicted and sentenced prior to the passage of Proposition 36 who are currently serving a life term pursuant to the “Three Strikes” law may petition the court for resentencing in accordance with the amended provisions of the statutes. The law requires that the court review the petitioners’ criminal conviction history, including the types of crimes committed, the extent of injury to the victim, the length of prior prison commitments, and the time that was passed since the crime was committed.

There are approximately 8,000 offenders currently serving a life term in prison pursuant to the “Three Strikes” law and of these, approximately 2,800 are eligible for resentencing under Proposition 36. To date, nearly 1,300 of those eligible have been resentedenced and released from prison. It is anticipated that there will be an additional 1,000 to 1,500 releases pursuant to Proposition 36.

- Youth Offender Parole Hearings—Chapter 312, Statutes of 2013 (SB 260), requires the Board of Parole Hearings to conduct youth offender parole hearings to consider release for specified offenders who were convicted of a crime prior to their 18<sup>th</sup> birthday and sentenced to state prison. An inmate is eligible for a youth offender parole hearing during the 15<sup>th</sup> year of their sentence if the person received a determinate sentence; 20<sup>th</sup> year if the person received a sentence that was less than 25 years-to-life; and during the 25<sup>th</sup> year if the person received a sentence of 25 years-to-life. Those immediately eligible for a youthful offender parole hearing on January 1, 2014 are required to have their hearing completed by July 1, 2015. The Department estimates that approximately 200 inmates could be released as a result of SB 260. Prior to this legislation, the judicial system did not provide a review mechanism for cases in which a youth was charged as an adult.

In addition to implementing SB 260, the Board of Parole Hearings will reduce their suitability hearing timeline for inmates sentenced to life in prison from 180 days to 120 days by streamlining the hearing preparation process, which is intended to further reduce the state’s prison population to comply with the court-imposed cap.

### **COURT-ORDERED EFFORTS**

In June 2013, the federal court ordered certain measures be implemented to reduce the prison population and waived all restrictive statutes and regulations that would

inhibit compliance. The Administration will immediately begin implementation of the following measures ordered by the court:

- **Medical Parole**—Chapter 405, Statutes of 2010 (SB 1399), authorized the state’s existing Medical Parole Program. Since January 2011, the Board has heard 63 requests for medical parole and issued 56 grants. The Court has ordered an expansion of the Medical Parole Program to cover more inmates with severe physical or cognitive conditions.
- **Elderly Parole**—A process will be established whereby inmates who are 60 years of age or older and have served a minimum of twenty-five years of their sentence will be referred to the Board of Parole Hearings to determine suitability for parole. Certain categories of inmates will be excluded. An eligible inmate would only be granted parole if the Board finds he or she does not pose an unreasonable risk to public safety.
- **Credit Enhancements**—Under current law, non-violent second-strike inmates have a credit earning limitation of 20 percent. These non-violent second-strike inmates will now be eligible to earn good-time credits at 33.3 percent, and will be eligible to earn milestone credits for completing rehabilitative programs. Credit enhancements will be awarded on a prospective basis only. Offenders released under these provisions will be on state parole until such time as they would otherwise have been released to county jurisdiction under Post Release Community Supervision. Any parole revocations would be served in state prison.

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## **RECIDIVISM REDUCTION**

The Administration continues to recognize that reentry programs and other rehabilitative services are a valuable means for transitioning offenders back into the community and preventing recidivism. Therefore, the Budget proposes the following program expansions to be funded through the Recidivism Reduction Fund:

- **Additional Substance Use Disorder Treatment in State Prison**—\$11.8 million to expand substance use disorder treatment to 10 non-reentry hub institutions, with expansion to the remaining 11 institutions planned for 2015-16. Another \$9.7 million to provide substance use disorder treatment and other cognitive behavioral therapy programs at in-state contracted facilities.

- Integrated Services for Mentally Ill Parolees—\$11.3 million is proposed to allow the Department to expand the number of program slots from 600 to 900 in 2014-15. This is a comprehensive treatment model which provides varied levels of care, supportive and transitional housing, and an array of mental health rehabilitative services to assist with the development of independent living.

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**REENTRY**

The Budget proposes the activation of the Northern California Reentry Facility, as well as an appropriation to support reentry facilities in the community. It is critical to partner with local communities so there is an easier and more successful transition to the community when the inmate is released.

- State Reentry Hub – Northern California Reentry Facility—The Department plans to use this 600 bed facility in Stockton for reentry though it will take more than two years to make the needed renovations to move inmates into this facility. Statutory changes are needed to reclassify the facility’s purpose and allow male inmates to be housed in the facility. \$8.3 million from the Recidivism Reduction Fund will be used for design of the facility.
- State Reentry In the Community—The Administration proposes that \$40 million from the Recidivism Reduction Fund be used for a variety of reentry programs for inmates within one year of release from prison. It is anticipated that there are many different and effective models that can be considered. Programs could be located in a county jail or in an appropriate state, local, or private community facility. These should be smaller facilities that offer appropriate services such as work training, education, practical living skills, as well as substance use disorder and mental health treatment. Having facilities in the community will also allow the state and county probation to partner in linking these inmates to services in the community upon release.

Existing statute authorizes inmates who are within 60 days of release to be housed in a county jail facility for transition purposes. In the 2013 Budget Act, funding was designated for contracting with four counties for a pilot jail reentry program. This pilot requires a risk and needs assessment for each inmate, individualized treatment plans, specified programming, such as GED classes, job readiness, and cognitive behavioral therapy. Currently, one county is in contract with the Department and a second county has expressed interest. To expand the use of the currently authorized jail reentry program,

the Budget proposes legislation to extend the time period for up to one year prior to release.

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## **COMMUNITY HEALTH CARE SERVICES**

The intersection of state offenders reintegrating into the community with lower-level offenders staying in the community on alternative sanctions, or some kind of supervision, demonstrates the importance of the support services necessary to stop the cycling of offenders through the jail and prison system. It was this intersection that led the Administration to support additional expansion of state-funded health care programs. These programs are an integral component of recidivism reduction.

### **HEALTH CARE SERVICES**

California has taken a very proactive role in implementing the federal Affordable Care Act. As part of the 2013 Budget Act, the state agreed to expand Medi-Cal benefits to childless adults. It is assumed that a significant number of the county indigent health population will now be covered by Medi-Cal. A large number of this expanded caseload intersects with those in the criminal justice system. While the federal government will not pay for medical care within a locked prison or jail, services provided in the community are allowable for reimbursement and access to these services will improve health outcomes and assist in recidivism reduction.

Chapter 646, Statutes of 2013 (AB 720), expands the state's ongoing efforts to promote increased access to health care for offenders released from jail by suspending rather than terminating benefits if incarcerated for a year or less and by encouraging counties to determine eligibility for health care prior to release from jail.

As part of the implementation of the federal Affordable Care Act, California has expanded both benefits and eligibility for mental health and substance use disorder services. Consumers with income up to 400 percent of the federal poverty level will be eligible for federal subsidies to support the expanded mental health and substance use disorder benefits.

### **MENTAL HEALTH SERVICES AND SUBSTANCE USE DISORDER TREATMENT**

Under the state expansion of Medi-Cal, managed care plans will now offer psychotherapy, psychological testing, outpatient services to monitor drug therapy, outpatient laboratory drugs and psychiatric consultation to non-specialty benefits. These services should allow clients to stabilize and avoid more costly services.

Counties continue to be responsible for specialty mental health services under 1991 and 2011 Realignment as well as the Mental Health Services Act (Proposition 63). Each county is required under the Mental Health Services Act to consider ways to provide services similar to those established pursuant to the Mentally Ill Offender Crime Reduction Grant Program for offenders who are in the community but not incarcerated.

Previously all eligible Medi-Cal beneficiaries could receive outpatient drug-free treatment and treatment for opioid addiction through the county-administered Drug Medi-Cal Program. Beginning January 1, 2014, the state has agreed to fund an expanded set of services for individuals enrolled in Medi-Cal. The additional services are annual Screening and Brief Intervention and Referral to Treatment, inpatient detoxification services and intensive outpatient treatment, and residentially based substance use disorder treatment.

The costs of expanded mental health and substance use disorder benefits are projected to be \$61.3 million General Fund in 2013-14 and \$197.9 million General Fund in 2014-15. This investment will improve mental health and substance use disorder service parity, increase access to preventative care for low-income populations, and decrease county costs for indigent care. These services also give counties another source of treatment services for persons on Probation or Post Release Community Supervision.

#### **MENTAL HEALTH WELLNESS**

The 2013 Budget Act also included \$206.2 million (\$142.5 million General Fund) for Mental Health Wellness to strengthen local mental health services. This investment includes funding for at least 25 mobile crisis teams, 600 additional triage personnel, additional peer support crisis training, and increasing crisis stabilization and crisis residential treatment capacity by 2,000 beds. One of the primary goals of this funding is to increase access to intervention and treatment services to reduce recidivism and mitigate future public safety costs. Applicants for funding must describe community linkages, including linkages with local law enforcement. Applications are due to the State Treasurer's Office January 22, 2014 and it is anticipated that the first grants will go out by May 2014.

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### **THE COMMUNITY CORRECTIONS SYSTEM**

The Department's primary public safety responsibility is the operation of a secure and safe prison system that provides rehabilitative programs aimed at reducing recidivism. The state must meet the court-ordered population cap of 137.5 percent of capacity and

the Administration is committed to meeting that target, as outlined previously, without early release.

The state must be cognizant of the issues local government faces in its community corrections system. History demonstrates that actions taken by the state—such as the property tax shift of the early 1990s that exacerbated budget reductions in counties—can contribute to the increase of offenders sent to state prison. On the other hand, investment in smart justice programs at the local level, like those implemented as a result of SB 678, can assist in decreasing the prison population.

AB 109 and the Community Corrections Program was a massive change for the local correctional system, and the state has allocated close to \$1 billion annually for its implementation. Other state resources have also been allocated for basic law enforcement services such as juvenile justice and the Citizens' Option for Public Safety program, and more recently for expanded mental health and substance use disorder programs. The Budget includes \$27.5 million in 2014-15 for cities for front line law enforcement activities.

It is incumbent upon each county, using these additional resources plus their own, to develop programs tailored to meet the needs of its community. Working through the Community Corrections Partnership (CCP), each county is collaborating across program jurisdictions and developing programs aimed at maintaining, and even increasing public safety and using its resources most effectively and efficiently to reduce recidivism. The CCPs are chaired by the Chief Probation Officer and membership is comprised of the presiding judge of the superior court, a county supervisor or the chief administrative officer, the district attorney, the public defender, the sheriff, the chief of police, the heads of the various county departments, and community representatives. The CCPs were first authorized to provide recommendations for the expenditure of SB 678 funds, and have since played an integral role in making recommendations to the county boards of supervisors on the implementation of 2011 Public Safety Realignment.

AB 109 gave local governments tools to more effectively manage their criminal justice populations, including split sentences and alternative sanctions, enhanced credit earnings, and the ability to contract with the state for fire camp beds. Since the implementation of AB 109, statutes have been enacted to authorize medical parole; provide enhanced credit earnings for participation in work and job training programs; allow milestone credits for education and vocational training, life skills, parenting and substance use disorder

treatment; and authorize County Boards of Parole to release someone on county parole for three rather than two years.

Counties began the implementation of AB 109 from very different places. Some counties had many community-based programs and were already diverting offenders from state prison or local jail. Others had resources sufficient only to operate the jail and probation supervision. With this county variation, it will take time and effort to change the system.

To assist in this effort, the state appropriated \$25 million in 2011-12 to support hiring, retention, training, and data improvements in the counties. In each year since 2011-12, \$7.9 million has been appropriated for the CCPs to support ongoing change efforts at the local level. In 2013-14 and 2014-15, this appropriation comes with a requirement to report to the Board of State and Community Corrections on the outcomes adopted in each county's CCP plan and progress in meeting those outcomes. Finally, \$1 million was appropriated in both 2011-12 and 2012-13 to be split between the California State Association of Counties (CSAC), the California State Sheriffs' Association (CSSA), and the Chief Probation Officers of California (CPOC) for statewide training efforts. These statewide organizations have sponsored three conferences to share information about the implementation of AB 109 and what works in the community.

Change is happening. CSAC has completed several "smart justice" videos showcasing effective new county programs. For example, in Merced County, an "All Dads Matter" program helps at-risk dads and kids maintain connections. In Glenn County, there is a collaboration of several county departments (the Community Re-Entry Work program) that teaches job skills, provides training, and helps offenders get back on their feet. Each year, CSAC also honors innovative programs and this year, Tehama County was recognized for its AB 109 Auto Shop—Changing Lives in which the county has developed its own auto shop where offenders are trained and provide auto repair for the county's fleet vehicles.

CPOC reports that of the 23,000 completions of terms through September 2013:

- 93 percent of those starting Post Release Community Supervision appeared as expected within three days of release from state prison;
- 60 percent completed Post Release Community Supervision with no return to custody and had their supervision terminated between 6 and 12 months; and,



- 90 percent of those currently on Post Release Community Supervision are actively supervised and not wanted on a warrant.

County Probation has told of many individual successes with offenders going to residential substance use disorder treatment programs, stepping down to a day reporting center and becoming gainfully employed. Many of these individual success stories have the same theme—the right treatment program, links to family and the community, and more stable housing and employment.

Sheriffs have continued and initiated many in-custody programs that begin the important link to services in the community before release. The Board of State and Community Corrections expects to release the results of a jail program survey in January 2014 so information on best practices can be available statewide.

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## **2014-15 BUDGET PROPOSALS**

Notwithstanding these success stories, counties continue to face challenges in operating their community corrections programs. The state has made both a sizable financial investment and enacted statutory changes that allow counties to be successful in the implementation of AB 109. While additional direct resources for AB 109 are not possible, there are additional changes that the state can make to facilitate success at the local level.

### **SPLIT SENTENCES**

Under Realignment, judges are authorized to impose a straight sentence of time in jail or a split sentence of incarceration followed by a mandatory term of supervision for offenders convicted of a non-serious, non-violent, non-sex offense. Through the first year of implementation, CPOC indicated that about 23 percent of the 21,500 felony offenders sentenced to local jail received a split sentence. Use of split sentences varies widely among counties from a high of almost 89 percent to a low of about 6 percent. The 10 largest counties had a usage of 20 percent. Research shows that when a person is released from incarceration, a reentry plan with structured supervision and programs provides the best opportunity to lower recidivism rates.

The Administration proposes legislation to require that any county jail felony sentence will be a split sentence unless the court finds it to be in the interests of justice based on facts in the particular case to impose a straight sentence. The use of split sentences is important for public safety and recidivism reduction so offenders have access to appropriate treatment services. Increased use of split sentences will also help relieve

jail overcrowding. The Administration is committed to working with criminal justice policy makers and practitioners to resolve any issues regarding the imposition of split sentences.

### **JAIL FACILITIES**

There are 123 county jail facilities with a rated capacity between 70,000 and 80,000 depending on how many jail units are staffed. Thirty-five jails operate under an imposed population cap. Twenty-five jails currently in operation were built before the 1980s, including one from the 1940s, and four from the 1950s. Forty-seven jails were constructed in the 1980s and 1990s and have not been upgraded since their initial construction. Twenty-six jails of this time period have been remodeled.

In 2007, as a part of AB 900 and in response to the critical need for increased jail capacity, the state authorized \$1.2 billion in state lease revenue bond financing primarily for increased capacity and to alleviate overcrowding. This funding was authorized in two phases and counties were required to provide a 25 percent match in phase 1 and a 10 percent match in phase 2. Funding has been allocated to 21 counties and when all construction is completed, over 9,000 jail beds will be added. Funding went primarily to those counties operating under a population cap.

Chapter 42, Statutes of 2012 (SB 1022), authorized the Adult Local Criminal Justice Facilities Construction Program. SB 1022 authorized an additional \$500 million in lease revenue bond financing for the acquisition, design, and construction of adult local criminal justice facilities. However, this funding is primarily available to build “better” beds and treatment and programming space versus increasing capacity. SB 1022 specified that counties seeking to replace or upgrade outdated facilities and provide alternatives to incarceration, including mental health and substance use disorder treatment, would be considered. The Board of State and Community Corrections anticipates making conditional awards in January 2014. The funding will provide space for GED and substance use disorder classes, day reporting centers, transitional housing and upgraded jail space.

Notwithstanding the state’s investment of \$1.7 billion for jail construction, there remains a significant need for better space in which to house local offenders. Old jails do not lend themselves to the kinds of treatment and programming space needed to run effective in-custody programs that lead to success once an offender is released.

The Administration proposes that another \$500 million be authorized for SB 1022-type facilities. There will be a 10-percent county match requirement.

Though progress has been made in adding capacity where it is most critical, county jails remain crowded and it is important that they be used most effectively. While circumstances vary significantly among the counties, careful consideration must be given to who occupies each jail bed. The pre-trial population in California's jails varies widely by county. Based on the Board of State and Community Correction's Jail Profile Survey from the 2<sup>nd</sup> Quarter of 2013, the percentage of pre-trial inmates varies from a high of 83 percent to a low of around 50 percent for larger counties. The statewide average is 63 percent, down from a high of 71 percent in 2010.

Any application for additional construction funding for jails should include, as a priority, documentation that the county uses a risk assessment instrument to determine who to release pending trial. This can increase public safety and help relieve overcrowding in jails.

### **LONG TERM OFFENDERS IN COUNTY JAIL**

AB 109 was implemented based on state or county jurisdiction due to crime, not time. This has resulted in offenders serving longer terms in county jails.

A jail survey done by CSSA in February 2013, indicates that a significant number of inmates received sentences over five years, with the longest sentence being 43 years in Los Angeles County. The most common crime for long-term sentences was drug trafficking though there were some convicted of multiple thefts with priors, driving under the influence with priors, or multiple counts of felony child abuse. As part of the 2013-14 May Revision, the Administration proposed a population neutral offender swap to deal with the long-term offender issue, but it was not enacted.

The Administration agrees that overly-long sentences are not appropriate for county facilities. However, any significant change in time served in county jail would have a dramatic impact on the state prison population which is not tenable given the federal court order for the state to meet a 137.5 percent population cap. It would also significantly alter the assumptions used in developing the funding model for the Community Corrections Program grant.

Given the need to strike a balance between who is in jail and who is in prison, the Administration proposes that sentences over 10 years be served in state prison. Based on pre-Realignment information, this population would be approximately 300 offenders on an annual basis. This change can be implemented only if the Administration is successful in its efforts to meet its court-ordered population cap as outlined previously in this Chapter. It will also be important to have ongoing discussions to understand

how charging practices may influence the number of offenders sentenced to more than 10 years.

**FIRE CAMPS—ANOTHER ALTERNATIVE FOR LONG-TERM OFFENDERS**

After AB 109 was enacted, the state developed a proposal whereby counties could contract with the Department to send longer-term offenders to state fire camps at the rate of \$46.19 per day. Offenders had to meet all of the criteria regarding who is appropriate to be in a fire camp and pass all the same training requirements. Historically, local offenders had not been eligible to be housed in a state fire camp. Contracts for fire camp beds have been executed with three counties totaling up to 780 beds; however, the Department currently has fewer than 100 local inmates in fire camps.

Because of the ongoing concerns regarding longer-term offenders, the Department has agreed to reduce the daily rate to \$10 per day in a camp and \$81 per day while offenders are being trained. There is no cost to the General Fund and this should offer a better incentive for counties to participate in the fire camp program.

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**COMMUNITY CORRECTIONS GRANT ALLOCATION FOR 2014-15**

As part of the implementation of AB 109, the Department of Finance developed a model to determine the level of total state funding for this program. The model was based on average daily population totals as well as jail, supervision, programming, and treatment costs.

The Administration strongly believes that those who have to make this program work at the local level should determine the allocation of resources among counties. CSAC took on this responsibility along with a representative group of County Administrative Officers.

The allocation for 2011-12 was based primarily on population because that was the only factor for which data were available. A two-year formula was developed for 2012-13 and 2013-14. For these two years, each county receives at least double what it received in 2011-12. With the exception of Los Angeles County, which maintained the same share of funds as it received the prior year, each county receives the best result from among the following three categories: county population 18 to 64, an adjusted average daily population or a formula weighted by caseload, population and SB 678 success rate. A formula was also developed for the distribution of 2012-13 growth funds in September 2013.

When AB 109 was first implemented, the Administration proposed that a permanent base of funding for each county be established in 2014-15. By then, most of the offenders going onto Post Release Community Supervision would be out of state prison and the program “fully implemented.” However, it is premature to make such a final decision at this point and more information is needed regarding the implementation of evidence-based practices. Therefore, it is proposed that the allocation continue to be flexible for the next several years.

CSAC is working toward development of a formula that is driven by reliable and consistent data and statistically relevant factors. The formula should encourage the use of incentives and evidence-based practices, reward efforts to improve outcomes such as recidivism reduction, and allow for maximum local control and flexibility. The ongoing allocation of resources requires a thoughtful and balanced approach given the critical impact on public safety.

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### **STAKEHOLDER MEETINGS — SB 105**

SB 105 charged the Administration to immediately begin discussions with stakeholders “to assess the state prison system, including capacity needs, prison population levels, recidivism rates and factors affecting crime levels, and to develop recommendations on balanced solutions that are cost effective and protect public safety.” An interim report is due to the Legislature by April 1, 2014.

The Governor tasked the Chair of the Board of State and Community Corrections with leading this effort and several meetings have already been held with more scheduled. The Administration is interested in the ideas of a broad spectrum of individuals and groups interested in the criminal justice system.

The stakeholders have stressed the need for more mental health services and substance use disorder treatment in the community. The expansion of the federal Affordable Care Act will accomplish this.

The expanded use of split sentences has been frequently mentioned with an emphasis on having appropriate services available. Stakeholder discussions identify a clear interrelationship of programs available in the community that lead to success when an offender is no longer in custody. Access to employment opportunities, supportive housing and services are consistent themes of the discussions.

## PUBLIC SAFETY

In the past three years, there has been dramatic progress in meeting a number of interrelated public safety goals—responsibly reducing the overall prison population, better managing offenders at the local level, and continued measurable improvements in public safety and in the lives of individuals. The Administration remains committed to a continuing strong partnership with local government to strengthen and improve California’s public safety system.

## CORRECTIONS AND REHABILITATION

The California Department of Corrections and Rehabilitation incarcerates the most violent felons, supervises them when they are released on parole, and provides rehabilitation programs to help them reintegrate into the community. The Department provides safe and secure detention facilities and necessary support services to inmates, including food, clothing, academic and vocational training, as well as health care services. The Budget proposes total funding of \$9.8 billion (\$9.5 billion General Fund and \$320 million other funds) for the Department in 2014-15.

The state's prison population is higher than projected in the 2013 Budget Act. The 2013 Budget Act projected an overall adult inmate average daily population of 128,885 in 2013-14. The average daily adult inmate population is now projected to increase by 4.7 percent to 134,986 in 2013-14 and by 6.9 percent to 137,788 in 2014-15 compared to the Budget Act projection.

The 2013 Budget Act projected an overall parolee average daily population of 42,495 in 2013-14. The average daily parolee population is now projected to increase by 8.1 percent to 45,934 in 2013-14 and to decrease by 13.7 percent to 36,652 in 2014-15. The decline in the parole population is a result of Chapter 15, Statutes of 2011 (AB 109), which shifted the responsibility of certain parolees to counties.

The Division of Juvenile Justice's average daily ward population is increasing in 2013-14 and decreasing in 2014-15 when compared to the 2013 Budget Act projections. Specifically, the ward population is projected to increase by 32 in 2013-14 and

decrease by 34 in 2014-15, for a total population of 711 in 2013-14 and 645 in 2014-15. The 2013-14 population is higher than was projected in the 2013 Budget Act due to an increase in juvenile court first admissions and parole violator admissions compared to projected levels.

### **SB 105**

The federal Three-Judge Panel has extended the deadline for meeting the population cap of 137.5 percent until April 18, 2014. Chapter 310, Statutes of 2013 (SB 105), provides the statutory changes and funding necessary for the Department to house inmates in contracted facilities and improve recidivism reduction efforts to avoid early release and comply with the court-imposed population cap. SB 105 appropriated \$315 million General Fund in 2013-14. Please reference the Public Safety Chapter for an overview of how the state's court-imposed population cap intersects with the local community corrections system.

At the time the Budget was developed, negotiations regarding the deadline for achieving a population below 137.5 percent were still ongoing. The Budget is based on an assumption that the deadline for meeting the population cap will be extended by two years.

SB 105 provides that if any portion of the \$315 million is unspent at the end of 2013-14, the first \$75 million is to be deposited in the Recidivism Reduction Fund and any additional savings is to be split equally between the Recidivism Reduction Fund and the General Fund. The Budget estimates \$87.2 million in SB 105 savings, of which \$81.1 million will be transferred to the Recidivism Reduction Fund and \$6.1 million to the General Fund. However, if there are no further extensions to the population cap deadline, this funding will be used for increased capacity to avoid the early release of inmates.

The Budget proposes expenditure of the \$81.1 million anticipated to be available in the Recidivism Reduction Fund on the following programs, which will be reconsidered if the two-year extension is not granted:

- State Reentry in the Community—\$40 million for inmates within one year of release from prison, either through reentry programs provided in jails or residential reentry services provided in facilities within the community.
- Substance Use Disorder Treatment—\$11.8 million to expand substance use disorder treatment to 10 non-reentry hub institutions, with expansion to the remaining 11



institutions planned for 2015-16. An additional \$9.7 million to provide substance use disorder treatment and other cognitive behavioral therapy programs at the contracted facilities funded through SB 105.

- Integrated Services for Mentally Ill Parolees (ISMIP)—An increase of \$11.3 million to allow the Department to expand the ISMIP program from 600 to 900 slots in 2014-15. The ISMIP program is a comprehensive treatment model which provides varied levels of care, supportive/transitional housing, and an array of mental health rehabilitative services to assist with the development of independent living skills in the least restrictive environment possible.
- Northern California Reentry Facility—\$8.3 million for design of a new project to renovate the existing buildings, which will become an additional reentry hub when activated.

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## **ENDING COURT OVERSIGHT OF CALIFORNIA'S PRISON SYSTEM**

The Budget reflects continued commitment to ending court oversight of the state prison system. The Department and the federal receivership (Receiver) overseeing medical services continue to move the correctional health care system toward consistently meeting the standards and scope of services appropriate within a custodial environment. However, challenges have been identified and the Budget proposes solutions to address these issues.

The court overseeing the *Plata v. Brown* litigation issued an order on September 5, 2012, providing the framework for the state to regain control of the Department's medical services program. The order states that if an institution receives a score above 75 percent in a medical inspection completed by the Office of the Inspector General, the institution will be reviewed by three court-appointed medical experts, and if at least two of the three court experts find that the institution is providing adequate care, the institution shall be deemed to be in substantial compliance. Recent reports by the court experts have highlighted their concerns with cleanliness and sanitation at certain institutions. Accordingly, the Budget includes an increase of \$14.5 million General Fund in 2014-15 to establish a statewide janitorial contract with the California Prison Industry Authority to remedy the cleanliness issues cited in the medical experts' reports.

The *Armstrong v. Brown* lawsuit involves the Department's compliance with the Americans with Disabilities Act. The Court ordered a remedial plan that requires specific activities be completed so the Department is providing reasonable modification or accommodation for offenders with disabilities, including effective communication and equal access to programs and services. The Receiver was not previously subject to the remedial plan in the *Armstrong v. Brown* lawsuit, but in August 2012, the Receiver signed a memorandum of understanding with the Prison Law Office plaintiffs' representatives, which requires the California Correctional Health Care Services to comply with the provisions of the remedial plan. The remedial plan includes detailed instructions for tracking, investigating, and resolving allegations of non-compliance with the Americans with Disabilities Act requirements, the *Armstrong v. Brown* remedial plan, and prior court orders associated with this lawsuit. The Budget includes an increase of \$4.1 million General Fund in 2014-15 for the California Correctional Health Care Services to achieve compliance with the *Armstrong v. Brown* remedial plan.

In addition to newly identified operational challenges, the volume and complexity of the Department's class action lawsuits continue to increase. The Budget includes additional resources to place the Department in a better position to defend and seek affirmative relief in these high profile and complex cases, which drive hundreds of millions of dollars in costs to the state. The Department will contract with the Office of the Attorney General to establish a larger litigation team that is solely dedicated to the Department's class action lawsuits, resulting in an increase of \$1.4 million General Fund in 2014-15.

Additional adjustments included in the Budget that demonstrate the Administration's commitment to ending court oversight and regaining control of the state's prison system include:

- Adding positions to manage the Health Care Facility Improvement Program construction projects.
- Adding positions to the Office of the Inspector General to complete medical reviews in a similar manner to the medical reviews completed by the *Plata v. Brown* court appointed experts.
- Establishing a baseline budget for health care pharmaceutical costs consistent with actual and projected expenditures.

## Significant Adjustments:

- Academy—An increase of \$61.7 million General Fund to expand the Basic Correctional Officer Academy capacity from 720 to 3,400 cadets. This augmentation will allow the Department to fill an increasing number of vacancies in its Correctional Officer classification due to retirements and other attrition. To facilitate an increase in the number of cadets, the Academy will transition from 16 weeks to 12 weeks with the final four weeks of training to be provided at the institutions. The 2014-15 adjustment builds upon Academy expansion efforts commencing in 2013-14.
- Drug and Contraband Interdiction—An increase of \$14 million General Fund to establish an enhanced drug and contraband interdiction program. This program will reduce illegal drugs and contraband entering prisons and will enable the Department to reduce inmate violence, increase safety for staff and inmates, and promote a drug-free rehabilitative environment. This program will complement the expansion of substance use disorder treatment to non-reentry hubs by prioritizing placement of inmates who test positive for illicit drug use to substance use disorder treatment programs.
- Workers' Compensation—An increase of \$75 million General Fund to address increasing workers' compensation costs. From 2009-10 to 2012-13, the Department's costs grew by nearly \$90 million due to increases in open claims, cost of living adjustments, retirement and medical benefits, and State Compensation Insurance Fund fees. Workers' compensation costs are anticipated to stabilize in future years due to enhanced cost containment strategies.
- Deferred Maintenance—The Budget provides \$100 million to various state agencies to address critical infrastructure deferred maintenance needs. Of this amount, \$20 million will be allocated to the Department.

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## TRANSPORTATION

The Transportation Agency is responsible for improving the mobility, safety, and sustainability of California's transportation system. The Agency consists of the following six state entities:

- Department of Transportation
- California Transportation Commission
- High-Speed Rail Authority
- Department of Motor Vehicles
- California Highway Patrol
- Board of Pilot Commissioners

The Office of Traffic Safety operates within the Office of the Secretary for Transportation and the New Motor Vehicle Board operates within the Department of Motor Vehicles. The Agency's budget also includes the State Transit Assistance item, which supports local transit operators.

The Budget includes total funding of \$15.3 billion (\$83 million General Fund and \$15.2 billion other funds) for all programs administered within the Agency.

### **TRANSPORTATION INFRASTRUCTURE PRIORITIES**

Last year's Governor's Budget directed the Transportation Secretary to form a workgroup to prioritize transportation expenditures, explore long-term pay-as-you-go revenue options, and evaluate the most appropriate level of government to deliver high-priority investments to meet the state's infrastructure needs. To meet that charge, a stakeholder group met throughout 2013. Informed by the workgroup effort, the Administration recommends focusing on three areas: maintaining existing transportation infrastructure, modernizing rail, and supporting local governments as they implement sustainable communities plans pursuant to Chapter 728, Statutes of 2008 (SB 375).

To make progress on these priorities, the Budget includes new investments in transportation from Cap and Trade proceeds, the remaining allocation of Proposition 1B bond funds, and early loan repayments from the General Fund. In total, these resources reflect a \$1.7 billion investment in transportation infrastructure above current levels.

The stakeholder workgroup helped establish investment priorities, and will continue into 2014. Future efforts will focus on the implementation of reforms, many of which will be outlined in an upcoming external review of the Department of Transportation; implementation of goods-movement strategies, which are being developed through separate state and federal panels; and continuing the discussion on long-term stable transportation revenues to address declining revenues from fuel excise taxes.

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### **DEPARTMENT OF TRANSPORTATION**

The Department of Transportation (Caltrans) has almost 20,000 employees and a budget of \$10.9 billion. Caltrans designs and oversees the construction of state highways, operates and maintains the highway system, funds three intercity passenger rail routes, and provides funding for local transportation projects. The Department maintains 50,000 road and highway lane miles and 12,559 state bridges, and inspects 402 public-use and special-use airports and heliports. The largest sources of funding for transportation projects are excise taxes paid on fuel consumption, federal funds also derived from fuel taxes, and weight fees on trucks.

Significant Adjustments:

- **Cap and Trade Funding for Transportation**—The Budget includes Cap and Trade funds for programs that will be administered in full, or in part, by Caltrans. Additional

information on the overall Cap and Trade program is in the Environmental Protection Agency chapter.

- **Rail Modernization**—The Budget proposes \$300 million in new funding for rail modernization; including \$50 million for Caltrans and \$250 million for the High-Speed Rail Authority. This continues the work begun in 2012, when Chapter 152, Statutes of 2012 (SB 1029), provided \$7.8 billion in state and federal funds to start construction of high-speed rail and to modernize existing rail systems across the state. The \$50 million in the Caltrans budget will fund competitive grants for existing rail operators to integrate rail systems and to provide connectivity to high-speed rail. The program will be managed by the Transportation Agency, and the work of southern and northern California rail partner groups will be considered in making project selections.
- **Sustainable Communities Strategies**—The Budget proposes \$100 million for the Strategic Growth Council for a broad set of investments to support implementation of SB 375 sustainable communities strategies. The program will include the following types of projects: transit and transit-oriented development that includes low-income housing; active transportation; agricultural-land preservation; and related planning.
- **Repayment of General Fund Loans**—The Budget includes \$351 million in early General Fund loan repayments. Of the total to be repaid, \$337 million will be used to accelerate preservation and maintenance projects on both state highways and local roads that would otherwise be funded in 2015-16 or thereafter. Accelerating existing projects will allow for new projects to be added to the State Highway Operations and Protection Program in future years to make further investments in the state highway system. Preservation projects include pavement, traffic management mobility projects, bridge projects, and drainage system rehabilitation projects. Additionally, the proposed repayment includes support for sustainable communities through funding of active transportation and environmental mitigation. Funds from the repayment of General Fund loans will be allocated as follows:
  - \$110 million to fund pavement rehabilitation projects on state highways.
  - \$100 million to cities and counties for preservation of local streets and roads.
  - \$100 million for traffic management mobility projects.
  - \$27 million for highway pavement maintenance.

## TRANSPORTATION

- \$9 million for active transportation projects.
- \$5 million for environmental mitigation.
- Appropriation of Proposition 1B Bond Funds—The Budget proposes \$1.1 billion in bond funds and administrative cost savings that Caltrans has generated in its management of the bond program. The funding includes \$793 million to support local transit operators, \$160 million for intercity rail, and \$113 million for additional state highway projects. Expenditures in these areas support the regional implementation of SB 375 sustainable communities plans.
- Zero-Base Budget Review—Executive Order B-13-11 directs the Department of Finance to modify the state budget process to increase efficiency and focus on accomplishing program goals. Pursuant to this Executive Order, Finance and Caltrans developed a multi-year plan to conduct a zero-base analysis of all Caltrans programs. The Capital Outlay Support and Aeronautics Programs were reviewed in the fall of 2013. The Budget includes the following proposals that reflect the outcome of the zero-base review:
  - Capital Outlay Support Program—The Capital Outlay Support program provides the resources necessary for design, environmental review, right of way, and construction oversight work for Caltrans’ capital projects. As part of last year’s Budget, Finance and the Legislative Analyst’s Office were directed to review the program in collaboration with Caltrans. This review focused on current operations and methods to improve estimates of project-direct workload. While Caltrans will continue to explore longer term improvements to both its processes and its internal controls, the Administration is putting forward the following recommendations based on the review by the workgroup: (1) Improve project budgets through the development of a predictive tool to help establish initial project budgets that account for various factors like project types, environmental permits, and location, (2) Create a methodology for the use of flexible resources to meet overall staffing needs, (3) Increase accountability and transparency by aligning support cost guidelines currently used for the State Transportation Improvement Program and the State Highway Operation and Protection Program, (4) Consolidate and streamline statewide program management manuals and directives to increase project management efficiency and consistency across all 12 districts.
  - Aeronautics Program—The Aeronautics Program promotes development of a safe, efficient, dependable, and environmentally compatible air



transportation system. It issues permits for general aviation airports and heliports, integrates aviation into statewide transportation planning, considers environmental issues related to aviation, and administers grant and loan programs. Based on a workload analysis, the current staffing level is appropriate and adequate to perform aeronautics duties. The Budget proposes to transfer \$4 million from the Local Airport Loan Account to the grant program to provide state matching funds for 55 federal grants. The Budget also proposes statute authorizing future transfers between these funds upon approval of the California Transportation Commission and Finance. The loan program currently has an \$18 million fund balance and is undersubscribed. State and local funds bring California \$275 million annually in federal aviation grants.

## **HIGH-SPEED RAIL**

The High-Speed Rail Authority is responsible for the development and construction of a high-speed passenger train service between San Francisco and Los Angeles/Anaheim (Phase I), with extensions to San Diego and Sacramento and points in-between (Phase II). Proposition 1A, enacted in November 2008, authorizes \$9 billion in bond proceeds for the high-speed rail lines and equipment, and an additional \$950 million for state and local feeder lines. The federal government has also awarded the state nearly \$3.5 billion to design and fund portions of the project in the Central Valley. The Authority's 2012 Business Plan identifies a \$31.3 billion capital cost for the initial operating segment from Merced to the San Fernando Valley.

In 2012, approximately \$7.8 billion (Proposition 1A and federal funds) was appropriated for the high-speed rail project as follows:

- \$5.8 billion for construction from Madera to Bakersfield.
- \$1.1 billion for early improvement projects to upgrade existing rail lines in Northern and Southern California, which will lay the foundation for future high-speed rail service as it expands into these areas.
- \$819.3 million for connectivity projects to enhance local transit and intercity rail systems that will ultimately link to the future high-speed rail system.

Recent court decisions have delayed the use of Proposition 1A bond funds which were appropriated to support a portion of the overall capital funding for this segment.

Significant Adjustment:

- **Cap and Trade Funding**—The Budget includes \$250 million in Cap and Trade expenditures for Phase I project planning (\$58.6 million) and construction and right of way acquisition for the first phase of the Initial Operating Section (\$191.4 million). As indicated in the Caltrans section, this is part of Rail Modernization, which also includes \$50 million for urban, commuter and intercity rail operators. Proposed legislation establishes an ongoing state commitment of Cap and Trade proceeds to high-speed rail, which will facilitate future phases of the initial operating segment. In addition to previously identified federal and Proposition 1A bond funds, the new Cap and Trade funds are critical to addressing the overall funding needs for the initial operating segment, leveraging additional funding opportunities, and moving the project forward while legal issues surrounding Proposition 1A are being resolved. Moving the project forward with Cap and Trade funds will help meet the state matching requirements in the federal grant agreement and will help avoid long-term project escalation costs. Refer to the Environmental Protection Agency chapter for additional information on the overall Cap and Trade program.

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### **DEPARTMENT OF MOTOR VEHICLES**

The Department of Motor Vehicles (DMV) promotes driver safety by licensing drivers, and protects consumers and ownership security by issuing vehicle titles and regulating vehicle sales. The Budget proposes \$1.1 billion, all from non-General Fund sources, and 9,030 positions for support of DMV.

#### **EXPANDED ELIGIBILITY FOR DRIVER'S LICENSES**

Chapter 524, Statutes of 2013 (AB 60), requires, beginning January 1, 2015, DMV to accept driver's license applications if a driver does not have a Social Security Number but can instead provide other valid identification documents and proof of California residency. DMV estimates that 1.4 million undocumented immigrants will apply for driver's licenses using alternative types of valid identification documents. The implementation timeline will cover three years, assuming 38 percent of applicants request driver's licenses in 2014-15, 50 percent in 2015-16, and 12 percent in 2016-17.

Based on estimated timelines to secure new field offices, recruit and train 822 staff, make necessary system changes, and obtain federal approval of the redesigned driver's licenses, the Budget proposes \$64.7 million to implement the program beginning January 1, 2015. This assumes staff will be hired by September 2014 for training in

advance of the implementation date. The Budget also provides a mechanism to increase DMV resources if a significantly higher number of applicants request driver's licenses in 2014-15. DMV plans to establish five temporary offices in key locations throughout the state to address the influx of new applicants. Existing field offices will also accept driver's license applications by appointment. If necessary, DMV will offer appointments on Saturdays at specified locations. The five new temporary locations will be located in Santa Clara/San Jose, Los Angeles, Orange County, San Diego, and the South Central Coast. Offices are expected to be in place for two to three years. A newly constructed office in Fresno and a new leased facility in Lancaster/Palmdale will address the increased application workload in those areas.

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## **CALIFORNIA HIGHWAY PATROL**

The California Highway Patrol (CHP) promotes the safe, convenient, and efficient transportation of people and goods across the state highway system and provides the highest level of safety and security to the facilities and employees of the State of California. The Budget proposes \$2 billion, all from non-General Fund sources, and 11,051 positions for support of CHP.

### Significant Adjustments:

- **Air Fleet Replacement**—The Budget proposes \$16 million for the replacement of four aircraft (two helicopters and two airplanes), representing the second year of a long-term replacement plan to replace CHP's aging air fleet.
- **Radio Console Replacement Project**—The Budget proposes \$4.9 million in one-time funding to replace dispatch radio consoles. The pilot will replace 12 dispatch radio consoles at two CHP communication centers. If the pilot is successful, it will be expanded to 25 communication centers throughout the state over a five-year period.

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## ENVIRONMENTAL PROTECTION

The California Environmental Protection Agency works to restore, protect, and enhance environmental quality. The agency coordinates the state's environmental regulatory programs to provide fair and consistent enforcement of the law.

The Budget proposes total funding of \$3.6 billion (\$54 million General Fund and \$3.5 billion other funds) for all programs included in this Agency.

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### CAP AND TRADE INVESTMENT PLAN

The California Global Warming Solutions Act of 2006 (AB 32) established California as a global leader in reducing greenhouse gas emissions (GHGs). To meet the goals of AB 32, the state has adopted a three-pronged approach to reducing greenhouse gas emissions, including adopting standards and regulations, providing emission reduction incentives via grant programs, and establishing a market-based compliance mechanism known as Cap and Trade. The Cap and Trade program, as one component of the state's comprehensive approach, sets a statewide limit on the GHG sources responsible for 85 percent of California GHG emissions. Through an auction mechanism, it establishes a financial incentive for industries subject to the statewide cap to make long-term investments in cleaner fuels, more efficient energy use, and transformational technological and scientific innovations. The Cap and Trade program provides GHG emitters the flexibility to implement the most efficient options to reduce GHG emissions. Based on the draft update to the AB 32 Scoping Plan, the Cap and Trade program will be responsible for

## ENVIRONMENTAL PROTECTION

approximately 30 percent of the required GHG emission reductions to meet the AB 32 goal of reducing GHG emissions to 1990 levels by 2020.

The Air Resources Board has held five auctions to date. The remaining two auctions for 2013-14 will occur in February and May 2014. Currently, GHG emissions from electricity and large industrial sources are subject to the cap. The sale of allowances consigned to auction by electric distribution utilities resulted in proceeds of \$836 million, to be used as directed by the California Public Utilities Commission or governing boards for ratepayer benefits consistent with the goals of AB 32. In addition, the five auctions to date have generated \$532 million in state auction proceeds.

Chapter 830, Statutes of 2012 (SB 535), requires that at least 10 percent of the proceeds received by the state be invested within the most impacted and disadvantaged communities and at least 25 percent of the proceeds be invested to benefit these communities. The California Environmental Protection Agency (CalEPA), directed by SB 535, determined the list of disadvantaged communities using CalEnviroScreen, a tool developed by the Office of Environmental Health Hazard Assessment, in collaboration with stakeholders and an advisory group.

From October 2012 to May 2013, an inter-agency team drafted and developed the first three-year investment plan for Cap and Trade auction proceeds, consistent with the requirements of Chapter 807, Statutes of 2012 (AB 1532). Outreach included public meetings in Fresno, Los Angeles and Sacramento, and an Air Board workshop and hearing. The final investment plan, released in May 2013, contained a summary of the more than 350 public comments received. The plan, which continues through the 2015-16 fiscal year, emphasizes investments in existing programs in sectors which have the greatest GHG emissions—transportation, energy, waste and natural resources—with proposed investments commensurate with relative emissions. The plan aims to advance GHG reductions, strengthen communities, especially those most impacted by emissions, create jobs and spur innovation, with the goal of supporting California's transformation to a clean economy. The 2013 Budget Act included a \$500 million loan of auction proceeds to the General Fund.

The Budget proposes to invest \$850 million of Cap and Trade proceeds to support existing and pilot programs that will promote GHG reductions and meet SB 535 goals (see Figure EPA-01). This amount includes repayment of \$100 million of the 2013 Budget loan, with the remaining balance being repaid within the next few years. State agencies worked in coordination with stakeholders to develop the plan. It draws on the findings

Figure EPA-01  
**Cap and Trade Expenditure Plan**  
(Dollars in Millions)

<i>Investment Category</i>	<i>Department</i>	<i>Program</i>	<i>Amount</i>
Sustainable Communities and Clean Transportation	High-Speed Rail Authority/ Caltrans	Rail Modernization	\$300
	Strategic Growth Council	Sustainable Communities	\$100
	Air Resources Board	Low Carbon Transportation	\$200
Energy Efficiency and Clean Energy	Department of Community Services and Development	Energy Efficiency Upgrades/Weatherization	\$80
	Department of General Services	Green State Buildings	\$20
	Department of Food and Agriculture	Agricultural Energy and Operational Efficiency	\$20
	Department of Water Resources	Water Action Plan - Water and Energy Efficiency	\$20
Natural Resources and Waste Diversion	Department of Fish and Wildlife	Water Action Plan - Wetlands and Watershed Restoration	\$30
	Department of Forestry and Fire Protection	Fire Prevention and Urban Forestry Projects	\$50
	Cal Recycle	Waste Diversion	\$30
<b>Total</b>			<b>\$850</b>

of related climate policy documents, including the discussion draft of the Governor's Environmental Goals and Policy Report and the draft update to the AB 32 Scoping Plan. These reports describe the latest climate science, which indicates a need for immediate reductions in both greenhouse gases and short-lived climate pollutants, and a long-term shift to more sustainable practices. The Budget's expenditure plan meets these goals by investing in both near-term emission reductions and projects that support California's longer-term climate targets. Finally, these programs improve air and water quality, invest at least \$225 million for the benefit of disadvantaged communities, and create jobs.

Specifically, the Cap and Trade Expenditure Plan proposes investments in the following programs:

#### **SUSTAINABLE COMMUNITIES AND CLEAN TRANSPORTATION**

- Rail Modernization—\$300 million to continue the work of modernizing and integrating rail transportation. A modernized rail system benefits California by improving mobility across the state in a manner that will increase transit ridership and reduce GHG emissions. These funds will continue the work begun in 2012, when the Legislature approved Chapter 152, Statutes of 2012 (SB 1029), which

## ENVIRONMENTAL PROTECTION

provided \$7.8 billion in state and federal funds to start construction of high-speed rail and to modernize existing rail systems across the state. The Budget proposes the following allocation:

- High-Speed Rail—\$250 million for the High-Speed Rail Authority for construction of the Central Valley initial construction segment and further environmental and design work on the statewide system. Proposed legislation provides an ongoing state commitment of Cap and Trade proceeds to high-speed rail, which will leverage additional federal support for the project and facilitate future phases of the initial operating segment from Merced to the San Fernando Valley.
- Integration of Rail Systems—\$50 million for the Department of Transportation to administer a competitive grant program for existing rail operators for capital improvements to integrate rail systems, including those located in disadvantaged communities, and provide connectivity to the high-speed rail system.
- Sustainable Communities—\$100 million in local assistance funding to support regions in the implementation of the sustainable communities strategies required by Chapter 728, Statutes of 2008 (SB 375), and to provide similar support to other areas with GHG reduction policies, but not subject to SB 375 requirements. The Strategic Growth Council will coordinate this program with programmatic work performed by a multi-agency team of departments, including the Department of Transportation, the California Transportation Commission, the Department of Housing and Community Development, and the Natural Resources Agency. Selected projects will prioritize disadvantaged communities and will reduce GHG emissions by increasing transit ridership, active transportation (walking/biking), affordable housing near transit stations, preservation of agricultural land, and local planning that promotes infill development and reduces the number of vehicle miles traveled.
- Low Carbon Transportation—\$200 million for the Air Board to accelerate the transition to low carbon freight and passenger transportation, with a priority for disadvantaged communities. This investment will support the state's clean air and climate change goals, as well as the Administration's goal to deploy 1.5 million zero-emission vehicles in California by 2025. The Air Board administers existing programs that provide rebates for zero-emission cars and vouchers for hybrid and zero-emission trucks and buses. This proposal will respond to increasing demand for these incentives, as well as provide incentives for the pre-commercial demonstration of advanced freight technology to move cargo in California, which will benefit communities near freight hubs.



**ENERGY EFFICIENCY AND CLEAN ENERGY**

- Weatherization Upgrades/Renewable Energy—\$80 million for the Department of Community Services and Development to assist in the installation of energy efficiency and renewable energy projects in low-income dwellings within disadvantaged communities. Weatherization measures typically include weather-stripping, insulation, caulking, water heater blankets, fixing or replacing windows, refrigerator replacement, electric water heater repair/replacement, and heating and cooling system repair/replacement. Renewable energy measures include installation of solar water heater systems and photovoltaic systems. This proposal will serve a mix of single- and multi-family dwellings, leveraging existing federal Low Income Home Energy Assistance Program and Weatherization Assistance Program funds, workforce development agency funding, utility-funded incentives, and other similar resources.
- Green State Buildings—\$20 million for the Department of General Services to implement Executive Order B-18-12 that requires state agencies to reduce GHG emissions by 10 percent by 2015 and 20 percent by 2020. The Department will assist state agencies in the construction of zero net energy state buildings, reduction of grid-based energy purchases at state-owned buildings, and the use of clean, on-site power generation, such as fuel cells, solar photovoltaic, solar thermal, and wind power generation.
- Agricultural Energy and Operational Efficiency—\$20 million for the Department of Food and Agriculture to support projects that reduce GHG emissions from the agriculture sector by capturing greenhouse gases, harnessing greenhouse gases as a renewable bioenergy source, improving agricultural practices and promoting low carbon fuels, agricultural energy, and operational efficiency. This proposal will support: 1) the design and construction of dairy digester systems; 2) research and technical assistance on reducing nitrous oxide emissions, nitrification inhibitors, water and nitrogen movement in the environment, and evaluation of water and nitrogen management practices; and 3) the development of fuel quality specifications and standards for renewable and zero emissions systems, such as biofuels produced from dairy digesters and other agricultural waste.
- Water Action Plan/Water-Energy Efficiency—\$20 million for the Department of Water Resources for water and infrastructure efficiency projects that also result in energy savings. This proposal will provide additional funding for grants that support water use efficiency projects, such as leak loss detection and repair projects that have a demonstrated ability to reduce GHG emissions, with additional

## ENVIRONMENTAL PROTECTION

consideration given to projects that help address critical water supply needs of disadvantaged communities. The proposal will also support efficiency upgrades at two State Water Project facilities, Thermalito and Hyatt, which will result in more efficient generation of clean power and improved system reliability.

### **NATURAL RESOURCES AND WASTE DIVERSION**

- Water Action Plan/Wetlands and Coastal Watersheds—\$30 million for the Department of Fish and Wildlife to implement projects that provide carbon sequestration benefits, including restoration of wetlands (including those in the Delta), coastal watersheds and mountain meadows. In addition to meeting the goals of AB 32, these types of projects are identified in the Water Action Plan as integral to developing a more sustainable water management system statewide.
- Fire Prevention and Urban Forests—\$50 million for the Department of Forestry and Fire Protection to support urban forests in disadvantaged communities and forest health restoration and reforestation projects that reduce wildfire risk and increase carbon sequestration. This proposal will enhance forest health and reduce fuel loads in light of climate change impacting wildfire intensity and damage across the landscape.
- Waste Diversion—\$30 million for the Department of Resources, Recycling, and Recovery to provide financial incentives for capital investments that expand waste management infrastructure, with a priority in disadvantaged communities. Investment in new or expanded clean composting and anaerobic digestion facilities is necessary to divert more materials from landfills, a significant source of methane emissions. These programs reduce GHG emissions and support the state’s 75 percent solid waste recycling goal.

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### **STATE WATER RESOURCES CONTROL BOARD**

The State Water Resources Control Board and the nine Regional Water Quality Control Boards preserve and enhance the quality of California water resources, and the allocation and use of state water. The Budget includes \$1 billion (\$23 million General Fund) and 1,864 positions for the Board.

### **REORGANIZATION OF THE DRINKING WATER PROGRAM**

Programs designed to protect water quality for drinking and other purposes are housed in multiple agencies, reducing their effectiveness.

The Budget proposes to transfer \$200.3 million (\$5 million General Fund) and 291.2 positions for the administration of the Drinking Water Program from the Department of Public Health to the Water Board. Transferring the Drinking Water Program will achieve the following objectives:

- Establish a single water quality agency to enhance accountability for water quality issues.
- Better provide comprehensive technical and financial assistance to help communities, especially small disadvantaged communities, address an array of challenges related to drinking water, wastewater, water recycling, pollution, desalination, and storm water.
- Improve the efficiency and effectiveness of drinking water, groundwater, water recycling, and water quality programs.

Other Significant Adjustments:

- Water Action Plan—\$11.9 million from various fund sources and ten positions to more effectively manage groundwater and improve drinking water in disadvantaged communities. (See Water Action Plan in the Natural Resources Chapter.)
- Enforcement of Marijuana Cultivation Laws—\$1.8 million Waste Discharge Permit Fund and 11 positions to improve the prevention of illegal stream diversions, discharges of pollutants into waterways, and other water quality impacts associated with marijuana production. Currently, marijuana cultivation is threatening water quality and the sensitive habitat of endangered species. This proposal will be a coordinated effort with the Department of Fish and Wildlife.

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## **DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY**

The Department of Resources Recycling and Recovery (CalRecycle) protects the environment by regulating solid waste facilities and promoting recycling. The Budget includes \$1.5 billion and 729 positions for the Department.

### **BEVERAGE CONTAINER RECYCLING PROGRAM REFORM**

The Beverage Container Recycling Program is one of the state's most successful recycling and environmental protection efforts. The state's recycling rate currently exceeds 82 percent. However, because of the state's high recycling rate and mandated

## ENVIRONMENTAL PROTECTION

program payments, expenditures from the Beverage Container Recycling Fund exceed revenues by approximately \$100 million.

The Budget proposes several programmatic changes necessary to ensure the fiscal integrity of the program, while continuing efforts to increase the state's recycling rate. These program reforms, as well as those implemented through Budget actions last year, were developed through a stakeholder process aimed at addressing the structural imbalance and better aligning financial incentives to encourage recycling. Specifically, the Budget proposes the following reforms:

- Three-year phase-out of processing fee subsidies—Currently, the program subsidizes glass and plastic manufacturers by offsetting a portion of the cost to recycle containers. Offset payments that subsidize manufacturer costs will be reduced by \$26.3 million in 2014-15, another \$26.7 million in 2015-16, and by \$14 million in 2016-17 to reflect the full elimination. Under this proposal, manufacturers will ultimately bear the full cost of recycling. A three-year phase out will provide the industry with time to adjust to these reductions.
- Eliminate fee payments—Administrative fees paid to processors and recyclers will be eliminated, while also relieving their administrative burden by requiring and facilitating electronic filing. Projected savings are \$13 million in 2014-15, with ongoing savings of \$26 million beginning in 2015-16.
- Redirect existing funds to support local recycling and deter fraud—Existing payments to cities and counties do not provide incentives to increase recycling. Eliminating existing city and county payments, and redirecting funds to increase a competitive grant program by \$3.5 million and establish a \$7 million Recycling Enforcement competitive grant program will better support local recycling compliance and enforcement efforts.
- Diversify funding for local conservation corps—The Budget replaces \$15 million of existing Beverage Container Recycling Fund grants to local conservation corps by redirecting a like amount of other special funds to support local corps recycling programs. New funding for local corps programs will be provided by the Tire Recycling Management Fund (\$5 million), the Electronic Waste Recovery and Recycling Account (\$8 million), and the Used Oil Recycling Fund (\$2 million).

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**OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT**

The Office of Environmental Health Hazard Assessment (OEHHA) protects and enhances public health and the environment through scientific evaluation of risks posed by hazardous substances. OEHHA's risk assessments provide state and local agencies with the scientific tools upon which to base risk management decisions. The Budget includes \$21.6 million and 129 positions for the Office.

Significant Adjustment:

- Proposition 65 Reform—\$785,000 Safe Drinking Water and Toxic Enforcement Fund and four positions to revise Proposition 65 regulations and to develop a website that provides information to the public on exposure to listed chemicals. Proposition 65 is a "right-to-know" law requiring businesses to warn individuals when they are exposed to a chemical known to cause cancer or reproductive toxicity. While Proposition 65 has motivated businesses to eliminate or reduce toxic chemicals in consumer products, many warnings do not provide meaningful information about exposures to listed chemicals and have resulted in unnecessary litigation. This proposal will better inform the public about their exposures to chemicals that cause cancer or reproductive harm by revising existing regulations to take into consideration technological advances made over the last 25 years, and by developing a website that will contain detailed information regarding listed chemicals as well as exposure pathways, risks, and avoidance measures.

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## NATURAL RESOURCES

The Natural Resources Agency consists of 26 departments, boards, commissions, and conservancies responsible for administering programs to conserve, protect, restore, and enhance the natural, historical, and cultural resources of California. The Budget proposes total funding of \$8.3 billion (\$2.2 billion General Fund) for all programs included in this Agency.

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### WATER ACTION PLAN

#### ACTIONS FOR RELIABILITY, RESTORATION, AND RESILIENCE

Water is critical to the state's economy, environment, and basic health and well-being. The state's water system is in crisis. Climate change, drought, and population growth pose significant challenges. California will meet these challenges with a coordinated state effort based on key actions over the next one to five years that address urgent needs and provide the foundation for sustainable management of California's water resources.

All Californians have a stake in the state's water future. To be effective, there must be collaboration between state, federal and local governments, regional agencies, Native American tribes, the private sector, and members of the public. The California Water Action Plan provides a blueprint to guide coordinated actions and put California on a path toward water reliability, restoration, and resilience.

The Budget proposes \$618.7 million in strategic investments to begin implementing the plan (see Figure RES-01). In the first year of implementation, many of the

Figure RES-01  
**Water Action Plan**  
 (Dollars in Millions)

<i>Investment Category</i>	<i>Department</i>	<i>Program</i>	<i>Amount</i>
Expand Water Storage Capacity	State Water Resources Control Board	Sustainable Groundwater Management	\$1.9
	State Water Resources Control Board	Groundwater Ambient Monitoring and Assessment	\$3.0
	Department of Water Resources	Groundwater Data Collection and Evaluation	\$2.9
Safe Drinking Water	State Water Resources Control Board	Interim Replacement Drinking Water in Disadvantaged Communities	\$4.0
	State Water Resources Control Board	Wastewater Projects in Small Disadvantaged Communities	\$7.0
Make Conservation a Way of Life	Department of Water Resources	Water and Energy Efficiency	\$20.0
Protect and Restore Important Ecosystems	Department of Fish and Wildlife	Restore Coastal and Mountain Watersheds and Wetlands for Waterfowl	\$30.0
	Department of Fish and Wildlife	Salton Sea	\$0.4
Increase Flood Protection	Department of Water Resources	Flood SAFE	\$77.0
Regional Self-Reliance	Department of Water Resources	Integrated Regional Water Management Program	\$472.5
<b>Total</b>			<b>\$618.7</b>

investments will focus and expedite funding in existing programs. Over the coming year, the Administration will work with stakeholders to identify and prioritize new investments necessary to implement the plan.

The Budget reflects the urgent need to manage groundwater better. Groundwater basins are the state’s largest reservoir—ten times the size of all its surface reservoirs combined. In an average year, groundwater provides 30 percent of California’s water supply—much more in dry periods. Eighty percent of Californians rely, at least in part, on groundwater for their drinking water, and some cities and rural areas rely entirely on groundwater. When managed sustainably, groundwater can provide a crucial buffer against drought. The state’s reliance on groundwater will increase with climate change and population growth. In some areas of the state, regional and local agencies manage groundwater well, but, in other areas, groundwater overdraft is causing subsidence, permanent reductions in underground storage capacity, seawater intrusion and other water quality problems, and environmental damage.



The Budget proposes investments toward two objectives. First and foremost, local and regional agencies should be given the authority and tools they need to manage their groundwater resources sustainably. The Budget proposes funding for the State Water Resources Control Board and the Department of Water Resources (DWR) to collect and update groundwater data and information. The Administration will work with local governments and agencies, Native American tribes, and the Legislature to identify and provide additional tools, resources, guidance, and authority local managers need to sustainably manage groundwater. Second, the state should protect groundwater basins that are at risk of permanent damage when a local agency is unable or unwilling to do so. The Budget provides resources to the Water Board to act as a backstop until an adequate local plan is put in place.

### **KEY ACTIONS**

- **Make Conservation a California Way of Life**—Refocus and expedite investments in water conservation by building on existing efforts to conserve water, and promote the innovation of new strategies to increase water conservation.
- **Increase Local and Regional Self-Reliance**—Continue to provide incentives encouraging investments in local and regional water infrastructure and better integration of local and regional efforts that will have multiple benefits and make communities more resilient and self-reliant.
- **Achieve Co-Equal Goals for the Delta**—Continue to work toward achieving the co-equal goals of providing a more reliable water supply for California and protecting, restoring, and enhancing the Delta ecosystem. This can, among other things, be achieved by implementing the Delta Stewardship Council’s Delta Plan.
- **Protect and Restore Important Ecosystems**—Accelerate investments in, and coordination of, important ecosystem restoration projects to recover the diverse, unique, and vibrant watersheds that are the foundation for sustaining water resources.
- **Manage and Prepare for Dry Periods**—Take immediate actions to address the ongoing, severely dry periods and work to effectively manage water resources through all hydrologic conditions.
- **Expand Water Storage Capacity**—Promote greater system flexibility by protecting groundwater and investing in surface storage and/or groundwater storage.

## NATURAL RESOURCES

- Provide Safe Drinking Water—Consolidate water quality programs, provide funding assistance for vulnerable communities, and manage the supply status of community water systems.
- Improve Flood Protection—Invest in flood projects implemented in an integrated, regionally-driven way that also achieves multiple benefits.
- Increase Operational and Regulatory Efficiency—Achieve efficiencies by preparing for 2014 and beyond through better technology and improved procedures, improving and clarifying coordination of state Bay Delta actions, and achieving ecological goals through integrated regulatory and voluntary efforts.
- Identify Sustainable and Integrated Financing Opportunities—Develop a better understanding of the variety and types of funds and financing available for water investment and work to make the most efficient and sustainable uses of the funding available.

Specifically, the Budget proposes \$618.7 million to support the following priorities identified in the Water Action Plan:

### **EXPAND WATER STORAGE CAPACITY**

- Sustainable Groundwater Management—\$1.9 million General Fund and ten positions for the State Water Resources Control Board to act as a backstop when local or regional agencies are unable or unwilling to sustainably manage groundwater basins. The Water Board will protect groundwater basins at risk of permanent damage until local or regional agencies are able to do so.
- Groundwater Ambient Monitoring and Assessment—\$3 million Waste Discharge Permit Fund to support the Priority Basin Project component of the Groundwater Ambient Monitoring and Assessment Program. The Priority Basin Project, under contract with the United States Geological Survey and Lawrence Livermore National Laboratory, provides a comprehensive assessment of groundwater quality in aquifers used for public drinking-water supply statewide.
- Groundwater Data Collection and Evaluation—\$2.9 million General Fund and 12 positions for the DWR to continue the groundwater monitoring program and develop an online well completion report submission system. The data and analyses will provide state, regional, and local water managers more efficient and timely access to hydrogeologic and well construction data that will improve groundwater management plans, identify and understand changes in groundwater

supplies, and more effectively integrate groundwater use with surface water use. The expanded groundwater information will support state and local efforts to evaluate anticipated impacts of climate change, drought conditions, and water supply reliability.

### **SAFE DRINKING WATER**

- Interim Replacement Drinking Water in Disadvantaged Communities—\$4 million Cleanup and Abatement Account for the Water Board to provide safe drinking water to severely disadvantaged communities with contaminated drinking water supplies. Disadvantaged communities often struggle to provide an adequate supply of safe, affordable drinking water. The Water Board will engage with stakeholders and develop recommendations to establish a stable, long-term funding source for the operations and maintenance costs of providing safe drinking water for disadvantaged communities, and alternative governance structures for providing safe drinking water. This proposal will provide replacement drinking water to disadvantaged communities on an interim basis as a long-term strategy is being developed.
- Wastewater Projects in Small Disadvantaged Communities—\$7 million State Water Pollution Control Revolving Fund for grants to small and severely disadvantaged communities to comply with water quality regulations, protect surface and groundwater quality, and reduce threats to public health and safety.

### **MAKE CONSERVATION A WAY OF LIFE**

- Water-Energy Efficiency—\$20 million Cap and Trade funds to DWR for water and infrastructure efficiency projects that also result in energy savings. (For additional information, see the Cap and Trade Expenditure Plan in the Environmental Protection Chapter.)

### **PROTECT AND RESTORE IMPORTANT ECOSYSTEMS**

- Wetlands and Coastal Watersheds—\$30 million Cap and Trade funds for the Department of Fish and Wildlife to implement projects that provide carbon sequestration benefits, including restoration of wetlands (including those in the Delta), coastal watersheds, and mountain meadows. (For additional information, see the Cap and Trade Expenditure Plan in the Environmental Protection Chapter.)
- Salton Sea Restoration Program—\$400,000 Salton Sea Restoration Fund for the Department of Fish and Wildlife to operate and maintain species conservation habitat ponds at the Salton Sea. This proposal continues a pilot project to create habitat

through the construction of 800 acres of ponds, which will protect fish and wildlife, mitigate air quality impacts, and improve water quality.

### **INCREASE FLOOD PROTECTION**

- Flood SAFE—\$77 million of Proposition 84 and 1E funds to DWR for the Flood SAFE Program, a long-term strategic initiative developed to reduce flood risk in California. The funds will be used to improve flood emergency response throughout California, including response and recovery time from a catastrophic levee failure event in the Delta, and support statewide flood management planning. The Budget also proposes to continue various existing flood control projects and feasibility studies, including the Folsom Dam Modifications Project.

### **REGIONAL SELF RELIANCE**

- Integrated Regional Water Management—\$472.5 million Proposition 84 funds to DWR for grants to support local projects that increase regional self-reliance and result in integrated, multi-benefit solutions for supporting sustainable water resources. While California has a vast state and federally managed infrastructure to store and deliver water miles from its origin, the majority of infrastructure, management, and investment reside at the local and regional levels. Over the past decade, the state has assisted local agencies in developing regional plans that integrate local agency water management infrastructure and operations to create new efficiencies and serve multiple purposes. The Integrated Regional Water Management program will provide incentives for both regional integration and to leverage local financial investment for water conservation efforts, habitat protection for local species, water recycling, stormwater capture, and desalination projects. No less than 10 percent of the funds will be used to address critical water needs of disadvantaged communities.

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## **DEPARTMENT OF FISH AND WILDLIFE**

The Department of Fish and Wildlife manages California's diverse fish, wildlife, and plant resources, and the habitats upon which they depend, for their ecological value and for their use and enjoyment by the public. This includes the management of recreational, commercial, scientific, and educational programs. The Budget includes \$404 million (\$63 million General Fund) and 2,616 positions for the Department.

## Significant Adjustments:

- Oil Spill Response Program—\$6.7 million Oil Spill Prevention and Administration Fund and 38 positions to enhance the Department’s inland oil spill prevention, preparedness, and response capabilities. Rail shipments of oil, including North Dakota Bakken oil, are expected to significantly increase from 3 million barrels to approximately 150 million barrels per year by 2016. This type of oil is extremely flammable and its transport increases the risk of serious accidents, similar to the rail incident in Lac-Megantic, Quebec in July 2013. This proposal will expand the existing oil spill program to address the increased risk of inland oil spills by supporting prevention, emergency response preparedness, cleanup, and enforcement measures. The proposal also includes increased funding for the Oil Wildlife Care Network, which protects wildlife affected by marine oil spills. This additional funding will be supported by expanding the existing 6.5 cent per barrel fee, which is currently collected at marine ports, to all crude oil sent to refineries. This proposal is part of the Administration’s ongoing efforts to improve the safety of the extraction, transportation, processing, and use of fossil fuels in California.
- Marijuana Related Enforcement—\$1.5 million from various special funds and seven positions to investigate and enforce violations of illegal streambed alterations and the Endangered Species Act associated with marijuana production. Currently, marijuana cultivation is threatening water supply, water quality, and the sensitive habitat of endangered species. This proposal will be a coordinated effort with the Water Board.

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## DEPARTMENT OF PARKS AND RECREATION

The Department operates the state park system to preserve and protect the state’s most valued natural, cultural, and historical resources. The park system includes 280 parks, beaches, trails, wildlife areas, open spaces, off-highway vehicle areas, and historic sites. It consists of approximately 1.59 million acres, including over 339 miles of coastline, 974 miles of lake, reservoir and river frontage, approximately 15,000 campsites and alternative camping facilities, and 4,456 miles of non-motorized trails. The Budget includes \$655 million (\$116 million General Fund) and 3,949 positions for the Department.

## Significant Adjustments:

- Maintain Services at State Parks—A one-time increase of \$14 million State Parks and Recreation Fund to continue existing service levels throughout the state park system. The 2011 Budget Act included a permanent \$22 million General Fund

## NATURAL RESOURCES

reduction to state parks. Initially, this budget reduction was anticipated to result in the closure of 70 state parks. However, excess funds were identified in the State Parks and Recreation Fund, and legislation was enacted to utilize these funds to keep parks open. The one-time funds provided in the legislation will expire at the end of 2013-14, and this proposal will provide one-time funding to avoid park closures in 2014-15. The Parks Forward Commission is currently completing a comprehensive assessment of the state park system, and will be releasing recommendations in 2014 intended to ensure the system's long-term viability. This one-time funding will maintain existing service levels at state parks while providing adequate time to fully evaluate the recommendations of the Parks Forward Commission.

- **Deferred Maintenance**—The Budget provides \$100 million to various state agencies to address critical infrastructure deferred maintenance needs. Of this amount, \$40 million will be allocated to State Parks.

## JUDICIAL BRANCH

The Judicial Branch consists of the Supreme Court, courts of appeal, trial courts, and the Judicial Council. The trial courts are funded with a combination of funding from the General Fund, county maintenance-of-effort requirements, fines, fees, and other charges. All other portions of the Judicial Branch receive most of its funding from the General Fund. The Budget includes total funding of \$3.3 billion (\$1.3 billion General Fund and \$2 billion other funds) in 2014-15 for the Judicial Branch, of which \$2.5 billion is provided to support trial court operations.

In 1998, California voters passed a constitutional amendment that provided for voluntary unification of the superior and municipal courts in each county into a single, countywide trial court system. By 2001, all 58 counties had voted to unify their municipal and superior court operations. This was the culmination of over a decade of preparation and work to improve court coordination and the uniformity of access to justice. The Trial Court Funding Act of 1997 (Act) consolidated the costs of operating California's trial courts at the state level. The Act was based on the premise that state funding of court operations was necessary to provide uniform standards and procedures, economies of scale, and structural efficiency to the court system and an improved, uniform, and more equitable court system would follow. The Act created a state-funded trial court system and capped county contributions, providing that the state assume responsibility for growth in the costs of court operations. Prior to state funding, many small courts were in financial crisis and needed emergency state funding to keep their doors open. Since then, the state has increased funding considerably to support trial court operations and the Judicial Branch as a whole.

During the recession, like every area of state government, General Fund support for the Judicial Branch was reduced; however, for the Judicial Branch, the state mitigated the impact of the reductions through increased user fees, the redirection of various special funds, and through the expenditure of trial court reserves. See Figure JUD-01. During the fiscal crisis, some trial courts were forced to reduce service hours, furlough and lay off employees, and close courtrooms, while other courts were able to provide salary increases and did not have to close courtrooms. The disparity in how trial courts handled the reductions highlighted the need for a comprehensive evaluation of the state’s progress in achieving the goals outlined in the Act.

Figure JUD-01  
**Judicial Branch Expenditures**  
(Dollars in Thousands)

<b>Judicial Branch Expenditures by Program</b>	2007-08 Actual	2012-13 Actual	2013-14 Estimated	2014-15 Governor's Budget
Supreme Court	\$44,397	\$42,678	44,262	44,927
Courts of Appeal	200,706	202,020	207,824	211,211
Judicial Council	130,396	134,775	141,528	140,943
Habeas Corpus Resource Center	12,553	12,617	13,775	13,964
Facility Program	(49,965)	(195,105)	(266,771)	(331,637)
<i>Staff and OE&amp;E</i>	22,634	25,951	31,202	30,791
<i>Trial Court Facility Expenses</i>	27,331	169,154	235,569	300,846
Trial Courts	3,288,873	2,237,495	2,442,708	2,531,164
<b>Total</b>	<b>\$3,726,890</b>	<b>\$2,824,690</b>	<b>\$3,116,868</b>	<b>\$3,273,846</b>
<b>Adjustments to Trial Courts</b>	<b>\$3,288,873</b>	<b>\$2,237,495</b>	<b>\$2,442,708</b>	<b>\$2,531,164</b>
<i>Trial Court Facility Expenses</i>	\$27,331	\$169,154	\$235,569	\$300,846
<i>Use of Local Reserves</i>		402,000	264,000	
<b>Sub-total, Trial Courts</b>	<b>\$3,316,204</b>	<b>\$2,808,649</b>	<b>\$2,942,277</b>	<b>\$2,832,010</b>
<i>Trial Court Security Costs</i> <sup>1</sup>	-444,901			
<b>Adjusted Total, Trial Courts</b>	<b>\$2,871,303</b>	<b>\$2,808,649</b>	<b>\$2,942,277</b>	<b>\$2,832,010</b>

<sup>1</sup> For comparison purposes, court security costs for 2007-08 are removed from trial court expenditure totals due to the realignment of court security costs beginning in 2011-12.

**TRIAL COURT FUNDING WORKGROUP**

In 2012, the Governor and the Chief Justice announced the Trial Court Funding Workgroup to evaluate the Judicial Branch’s progress in meeting the goal of equal access to justice. Recently, the Judicial Council adopted an updated resource assessment model to help determine the relative funding needs of the trial courts and implemented the workload-based allocation and funding methodology, which allocates funds to trial courts



on a workload basis and provides flexibility in allocating funds to courts with specific workload needs. In addition to the workload-based allocation and funding methodology, the Workgroup found that the Judicial Council should identify and implement efficiencies and best practices more uniformly and adopt appropriate measures to assess improvements.

**TRIAL COURT RESERVE POLICY**

In a time of declining resources, the accumulation of large individual local reserves is inconsistent with the Act’s goal of a state-funded system where the Judicial Council provides statewide oversight. The 2012 Budget Act revised the trial court reserve policy and limited trial courts to a 1-percent reserve by June 30, 2014. Prior to the change in the reserve policy, some trial courts were maintaining and even increasing their reserves. The 2013 Budget Act included further refinements of the 1-percent reserve policy that provided tools for the Judicial Council to manage the operations of the trial courts. Going forward, reserve funds for the trial courts will be held at the state level. This allows the Judicial Council to set statewide priorities and allocate reserve funds for the benefit of the trial court system as a whole. The state reserve is available to address cash flow issues and provide a contingency fund for unforeseen emergencies.

**2014-15 BUDGET**

Over the last two years, the state has relied heavily on the use of one-time reserves to mitigate reductions that would have impaired the courts. The state expected that the trial courts would use the extra time the reserves afforded to take actions to operationalize ongoing reductions. The Administration recognizes that 2014-15 will be a challenging year for the trial courts as the one-time mitigation measures will have been exhausted. The Administration is committed to ongoing solvency of the state budget, which requires changing business as usual and implementing ongoing efficiencies within the Judicial Branch.

The Administration recognizes that, like the rest of state government, the Judicial Branch has growing costs related to employee retirement, health care, and other areas. The Budget recognizes these costs and provides an augmentation of \$100 million General Fund to support trial court operations and \$5 million General Fund to support the state judiciary, but like the rest of state government these costs must be managed. The Administration has worked with state employee groups to require current employees to contribute approximately half of the normal retirement costs, pursuant to the Public Employees’ Pension Reform Act of 2013. In contrast, the Judicial Branch still has many court employees who do not contribute towards their retirement costs.

## JUDICIAL BRANCH

One of the key issues for the Judicial Branch will be how it uses technology to increase efficiency. The State Trial Court Improvement and Modernization Fund was established to fund statewide improvement and efficiency projects. As the Judicial Branch begins to develop and identify a long-term statewide technology plan, the Administration will work collaboratively with the Judicial Council to develop a sustainable and comprehensive funding plan that furthers the goals of the Act and benefits trial courts and the users of the courts.

The Judicial Branch must continue to implement uniform standards, employee compensation changes, and operational efficiencies with the goal of increasing access to justice.

# LABOR AND WORKFORCE DEVELOPMENT

The Labor and Workforce Development Agency addresses issues relating to California workers and their employers. The Agency is responsible for labor law enforcement, workforce development, and benefit payment and adjudication. The Agency works to combat the underground economy and help legitimate businesses and workers in California.

The Agency oversees the state's principal workforce programs administered by the Employment Development Department's (EDD) Workforce Services Branch, the Department of Industrial Relations' (DIR) Division of Apprenticeship Standards, the Employment Training Panel, and the California Workforce Investment Board.

The Agency is in the initial phase of a process to improve coordination in policy development, reduce duplicative support and overhead costs, and maximize integrated, efficient service delivery to California's employers, workers, and targeted populations such as veterans, youth, and the long-term unemployed.

The Budget includes total funding of \$14.4 billion (\$267.6 million General Fund, \$14.2 billion various other funds) for the Agency.

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## EMPLOYMENT DEVELOPMENT DEPARTMENT

EDD administers the Unemployment Insurance (UI), Disability Insurance (DI), and Paid Family Leave programs and collects payroll taxes from employers, including the Personal

Income Tax. EDD connects job seekers with employers through job services programs and America's Job Centers of California and provides employment training programs through the Employment Training Panel and the Workforce Investment Act of 1998. To support the Department, the Budget includes \$13.8 billion (\$254 million General Fund), which reflects a net decrease of \$3.2 billion all funds as compared to the 2013 Budget Act, primarily due to reductions in UI benefits as a result of the end of the federal UI extensions and a reduction in the unemployment rate. The expiration of the federal Emergency Unemployment Compensation Program on December 28, 2013, affects more than 222,000 jobless Californians who will no longer be eligible to receive benefits.

### **UNEMPLOYMENT INSURANCE PROGRAM**

The UI program is a federal-state program that provides weekly payments to eligible workers who lose their jobs through no fault of their own. Benefits range from \$40 to \$450 per week depending on earnings during a 12-month base period. To be eligible, an applicant must have received enough wages during the base period to establish a claim, be totally or partially unemployed, be unemployed through no fault of his or her own, be physically able to work, be seeking work, be immediately available to accept work, and meet eligibility requirements for each week of benefits claimed.

Beginning in January 2009, the state's UI Fund was exhausted due to an imbalance between benefit payments and annual employer contributions. To continue to make UI benefit payments without interruption, EDD began borrowing funds from the Federal Unemployment Account. The UI Fund deficit was \$10.2 billion at the end of 2012 and is projected to be \$8.8 billion at the end of 2014.

While annual interest payments were waived under the American Recovery and Reinvestment Act for 2010, interest payments totaling \$870.7 million were paid in 2011, 2012, and 2013. The Budget includes \$231.6 million General Fund to make the 2014 interest payment. Interest will continue to accrue and be payable annually until the principal on the UI loan is repaid. The interest payment must come from state funds. As a result of the fund's insolvency, employers are negatively affected by a reduction in their Federal Unemployment Tax Act (FUTA) credit—meaning they are paying increasing levels of federal taxes each year until the fund is returned to solvency.

In February 2013, the Secretary for Labor and Workforce Development convened a series of meetings to bring together key stakeholders, including business and labor, to identify preferred alternatives to meet annual federal interest obligations, repay the federal loan,

and return the state's UI Trust Fund to solvency. A solvency solution should be developed with the following goals and principles:

- Achieve a prudent reserve by 2021 substantial enough to withstand a recession.
- Repay the Disability Insurance Fund and General Fund for interest payments made by the state.
- Phase in changes to the financing structure to smooth the impact on employers to the extent possible.
- Include reforms to improve the integrity of the unemployment insurance program.

No benefit increases can be contemplated until the fund becomes solvent, has a sufficient reserve, and can support the proposed increase ongoing.

#### **UNEMPLOYMENT INSURANCE ADMINISTRATION FUNDING SHORTFALL**

The administration of the base UI program is intended to be fully reimbursed through the federal cost recovery model. However, the federal appropriation for UI administrative funding has been set at a level below what is needed nationwide to fully support this federal-state program. California only recovers approximately 73 percent of the funding it requires to support the current program costs. This has resulted in EDD utilizing other state funds and unspent federal carryover funds from prior years to bridge this gap. While the 2013 Budget included an additional \$29.7 million from the Contingent Fund to help close the 2013-14 gap, EDD still faces a significant funding gap of \$113 million for 2014-15 once other available funding sources are considered.

To address this issue, the Department of Finance, EDD, and the Labor and Workforce Development Agency undertook a zero-based analysis of UI program functions, devising process improvements, and identifying cost saving measures. Program efficiencies and cost saving measures identified through this review will result in savings of \$49 million in 2014-15.

To bridge the remaining \$64 million gap, the Budget proposes: (1) \$38 million from the Contingent Fund, (2) an increase in withholding penalties deposited in the Contingent Fund from 10 percent to 15 percent effective July 1, 2014, resulting in increased revenue of \$10 million (\$25 million annually after 3 years), and (3) a one-year suspension of the transfer of personal income tax withholding penalties to the General Fund, retaining approximately \$16 million for the program. These measures return service levels back to

## LABOR AND WORKFORCE DEVELOPMENT

those achieved in 2012-13 and allow the department to retain staff and continue overtime to process new and continued claims.

The Department will expand this efficiency and service improvement initiative by continuing a thorough business process review of the UI program this spring. This review will identify additional business process improvements to attain further cost savings, service improvements, and efficiencies.

Significant Adjustments:

- **October Revise**—The Budget includes a decrease of \$251.8 million in 2013-14 and a decrease of \$3.2 billion in 2014-15 for UI benefit payments based on current economic conditions and the projected expiration of the federal benefits extension program. The Budget also includes a decrease of \$142.6 million in 2013-14 and an increase of \$177.5 million in 2014-15 for Disability Insurance benefit payments.
- **Workforce Investment Act (WIA) Funding**—The Budget includes an increase of \$11.8 million federal funds in 2013-14 for the Governor’s discretionary WIA programs and rapid response activities.

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## DEPARTMENT OF INDUSTRIAL RELATIONS

DIR works to improve working conditions, enforces laws relating to wages, hours, conditions of employment, and workers’ compensation, and adjudicates workers’ compensation claims. The Budget includes \$597.7 million from non-General Fund sources to support the Department, which reflects an increase of \$14 million as compared to the 2013 Budget.

Significant Adjustments:

- **Process Safety Management Unit Expansion (Refinery Inspections)**—The Budget includes an increase of \$2.4 million Occupational Safety and Health Fund to enforce workplace health and safety regulations in 15 refineries and over 1,600 other facilities that handle hazardous chemicals. This expands the existing program to 26 positions. These staff will significantly increase the number of refinery inspections as well as the time spent conducting each inspection. Refinery inspections will be funded from a new regulatory fee based on the amount of crude oil being processed at each refinery. This proposal is part of the Administration’s ongoing efforts to improve

the safety of the extraction, transportation, processing, and use of fossil fuels in California.

- Public Works/Prevailing Wage Consolidation—The Budget includes multiple adjustments to consolidate all public works and prevailing wage enforcement activities within a single unit supported by a new registration fee on contractors who choose to work on public works projects. The fee will support an \$11.4 million program with 83 positions. The new fee will eliminate the program’s reliance on the General Fund and bond funds tied to public works projects, which have resulted in funding challenges in the past. These funding changes, along with programmatic efficiencies realized through the consolidation, will provide the program with a stable funding source to support prevailing wage determinations, monitoring, and enforcement throughout the state. This represents an increase of more than 20 positions compared to prior enforcement levels.

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## LOCAL GOVERNMENT

This part of the Budget includes information related to the dissolution of redevelopment agencies and property tax assessment.

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### REDEVELOPMENT AGENCIES

The winding down of the state's former redevelopment agencies (RDAs) continues to be a priority for the Administration. Chapter 5, Statutes of 2011 (ABx1 26), eliminated the state's approximately 400 RDAs and replaced them with locally organized successor agencies that are tasked with retiring the former RDAs' outstanding debts and other legal obligations. The elimination of RDAs allows local governments to protect core public services by returning property tax money to cities, counties, special districts, and K-14 schools.

The former RDAs funded their operations by redirecting property tax revenue from cities, counties, special districts, and K-14 schools. While RDAs were meant to remediate blight and provide low-and-moderate income housing, many RDAs instead focused on constructing sales tax revenue-generating venues such as auto dealerships, shopping malls, and "big box" retailers. Furthermore, the RDAs redirected and then spent these property tax revenues without the advice or consent of the local government entities from which the property tax revenues were redirected, thereby taking dollars away from core public services such as police and fire protection. The redirected school revenue resulted in a virtual dollar-for-dollar General Fund cost under Proposition 98. When they were

## LOCAL GOVERNMENT

dissolved, RDAs were shifting over \$5 billion per year from the affected taxing entities, of which approximately \$2 billion was shifted from schools and backfilled by the state.

Ongoing workload related to the winding down of RDAs involves the generation, submittal, and review of Recognized Obligation Payment Schedules (ROPS). Every six months, successor agencies submit to Finance their ROPS, which delineates their proposed payments for the upcoming payment cycle. Finance reviews each ROPS to determine whether the identified payments are enforceable obligations, as defined by law. Once Finance has completed its review, the successor agencies are provided property tax allocations to pay the approved enforceable obligations. Any property tax revenue remaining after payment of enforceable obligations is distributed to cities, counties, special districts, and K-14 schools located within the boundaries of the former RDAs pursuant to existing formulas. The additional property tax revenue received by K-14 schools generally offsets the state's Proposition 98 General Fund costs on a dollar-for-dollar basis.

In 2011-12 and 2012-13 combined, approximately \$620 million was returned to cities, \$875 million to counties, and \$310 million to special districts. The Budget anticipates that cities will receive an additional \$525 million in general purpose revenues in 2013-14 and 2014-15 combined, with counties receiving \$605 million and special districts \$205 million. It is estimated that additional ongoing property tax revenues of more than \$700 million annually will be distributed to cities, counties, and special districts. This is a significant amount of unrestricted funding that can be used by local governments to fund police, fire, and other critical public services.

In 2011-12 and 2012-13 combined, approximately \$2.2 billion was returned to K-14 schools. The Budget anticipates Proposition 98 General Fund savings resulting from the dissolution of RDAs will be \$1.1 billion in 2013-14. For 2014-15, Proposition 98 General Funding savings are expected to be \$785 million. On an ongoing basis, Proposition 98 General Fund savings are estimated to be \$1 billion annually. When Test 1 of the Proposition 98 calculation is operative, funds above this amount will increase available resources for K-14 schools.

Despite the complex nature of dissolving entities that had been in existence for decades, the RDA dissolution process has proceeded to the point where 300 successor agencies have received a Finding of Completion from Finance, and the fiscal benefits for local government agencies and for the state have been apace with what was anticipated when dissolution was proposed as part of the 2011-12 Governor's Budget. However,

there continue to be over 100 active lawsuits challenging various aspects of the RDA dissolution statutes, and depending on the final disposition of these cases there could be a significant impact to the fiscal benefits achieved to date. Notwithstanding these challenges, as the dissolution of RDAs continues, the Administration is prepared to discuss ways to provide cities and counties additional local economic development tools.

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## **TOOLS FOR LOCAL ECONOMIC DEVELOPMENT**

While the elimination of RDAs has removed a tool used by local governments, current law still provides opportunities for local governments to engage in economic development. Some of the current tools available to local governments include:

- Issuance of General Obligation bonds—Cities and counties may issue General Obligation bonds to fund economic development activities similar to those funded by the former RDAs. Issuance of the bonds requires a two-thirds vote of the electorate. The only local government entities to which the two-thirds vote requirement does not apply are K-14 schools, which require 55-percent voter approval to issue certain General Obligation bonds.
- Issuance of Lease Revenue Bonds—Cities and counties may issue lease revenue bonds without voter approval. These bonds are repaid not by increasing property taxes but from the revenues generated by the newly constructed facility (e.g., a parking garage that is paid for with parking fees) or the revenues generated from leasing the facility to the local government (e.g., an administrative building that is constructed and then leased to the city). While lease revenue bonds can be effective tools for adding and upgrading public infrastructure, their value to other aspects of urban renewal is limited. For example, lease revenue bonds can finance water and sewer improvements in a blighted area, but they cannot finance the purchase of blighted properties for resale to private developers for the construction of new housing.
- Increase in Local Tax Rates—A two-thirds vote of the impacted electorate is required to raise local taxes for a specific purpose, and a majority vote is required to raise those taxes for general purposes. Since most economic development is specific in nature, a two-thirds vote would generally be required to fund these activities.
- Infrastructure Financing Districts—Cities and counties may establish Infrastructure Financing Districts (IFDs) pursuant to legislation enacted in 1990. Like the RDAs, the IFDs are empowered to use tax increment financing to finance tax allocation

## LOCAL GOVERNMENT

bonds, the proceeds from which are used for local development. Similar to the RDAs, the IFDs also have a cap on their existence and may exercise eminent domain powers during their existence. However, IFDs are limited in the types of projects that they may fund. Generally IFDs can only fund 1) highways and transit projects, 2) water, flood control, sewer, and solid waste projects, 3) child care facilities, and 4) libraries and parks. Furthermore, unlike the RDAs, affected cities, counties, and special districts have the option to participate in the IFDs while schools cannot, which means IFDs have no Proposition 98 General Fund impact. IFDs require a two-thirds vote by the affected electorate to be created.

The elimination of RDAs was necessary to avoid further reductions in core services. Given that current compliance levels with the RDA dissolution statutes is improving, the Budget proposes expanding the tax increment financing tool utilized by IFDs for a broader array of uses than that which is currently authorized under law.

Specifically, the Administration proposes legislation to do the following:

- Expand the types of projects that IFDs can fund to include military base reuse, urban infill, transit priority projects, affordable housing, and associated necessary consumer services. The goal is to maintain the IFD focus on projects which have tangible quality-of-life benefits for the residents of the IFD project area.
- Allow cities or counties that meet specified benchmarks to create these new IFDs, and to issue related debt, subject to receiving 55-percent voter approval.
- Allow new IFD project areas to overlap with the project areas of the former RDAs, while strictly limiting the available funding in those areas to dollars available after payment on all of the former RDA's approved obligations.
- Maintain the current IFD prohibition on the diversion of property tax revenues from K-14 schools, which will ensure any usage will have no state General Fund impact, and require entities that seek to establish an IFD to gain the approval of the county, cities, and special districts that would contribute their revenue, including residual revenue, to the IFD.

The expansion of the use of IFDs should not come at the expense of the continuing RDA dissolution process. If the establishing city or county formerly operated an RDA, the expanded IFD tool would be available to them only when they meet the following benchmarks:

- Receipt of a Finding of Completion from Finance, which demonstrates that the city or county has remitted all of the unencumbered cash assets of its former RDA to the affected taxing entities.
- Compliance with all State Controller’s Office RDA audit findings.
- Conclusion of any outstanding legal issues between the successor agency, the city or county that created the RDA, and the state.

Providing these enhancements to existing IFD statutes will provide cities and counties with enhanced options, while also ensuring the impacted local agencies have a voice in whether they will contribute their revenue to those projects and, if so, how their revenues will be used. This proposal will also help ensure the new tools are available for key local priorities such as urban infill, transit-oriented development, and the provision of affordable housing.

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## **STATE-COUNTY ASSESSORS’ PARTNERSHIP AGREEMENT PROGRAM**

County assessors are responsible for assessing real and qualifying personal property for property tax purposes, and for maintaining and updating property tax rolls. An effective assessment system benefits the public, local governments, and the state.

Beginning in 1995, the state provided annual General Fund loans to county assessors’ offices to enable them to more quickly enroll newly constructed property and property ownership changes. The additional property tax revenue received by schools through these efforts reduced the state’s Proposition 98 General Fund costs, and the loans to the assessors were thereafter forgiven. The loan program was reconstituted in 2002 as a grant program, known as the Property Tax Administration Grant Program. This program operated until 2005-06, when it was eliminated as a savings measure.

The Budget establishes a State-County Assessors’ Partnership Agreement Program to enhance local property assessment efforts. The Program would begin on a three-year pilot basis, to be funded at \$7.5 million per year, and to be administered by the Department of Finance. The Program will be limited to nine county assessors’ offices that will be competitively selected from a mix of urban, suburban, and rural counties.

To participate in the Program, the county must submit an application to Finance demonstrating work to be performed. The county must also agree to provide its

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assessor's office with a specified amount of matching county funds each fiscal year to generate additional property tax revenues for local agencies by doing the following:

- Enroll newly constructed property and property ownership changes.
- Reassess property to reflect current market values.
- Enroll property modifications that change the property's taxable value.
- Respond to assessed valuation appeals.

Finance will review the applications and select participants on the strength of each county's proposal. As the three-year Program term nears its expiration date, Finance will evaluate the results and issue findings to the Legislature. The Administration and the Legislature will then determine whether to continue the Program in its current form, expand the Program to more counties, or allow it to expire.

# STATEWIDE ISSUES AND VARIOUS DEPARTMENTS

This Chapter describes items in the Budget related to statewide issues and various departments.

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## INFRASTRUCTURE

### DEBT SERVICE

General Obligation (GO) and lease revenue bonds are used to fund major infrastructure improvements. California voters have approved over \$95 billion of new GO bonds since 2000, and since 2009 the state has issued nearly \$40 billion of new GO bonds. These bonds fund projects and programs such as new road construction, flood control levees, new schools, and other public infrastructure. As the state issues the remaining voter-authorized bonds, debt service costs will continue to grow.

General Fund debt service expenditures, after various other funding offsets, will increase by \$416.5 million (7.5 percent), to a total of \$6 billion, over current-year expenditures. This increase is comprised of \$382.2 million for GO debt service (\$5.3 billion total) and \$34.3 million for lease revenue bonds (\$673.7 million total). The projected increase in total General Fund debt service is attributed to recent bond sales and the planned issuance of additional bonds over the next year.

The Administration has taken actions to better manage this growing area of the Budget, such as requiring GO bond programs to demonstrate an immediate need for additional bond proceeds prior to issuing new bonds. These efforts have helped reduce the amount

of unspent GO bond proceeds in the state treasury from approximately \$13.9 billion, as of December 2010, to just under \$3.5 billion by the end of October 2013, excluding the recent fall 2013 GO bond sales. In addition, only the most critical new lease revenue bond funded projects have been approved.

### **CALIFORNIA FIVE-YEAR INFRASTRUCTURE PLAN**

In conjunction with the release of the Governor's Budget, the Administration is releasing the 2014 Five-Year Infrastructure Plan. The Plan outlines the Administration's infrastructure priorities for the next five years for the major state infrastructure programs, including transportation and high-speed rail, state institutions, judicial branch, natural resource programs, and education. Given the state's increased debt burden and General Fund constraints, the Plan proposes only limited, new lease-revenue bond authorizations. The Plan also highlights the significant shortfall in resources for maintenance of existing state facilities and the resulting problems. The Budget proposes an \$815 million (\$800 million General Fund) package of one-time investments in maintenance of state infrastructure, including the following:

- Highway Users Tax Account Loan Repayment: \$337 million
- K-12 Schools Emergency Repair Program: \$188 million
- California Community Colleges: \$175 million
- Department of Parks and Recreation: \$40 million
- Department of Corrections and Rehabilitation: \$20 million
- Judicial Branch: \$15 million
- Department of Developmental Services: \$10 million
- Department of State Hospitals: \$10 million
- Department of General Services: \$7 million
- State Special Schools: \$5 million
- Department of Forestry and Fire Protection: \$3 million
- California Military Department: \$3 million
- Department of Food and Agriculture: \$2 million



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## MAJOR REGULATIONS

Chapter 496, Statutes of 2011 (SB 617), requires an in-depth economic analysis for all new major regulations. Beginning November 1, 2013, all state agencies promulgating a regulation with an economic impact over \$50 million dollars in any 12-month period are required to conduct a Standardized Regulatory Impact Assessment. These assessments must discuss the regulation's effect on employment, businesses and consumers, incentives for innovation, and investment in California. The assessment also must study alternative ways of achieving the regulation's goals and compare them to the proposed regulation.

The Department of Finance created standards for agencies to analyze their major regulations. Finance will review each agency's assessment and provide comments to the department. These assessments will allow for a comprehensive discussion of the quantitative and qualitative costs and benefits of a regulation. They will provide more data on the effects of a regulation. The assessments and Finance's comments will be part of the public rulemaking record, and are intended to help the state and affected parties understand the impacts of regulatory choices.

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## MAKING GOVERNMENT MORE EFFICIENT

Government should always look for ways to improve the delivery of services for the most value. This practice became acute—and necessary to balance the budget—during the recent economic decline. Specifically, the 2011 Budget Act included ongoing, operational efficiency savings, some of which were achieved by consolidating departments, boards and commissions, reducing state cell phones and the state vehicle fleet, and lowering department rates for technology services and rental space.

As the economy recovers, there is also an opportunity to invest in more efficient business practices, which can produce additional savings in the long term. The Budget builds on existing efficiencies and efforts to bring government closer to the people. It also includes new approaches to consolidate departments and programs, and coordinate services that will enhance performance for the public. Following are some of the ongoing and new initiatives:

- Coordinate the care of Medicare and Medi-Cal dual-eligibility clients.
- Eliminate the Managed Risk Medical Insurance Board and transfer programs to the Department of Health Care Services.

- Centralize management for the admittance of patients to the state hospitals.
- Reorganize the state's drinking water programs in the Department of Public Health and State Water Resources Control Board.
- Prioritize statewide infrastructure planning and spending.
- Enhance Data Center infrastructure to support future growth and consolidation of information technology systems to leverage economies of scale.

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### **EMPLOYEE COMPENSATION**

Thirteen of the state's collective bargaining contract agreements reached in the summer of 2013 included salary increases tied to the concept of a revenue-based "trigger." Per the contracts, the ability to provide the 2014-15 salary increases is based on the Director of Finance's determination at the 2014-15 May Revision that revenues are sufficient to fully fund existing statutory and constitutional obligations, existing fiscal policy, and the cost of the trigger-based salary increases.

For the majority of these contracts, if the trigger is pulled, employees will receive a salary increase of 2 percent in 2014-15 and 2.5 percent in 2015-16. If the trigger is not pulled, they will receive a 4.5 percent salary increase in 2015-16. Other trigger-based contracts operate in a similar manner but have different economic terms, such as smaller salary increases and/or one-time bonuses.

The Budget assumes the necessary conditions for the trigger-based salary increases in 2014-15 will be met and therefore includes \$173.1 million (\$82.4 million General Fund) to fund them. A final determination will be made at the May Revision based on the latest revenue projections and updated expenditure information available.

Additionally, the Administration is extending the same general salary increases negotiated for the majority of rank and file members described above to unrepresented state managers and supervisors to avoid salary compaction issues. Managers and supervisors associated with Bargaining Unit 5 – California Association of Highway Patrolmen and Bargaining Unit 6 – California Correctional Peace Officers Association will receive the salary adjustment extended to their rank and file counterparts. The Budget includes \$98.6 million (\$40.3 million General Fund) in 2014-15 for these salary increases.

Finally, the Budget also includes funding to address salary parity and inequity issues involving specific state managers and supervisors, particularly related to scientists and engineers.

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## **STATE EMPLOYEES' RETIREMENT**

Chapter 296, Statutes of 2012 (AB 340), established the Public Employees' Pension Reform Act of 2013 (PEPRA). PEPRA provided lower pension benefits and required higher retirement ages for new employees in state and local government and schools hired after January 1, 2013. Additionally, state employees in designated bargaining units and associated excluded employees began making additional payroll contributions to their pension plans beginning July 1, 2013, and others will make additional contributions beginning July 1, 2014.

Under PEPRA, these additional contributions must go toward the state's unfunded liability, which was \$45.5 billion as of June 30, 2012. As a result, it is estimated that the state will contribute an additional \$67.1 million during 2013-14 and \$108.4 million in 2014-15 toward the state's unfunded liability. The Budget estimates approximately \$4 billion in total funding for state employee pensions in 2014-15.

Figure SWE-01 below provides an historical overview of contributions to the CalPERS, the California State Teachers' Retirement System (CalSTRS), the Judges' Retirement System (JRS), the Judges' Retirement System II (JRS II), and the Legislators' Retirement System (LRS) for pension and retiree health care benefits.

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## **TEACHERS' RETIREMENT**

For more than 100 years, the California State Teachers' Retirement System (CalSTRS) has provided retirement benefits to California school teachers. However, the existing funding approach cannot deliver the benefits that will be owed in the long term. CalSTRS faces a growing \$80.4 billion unfunded liability and is expected to exhaust its assets in approximately 30 years. CalSTRS estimates that stabilizing the system could cost more than \$4.5 billion a year, which could overwhelm other education priorities as well as other policy initiatives.

CalSTRS, like other public retirement systems in California, saw benefits increase then experienced severe investment losses in 2008-09, exposing large liabilities. Other retirement systems have the authority to charge employers—government

agencies—more money to make up their funding gaps. For CalSTRS, school district and teacher contributions to the pension fund were established in statute and can be changed only by the Legislature. Because CalSTRS cannot act on its own, the Administration will begin working with the Legislature, school districts, teachers, and the pension system on a plan of shared responsibility to achieve a fully funded, sustainable teachers’ pension system within 30 years. It is expected that this plan will be adopted as part of the 2015-16 Budget.

A new funding strategy should phase in contribution increases for employees, employers, and the state to allow parties to prepare for cost increases. Because retirement benefits are part of total compensation costs, school districts and community colleges should anticipate absorbing much of any new CalSTRS funding requirement. The state’s long-term role as a direct contributor to the plan should be evaluated.

Figure SWE-01  
**State Retirement Contributions\***  
 (dollars in millions)

	CalPERS <sup>1</sup>	CSU CalPERS	Retiree Health & Dental	CSU Retiree Health	CalSTRS	JRS	JRS II	LRS
2005-06	2,403		887		1,081	121	24	0
2006-07	2,765		1,006		959	129	27	0
2007-08	2,999		1,114		1,623 <sup>2</sup>	162	37	0
2008-09	3,063		1,183		1,133	189	40	0
2009-10	2,861		1,182		1,191	184	32	0
2010-11	3,230		1,387		1,200	166	54	0
2011-12	3,174		1,505		1,259	195	58	0
2012-13	2,948 <sup>3</sup>	449 <sup>3</sup>	1,365 <sup>3</sup>	222 <sup>3</sup>	1,303	160	51	0
2013-14 <sup>4</sup>	3,219	474	1,420	246	1,360	188	52	1
2014-15 <sup>4</sup>	3,531	478	1,559	270	1,424	179	56	1

<sup>1/</sup> In addition to the Executive Branch, this includes Judicial and Legislative Branch employees. Contributions for judges and elected officials are included in JRS, JRS II, and LRS.

<sup>2/</sup> Includes repayment of \$500 million from 2003-04 Supplemental Benefit Maintenance Account withholding/lawsuit loss (interest payments not included).

<sup>3/</sup> Beginning in 2012-13, CSU pension and health care costs are displayed separately.

<sup>4/</sup> Estimated as of the 2014-15 Governor’s Budget. 2014-15 General Fund costs are \$1,842 million for CalPERS, \$477 million for CSU CalPERS, \$1,553 million for Retiree Health & Dental, and \$177 million for JRS. The remaining totals are all General Fund.

\* The chart does not include contributions for University of California pension, retiree health, and retiree dental costs or CSU retiree dental costs.

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## **WORKERS' COMPENSATION**

California law requires employer responsibility for benefits arising from employment related injuries. For the most part, workers' compensation benefits for state employees are self-funded with the State Compensation Insurance Fund acting as the third party administrator.

State employees' workers' compensation costs have increased significantly over the past several years. Cumulative workers' compensation costs were about \$460 million in 2008-09 and have risen to about \$656 million in 2012-13. Departments have largely absorbed these costs over the years; however, as costs continue to rise, some departments are finding it more difficult to do so. In recognition of these ongoing costs, the Budget proposes \$81.1 million (\$80.7 million General Fund) to augment the California Department of Corrections and Rehabilitation and the Department of Forestry and Fire Protection for some workers' compensation costs. The Administration will continue to evaluate the factors driving these significant cost increases and the steps necessary to address this growth in the short and long term.

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## **REDUCE RELIANCE ON CONTRACTORS**

The state has at times relied on contractors to provide services, particularly in the areas of information technology and health care, where there may not be the relevant expertise or the required numbers in the state workforce at the time to meet its needs. In recognition that these contracted services can be more costly, and that there is value and utility in training and developing state employees to perform ongoing tasks, the Administration continues to identify ways that the state can reduce its reliance on contractors.

The Budget includes numerous proposals that transfer contracted positions to state employees. Examples can be found in departments of Health Care Services, Managed Health Care, Public Health, Child Support Services, and Technology.

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## **DEPARTMENT OF CONSUMER AFFAIRS**

The Department of Consumer Affairs (DCA) oversees a wide variety of boards and bureaus that certify, register, and license individuals and entities that provide goods and/or services in the state. The overall purpose of DCA is to promote a fair and competitive marketplace in which consumers are protected. DCA provides exams and licensing as well as mediation and enforcement of consumer complaints. When appropriate, cases

are referred to the Attorney General's office or other law enforcement authorities for administrative action, civil and/or criminal prosecution.

There are currently 26 boards, 9 bureaus, 2 committees, a certification program, and a commission under the broad authority of DCA.

### **PERFORMANCE-BASED BUDGETING**

Executive Order B-13-11 directed the Department of Finance to modify the state budget process to increase efficiency and focus on accomplishing program goals. Pursuant to this Executive Order, Finance and DCA developed a multi-year plan to evaluate the performance of DCA's programs. This plan included program evaluation of enforcement and licensing functions, development of strategic plans, and reporting of enforcement and licensing data.

- **Program Evaluation of Enforcement and Licensing Functions**—In the last year, DCA initiated a pilot evaluation of two of its programs, the Dental Board of California and the Bureau of Security and Investigative Services (BSIS). The evaluation of the Dental Board and the BSIS resulted in the implementation of several process improvement initiatives designed to reduce investigative cycle times. DCA will continue to further define, track and report on its performance measures.
- **Development of Strategic Plans**—DCA requires all of its boards and bureaus to have up-to-date strategic plans. Since July 2012, DCA has worked with 17 boards and bureaus to update or develop new strategic plans, and is currently working with the other boards and bureaus to complete plans.
- **Reporting of Enforcement and Licensing Data**—The 2013-14 Governor's Budget highlighted DCA's enforcement targets and provided two years of enforcement performance data (2010-11 and 2011-12). The 2014-15 Budget includes enforcement data for 2011-12 and 2012-13. The enforcement data show the amount of time it takes between a complaint being received by a board or bureau and its resolution. DCA is currently unable to uniformly track and report licensing data for its boards and bureaus. However, DCA's licensing and enforcement information technology system, BreZE, will be utilized to uniformly track licensing data of the boards and bureaus. BreZE is scheduled to be fully implemented in December 2015, which will allow DCA to display 2015-16 actual licensing data in the 2017-18 Governor's Budget. In addition, DCA will display licensing targets next year in the 2015-16 Governor's Budget.

### **ENFORCEMENT AND LICENSING RESOURCES**

As part of DCA's performance-based budgeting effort, the Budget includes \$12.4 million special fund and 90 positions for enforcement workload and \$466,000 special fund and 11 positions for licensing workload. The increased workload is primarily driven by growth in DCA's licensee populations resulting in increased enforcement case processing time and license application processing time. These additional resources are intended to reduce those processing times. In addition, the Budget requires DCA to report to the Legislature and the Department of Finance on the impact these additional resources have on reducing enforcement case processing time and license application processing time.

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### **DEPARTMENT OF TECHNOLOGY**

The Department of Technology is the central information technology (IT) organization for California. It is responsible for the approval and oversight of all statewide IT projects; provides centralized IT services and training to government entities; promulgates statewide IT security policies and procedures; and has responsibility over telecommunication and IT procurements.

Significant Adjustments:

- Information Technology Security Compliance—The Budget provides \$684,000 in 2014-15 to fund 5 limited-term positions for a 2-year pilot project within the Office of Information Security. The pilot project will audit state departments' compliance with mandated state and federal IT security policies, which are in place to protect the state's critical IT infrastructure and information assets from loss, theft, and misuse.
- Data Center Growth—The Budget includes \$6.7 million to increase the power and cooling capacity of the Gold Camp Data Center in order to accommodate future customer demand. The Data Center continues to absorb large IT systems as departments centralize their IT systems and data processing to the Department of Technology, resulting in reduced costs to departments, more secure systems and applications, and the use of current and more efficient technology to meet business needs.

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## FRANCHISE TAX BOARD

The Franchise Tax Board (FTB) administers the state's personal income tax and corporation tax. Activities include tax return processing, filing enforcement, audit, and collection of delinquent amounts owed.

Significant Adjustments:

- Enterprise Data to Revenue Project—The Budget provides \$75.1 million General Fund, including \$68.5 million for vendor payments, and 71 positions for fourth-year implementation activities related to the project. The six-year project will modernize FTB's tax program operations and systems by automating return processing, data capture, and validation of information. The project will provide improved access to tax account information for FTB's tax programs and for FTB users through secure online taxpayer folders.
- Accounts Receivable Management Program—The Budget provides \$7.7 million General Fund to continue 101 limited-term positions for an additional two years to further reduce the accounts receivable inventory. This is expected to generate \$108 million General Fund revenues in 2014-15.

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## FINANCIAL INFORMATION SYSTEM FOR CALIFORNIA

The Financial Information System for California (FI\$Cal) is a multi-year information technology project that will replace and integrate the functions of numerous aging financial management systems in state government. The new single system will include budgeting, accounting, procurement, and cash management functions. Development of the FI\$Cal system resides with four partner agencies: Department of Finance, State Controller's Office (SCO), State Treasurer's Office (STO), and Department of General Services (DGS).

The FI\$Cal system is currently scheduled to be deployed in five waves (Pre-Wave and Waves 1 – 4). Pre-Wave was implemented in July 2013 to seven departments. Wave 1 is scheduled to be rolled out July 2014 to another 30 departments, including the Department of Justice and Board of Equalization. However, based on lessons learned from the Pre-Wave launch and in preparing for Wave 1, the Project identified significant risks with Wave 2 deployment scheduled for July 2015. As a result, the project will go forward with Wave 1 as currently planned but will defer some Wave 2 departments and functionality to subsequent waves. This approach will increase the total costs of the



project, however, it will reduce the complexity of initial waves and significantly enhance successful implementation of the FISCAL system.

Significant Adjustment:

- DGS Departmental Functions Move to Wave 2—An additional \$4.3 million in 2014-15 as a result of an increase in project scope to replace DGS's aging financial system that was previously scheduled to interface with the FISCAL system.

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## **STATE CONTROLLER'S OFFICE**

The State Controller, among other responsibilities, administers the statewide payroll system that issues pay to approximately 294,000 state employees.

Significant Adjustment:

- 21<sup>st</sup> Century Project—The Budget proposes \$6.5 million (\$3.6 million General Fund, \$2.9 million other funds, and 5 positions) on a one-time basis in 2014-15 to address litigation and related support efforts associated with the payroll system.

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## DEMOGRAPHIC INFORMATION

Demography has an impact on the economy, social and cultural norms, and technological advancements, but it also is shaped by them. For example, advancements in agricultural technology, such as the increased mechanization of farms led to increased farm productivity, less reliance on labor, and the ability to farm more land. These changes resulted in a significant reduction of small family farms, increased urbanization, economic growth, and eventually smaller families.

Demographic trends have broad implications for the United States, including California. The projected increase in retirees in California will affect the types of services needed by an aging population, including demand for transportation services and healthcare. Geographic, ethnic, and age patterns in income inequality will affect social and educational programs. As populations grow, age, and move over time, these demographic shifts will affect budget policy.

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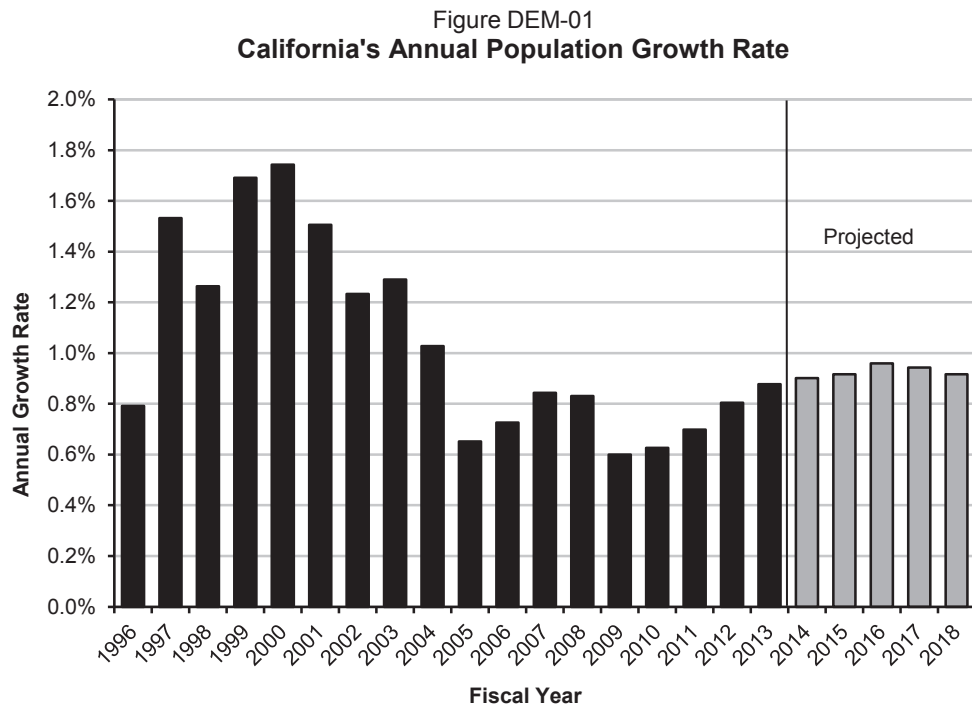
### DEMOGRAPHIC OUTLOOK

The state experienced a moderate growth rate (0.88 percent) in the last fiscal year. As of mid-2013 there were an estimated 38.2 million people residing in California. The population is projected to increase to 38.5 million by July 2014 and 38.9 million by July 2015, reflecting increasing short-term growth rates of 0.90 percent in 2014 and 0.92 percent in 2015, respectively.

## DEMOGRAPHIC INFORMATION

Through the next five years, the state will average growth of 360,000 residents annually. Despite lower fertility rates, natural increase (births minus deaths) will account for most of the growth during this time. Net migration (people moving into California from other states and countries less those moving out) is projected to gradually increase as economic opportunities improve. By July 2018, California will have added 1.8 million people and have a population of over 40 million, a five-year growth rate of 4.7 percent.

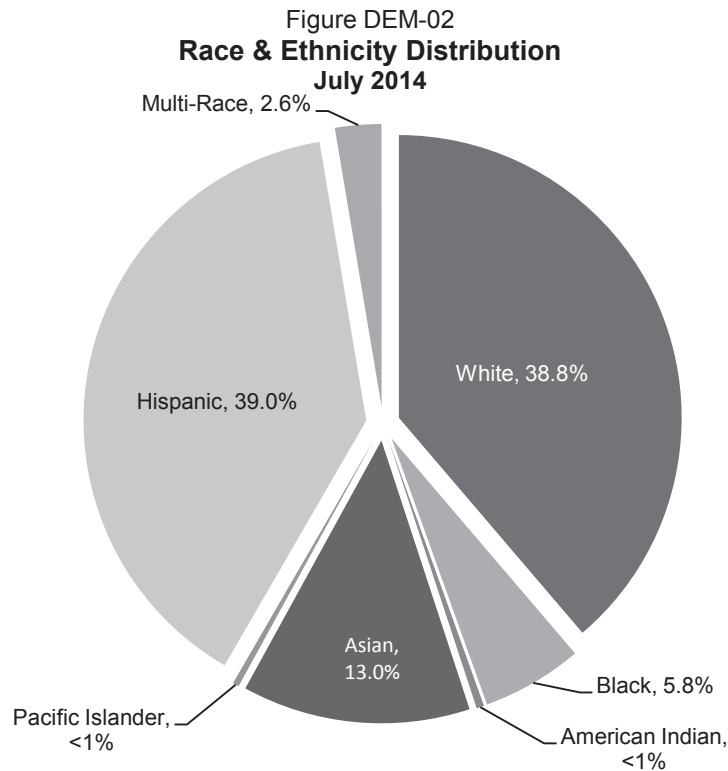
Figure DEM-01 displays the change of California's population from 1996 to 2018.



### RACE AND ETHNIC DISTRIBUTION

The racial distribution of California's population continues to transform and by March 2014, the Latino population will edge past the non-Hispanic White population to become the largest race or ethnic group in the state. The shift from non-Hispanic White to Latino plurality is about seven months later than anticipated last year, primarily due to lower than anticipated Latino birth rates. As the Hispanic population in California continues to grow, the proportions of the other race groups will decline slightly, except for Asian, which through immigration should sustain its proportion of the population over the next five years.

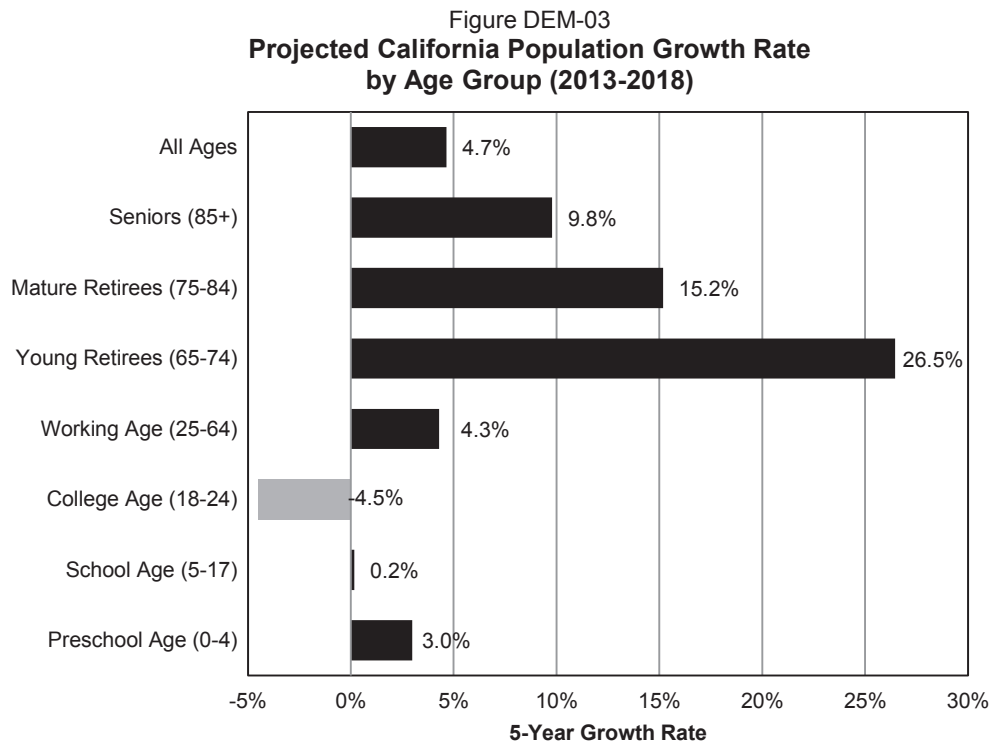
Figure DEM-02 displays the racial/ethnic composition of California in 2014.



**POPULATION GROWTH BY AGE GROUP**

The growth rates of the population are strikingly different between age groups. While the state’s projected five-year growth rate is 4.7 percent, the under-25 age cohort will see a slight decline, reflecting California’s lower birth rates in recent years. The population of the retirement-age group, those 65 and older, is expected to expand rapidly (20.7 percent) during this five-year period. The working-age population of 25 to 64 will grow by approximately 4.3 percent, based largely on migration, as declining fertility in recent decades and the aging of the baby boomers will act as a drag on labor force gains. The college-aged population will experience a decline of 4.5 percent as fewer individuals enter this group due to the drop in fertility that started in the 1990’s.

Figure DEM-03 shows the projected cumulative growth by age group through 2018.



**THE CHALLENGES AND OPPORTUNITIES OF DEMOGRAPHIC CHANGE**

In past decades, baby boomers have posed multiple challenges to the state beginning with building classrooms and training enough teachers, to developing a higher education system that would accommodate the infusion of young adults, to growing the economy fast enough so they could find employment. Even now, baby boomers continue to reshape society as they begin to leave the labor force. In the next 15 years, well over 1,000 Californians will turn 65 each day.

California’s future generations will face a new set of challenges. While California’s baby boomers were considered culturally diverse and highly skilled compared to the rest of the nation, the next generation will be even more internationally and culturally complex, and will face employment in a technological future unimaginable in decades past.

Sustaining economic progress will require that all components of the workforce be prepared for the jobs that will drive California's economic future.

There are over 10 million foreign-born residents living in California, representing over one-fourth of the nation's total foreign-born population. Most are long settled in the state, with nearly three-quarters having arrived before 2000. Although historically the majority of California immigrants came from Mexico and Latin America, twice as many new arrivals came from Asian countries compared to Latin America in 2011. Throughout California's history, immigrants have provided major contributions to the state's labor force and fueled economic growth. Most immigrants arrive in California as young adults. While a significant proportion of the foreign born have a college degree, nearly half of the non-citizen foreign born have not completed high school.

Despite contributions of the foreign born to California's economic growth, the foreign-born population represents a disproportionate share of those living in poverty. Two factors that contribute to the higher poverty for immigrants include the lack of ability to speak English and lower educational attainment. Poverty is not only an issue for the foreign born, but also for their native-born children. Nearly half of all children in California have at least one foreign-born parent and among those children, more than one-fourth live in poverty.

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# ECONOMIC OUTLOOK

The trend of a very slow economic recovery continues. The uncertainty of federal fiscal policies has lessened in recent months. This appears to have had a positive effect on consumer and producer confidence. Overall, the economy is expected to improve, with slow and steady growth over the next few years. Unemployment rates for the nation and California continue to drop, with job creation and housing prices improving.

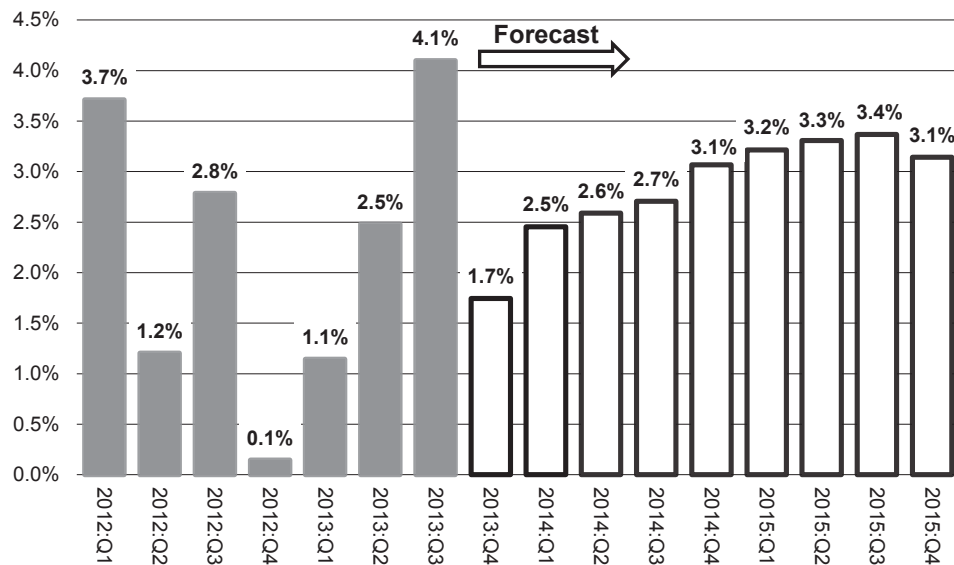
This outlook assumes that the debt ceiling will be raised as needed in the future, and that there will be no significant federal policy changes. Global growth is assumed to remain limited, but the risks of adverse events in Europe and elsewhere have receded.

## **THE NATION — SLOW, STEADY GROWTH**

Unemployment is falling, jobs are being created, and consumer confidence is improving. The federal government shutdown in 2013 and the uncertainty created by policy disagreements in Congress muted real GDP growth. However, growth is expected to pick up in 2014 to around 2.5 percent before increasing to over 3 percent in 2015 and 2016, as can be seen in Figure ECO-01.

The national unemployment rate decreased to 7 percent in November 2013, down from 7.8 percent at the end of 2012. Job growth has been fairly robust, with an average of 189,000 jobs added per month over this period. Although there have been ups and downs, this means the nation has recovered 94 percent of the jobs lost during the recession. The increased labor force from new entrants has kept the unemployment

Figure ECO-01  
**U.S. Real Gross Domestic Product**  
 Quarter-to-Quarter growth, annualized



Source: U.S. Bureau of Economic Analysis; CA Department of Finance Governor's Budget Forecast

rate elevated. There are very few signs of wage pressures that might lead to increased inflation, which is forecast to remain below 2 percent through 2015.

Consumption continues to be the main driver of growth for the economy, with purchases of durable goods rising strongly over the past few years. This will likely slow over the forecast period as pent-up demand following the recession trails off. Private domestic investment, such as purchases of producers' equipment, has been increasing faster than the rate of consumption, and should add to GDP growth over the forecast period. After a number of years of public sector cuts, government expenditures are not expected to decrease overall GDP growth. However, net exports continue to be a drag on growth, as import growth outpaces export growth.

**CALIFORNIA — A BROAD-BASED RECOVERY**

California's recovery spread to more sectors of the economy in 2013. The unemployment rate fell more quickly than the national rate, to 8.5 percent in November 2013 from 9.8 percent at the end of 2012. The labor force participation rate, which measures the number of employed and unemployed job-seekers as a percent of the population above 16 years of age, remained steady. For California, the labor force is expected to expand slowly despite the retirement of the baby boomers. The jobs lost during the recession

are not forecast to be recovered until the end of 2014, and the unemployment rate is not expected to drop below 7 percent until the middle of 2016. Given the slack in the job market, overall inflation is expected to remain below 2 percent in California for the next few years.

Job growth was relatively robust in 2013, and California should continue to add jobs at around a 2-percent annual growth rate (around 340,000 jobs a year) through 2016. Goods-producing jobs, such as in construction and manufacturing are growing at a slower rate than service-providing jobs. Of these, professional and business services jobs (including high technology jobs such as computer systems design and research and development), educational and health services jobs, and leisure and hospitality jobs should be added at a higher rate. Government jobs will begin to grow slowly after a number of years of cuts. As retirements increase, the need for highly skilled workers to replace retirees will also increase, as will the need for more health care professionals.

The housing market has been recovering, with prices of existing single-family homes up roughly 25 percent in October 2013 compared to October 2012. The supply of homes for sale has remained low, with the median number of days to sell at around 30, close to the same length of time as in 2005. Part of the explanation is that the home-ownership rate has fallen, to around 55 percent in 2012 versus a high of 60 percent in 2006. As California has a high proportion of renters, and average housing costs remain high, measurements of the poverty rate have been rising. If consumers have difficulties saving for a down payment given the slowly improving job market, the trends in favor of multi-family housing may continue for some time.

### **RISKS TO THE OUTLOOK**

Given the slow pace of the U.S. recovery so far, there are some risks to consider. First, the persistence of unemployment has meant slow income growth for a broad section of the population. The large numbers of job-seekers hold down wage growth for employees. This impacts the ability of people to save and invest, making it harder to buy homes and build up retirement accounts. The stock market growth in 2013 may have helped mitigate some of the decreased savings, but many retirees, particularly ones who were forced to retire early, may be living on reduced incomes. The U.S. economy is still very dependent on consumption, and lower incomes for large segments of the population will dampen future growth.

Second, economic expansions do not last forever. In the post-war period, the average expansion length is almost five years and the longest expansion was ten years. As of

## ECONOMIC OUTLOOK

December 2013, the current expansion has lasted four and a half years. While there are few signs of inflation or tight supply conditions that would trigger a contraction, it would be an historical anomaly for the U.S. not to see another recession before 2020.

One trigger for a negative turn in the business cycle could be an unexpectedly large adverse reaction to monetary policy changes by the Federal Reserve. Federal fiscal policy has generally been a drag on growth over the past few years and supportive monetary policy through low interest rates and bond purchases have helped counteract that. The strong performance of the stock market in 2013 is likely linked to these policies. The Federal Reserve has announced that they will begin to taper the pace of bond purchases in January 2014. While this should not have come as a surprise, previous announcements of a taper have caused large movements in the stock market. A large stock market drop in response to future moves by the Federal Reserve could trigger a broader negative impact on the economy.

See Figure ECO-02 for further details of the forecast.

Figure ECO-02

## Selected Economic Indicators

United States	2009	2010	2011	2012	2013	2014	2015
					Estimated	Projected	Projected
Nominal gross domestic product, \$ billions	\$ 14,418	\$ 14,958	\$ 15,534	\$ 16,245	\$ 16,755	\$ 17,435	\$ 18,291
Real gross domestic product, percent change	-2.8%	2.5%	1.8%	2.8%	1.7%	2.5%	3.1%
<i>Contributions to real GDP growth</i>							
Personal consumption expenditures	-1.1%	1.3%	1.7%	1.5%	1.3%	1.7%	1.9%
Gross private domestic investment	-3.5%	1.7%	0.7%	1.4%	0.7%	0.9%	1.4%
Net exports	1.1%	-0.5%	0.1%	0.1%	0.1%	-0.2%	-0.2%
Government purchases of goods and services	0.6%	0.0%	-0.7%	-0.2%	-0.4%	0.0%	0.0%
Personal income, \$ billions	\$ 12,082	\$ 12,435	\$ 13,191	\$ 13,744	\$ 14,133	\$ 14,783	\$ 15,494
Corporate profits, percent change	8.4%	25.0%	7.9%	7.0%	3.9%	4.2%	4.8%
Housing permits, thousands	583	605	624	830	--	--	--
Housing starts, thousands	554	586	612	783	913	1,139	1,472
Median sales price of existing homes	\$ 172,100	\$ 173,100	\$ 166,200	\$ 177,200	--	--	--
Federal funds rate, percent	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.4%
Consumer price index, percent change	-0.4%	1.6%	3.2%	2.1%	1.6%	1.7%	1.8%
Unemployment rate, percent	9.3%	9.6%	8.9%	8.1%	7.5%	6.9%	6.4%
Civilian labor force, millions	154.2	153.9	153.6	155.0	155.4	157.7	159.2
Nonfarm employment, millions	130.9	129.9	131.5	133.7	135.9	138.1	140.5
<b>California</b>							
Personal income, \$ billions	\$ 1,536	\$ 1,579	\$ 1,683	\$ 1,768	\$ 1,813	\$ 1,896	\$ 1,990
Made-in-California exports, percent change	-17.1%	19.2%	11.1%	1.6%	--	--	--
Housing permits, thousands	36	44	47	58	87	114	134
Housing unit change, thousands	70	36	36	45	--	--	--
Median sales price of existing homes	\$ 274,960	\$ 305,010	\$ 286,040	\$ 319,340	--	--	--
Consumer price index, percent change	-0.3%	1.3%	2.6%	2.2%	1.6%	1.8%	1.9%
Unemployment rate, percent	11.4%	12.3%	11.8%	10.5%	8.9%	7.9%	7.3%
Civilian labor force, millions	18.2	18.3	18.4	18.5	18.7	18.8	19.0
Nonfarm employment, millions	14.1	13.9	14.1	14.4	14.7	15.0	15.4
<i>Percent of total nonfarm employment</i>							
Mining and logging	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Construction	4.4%	4.0%	4.0%	4.1%	4.3%	4.3%	4.2%
Manufacturing	9.1%	8.9%	8.9%	8.7%	8.5%	8.5%	8.4%
High technology	2.5%	2.5%	2.5%	2.4%	2.3%	2.3%	2.3%
Trade, transportation, and utilities	18.8%	18.8%	18.9%	19.0%	19.0%	19.0%	18.9%
Information	3.1%	3.1%	3.0%	3.0%	2.9%	2.8%	2.8%
Financial activities	5.6%	5.5%	5.4%	5.4%	5.4%	5.4%	5.5%
Professional and business services	14.6%	14.9%	15.1%	15.5%	15.8%	16.0%	16.2%
High technology	2.2%	2.3%	2.4%	2.5%	2.5%	2.6%	2.7%
Educational and health services	12.5%	12.8%	13.0%	13.1%	13.0%	13.0%	13.0%
Leisure and hospitality	10.7%	10.8%	10.9%	11.1%	11.3%	11.5%	11.6%
Other services	3.5%	3.5%	3.5%	3.5%	3.5%	3.4%	3.4%
Government	17.6%	17.6%	17.1%	16.5%	16.1%	15.9%	15.7%

Forecast based on data available as of November 2013.

Percent changes calculated from unrounded data.

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## REVENUE ESTIMATES

California's economy is expected to continue its moderate improvement for the next couple of years. Although the economic outlook has not improved appreciably since the 2013 Budget Act was adopted, General Fund revenue is expected to be higher than the Budget Act forecast. The primary reason for this increase is the level of capital gains realizations for 2013 and 2014.

Figure REV-01 displays the forecast changes between the 2013 Budget Act and the Budget forecast. Revenue is expected to be \$100.1 billion in 2013-14 and \$106.1 billion in 2014-15. Over the budget window, there is an increase of \$6.3 billion. Revenue for 2012-13 has come approximately \$1.7 billion over forecast based on preliminary data. Revenue for 2013-14 is forecast to be about \$3 billion greater than the amount forecast at the time of the 2013 Budget Act. Revenue for 2014-15, before accounting for a \$1.6 billion Budget Stabilization Account transfer, is forecast to be almost \$1.6 billion greater than the amount forecast for the 2013 Budget Act. These increases are due primarily to a higher forecast for personal income tax (PIT). Sales tax revenue is projected to decrease slightly relative to the 2013 Budget Act, while corporate tax revenue is projected to drop by almost \$1.2 billion. The revenue forecast for 2014-15 is the first forecast to exceed the pre-recession revenue peak of \$102.6 billion, achieved in 2007-08.

The improved revenue forecast is attributable to the increased forecast for PIT, which is driven primarily by higher capital gains forecasts for both 2013 and 2014. The upward revision in capital gains growth is a result of the robust growth in stock prices during the second half of 2013, along with a growth in real estate values. At the time the forecast

Figure REV-01  
**2014-15 Governor's Budget**  
**General Fund Revenue Forecast**  
**Reconciliation with the 2013 Budget Act**  
(Dollars in Millions)

Source	Budget Act (a)	Governor's Budget	Change From Budget Act Forecast	
<b><u>Fiscal 12-13: Preliminary</u></b>				
Personal Income Tax	\$63,901	\$65,332	\$1,431	2.2%
Sales & Use Tax	20,240	20,482	\$242	1.2%
Corporation Tax	7,509	7,462	-\$47	-0.6%
Insurance Tax	2,156	2,221	\$65	3.0%
Vehicle License Fees	7	7	\$0	0.0%
Alcoholic Beverage	325	357	\$32	9.8%
Cigarette	91	90	-\$1	-1.1%
Other Revenues	2,218	2,150	-\$67	-3.0%
Transfers	<u>1,748</u>	<u>1,813</u>	<u>\$65</u>	3.7%
<b>Total</b>	<b>\$98,195</b>	<b>\$99,915</b>	<b>\$1,720</b>	<b>1.8%</b>
<b><u>Fiscal 13-14</u></b>				
Personal Income Tax	\$60,869	\$64,287	\$3,418	5.6%
Sales & Use Tax	22,983	22,920	-\$63	-0.3%
Corporation Tax	8,567	7,971	-\$596	-7.0%
Insurance Tax	2,200	2,143	-\$57	-2.6%
Alcoholic Beverage	332	350	\$18	5.4%
Cigarette	89	89	\$0	0.0%
Other Revenues	1,828	2,041	\$213	11.7%
Transfers	<u>331</u>	<u>346</u>	<u>\$15</u>	4.5%
<b>Total</b>	<b>\$97,199</b>	<b>\$100,147</b>	<b>\$2,948</b>	<b>3.0%</b>
Change from Fiscal 12-13	-\$995	\$233		
% Change from Fiscal 12-13	-1.0%	0.2%		
<b><u>Fiscal 14-15</u></b>				
Personal Income Tax	\$67,270	\$69,764	\$2,494	3.7%
Sales & Use Tax	24,216	24,071	-\$145	-0.6%
Corporation Tax	9,284	8,682	-\$602	-6.5%
Insurance Tax	2,265	2,297	\$32	1.4%
Alcoholic Beverage	339	357	\$18	5.3%
Cigarette	86	86	\$0	0.6%
Other Revenues	1,433	1,602	\$169	11.8%
Transfers	<u>-385</u>	<u>-765</u>	<u>-\$380</u>	98.8%
<b>Subtotal</b>	<b>\$104,508</b>	<b>\$106,095</b>	<b>\$1,586</b>	<b>1.5%</b>
Change from Fiscal 13-14	\$7,309	\$5,947		
% Change from Fiscal 13-14	7.5%	5.9%		
BSA Transfer	--	-1,591		
<b>Total</b>	<b>\$104,508</b>	<b>\$104,503</b>	<b>-\$5</b>	
<b>Three-Year Total (without BSA transfer)</b>			<b>\$6,255</b>	
<b>Three-Year Total (including BSA transfer)</b>			<b>\$4,663</b>	

(a) For comparison purposes, adjusted to reflect enactment of the Economic Development Initiative pursuant to Chapters 69 and 70, Statutes of 2013.



for the 2013 Budget Act was made, the S&P 500 index was expected to end 2013 at just over 1600. By early December of 2013, the S&P 500 index was around 1800. Besides the stock market, real estate price appreciation and permit activity was robust in 2013. For example, the value of non-residential permits in 2013 showed very large growth over the recent prior years and was not far from the peak levels of 2007.

At the 2013 Budget Act, capital gains for 2013 were expected to be \$58.4 billion, a drop of 44 percent relative to 2012. This decline reflected the expected shift of 20 percent of capital gains from 2013 into 2012 because of federal tax rate changes. The Budget forecast expects 2013 capital gains to be \$87.5 billion, a drop of only 16 percent relative to 2012. The extraordinary strength in the stock market for 2013 is expected to transition to slow and steady growth for 2014. This is expected to lead to continued above-normal capital gains in 2014, because much of the gains that individual taxpayers accrued during 2013 will be realized in later years. At the 2013 Budget Act, capital gains for 2014 were expected to be \$85.2 billion. The Budget forecasts 2014 capital gains to be \$108.3 billion. After 2014, capital gains income and associated revenue decline to more normal levels.

Figure REV-02 shows revenue from capital gains as a percentage of total General Fund revenue. As seen from this table, the amount of revenue the General Fund derives from capital gains can vary greatly from year to year. For instance, in 2007, capital gains contributed \$10.9 billion to the General Fund. By 2009, the contribution from capital gains had dropped to only \$2.3 billion.

Figure REV-02  
**Capital Gains Revenue**  
**As a Percent of General Fund Tax Revenues**  
(Dollars in Billions)

<b>Annual Values</b>	2004	2005	2006	2007	2008	2009	2010	2011	2012 <sup>P</sup>	2013 <sup>e</sup>	2014 <sup>e</sup>
Capital Gains Realizations	\$75.5	\$112.4	\$117.9	\$132.0	\$56.3	\$28.8	\$55.3	\$52.1	\$104.1	\$87.5	\$108.3
Tax Revenues from Capital Gains	\$6.1	\$9.2	\$9.6	\$10.9	\$4.6	\$2.3	\$4.7	\$4.2	\$10.6	\$8.9	\$11.1
<b>Fiscal Year Values</b>	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15
Tax Revenues from Capital Gains	\$7.0	\$9.3	\$10.0	\$9.0	\$3.9	\$3.0	\$4.5	\$6.1	\$10.1	\$9.5	\$10.5
Total General Fund Tax Revenues	\$80.4	\$91.0	\$93.8	\$95.8	\$79.5	\$84.6	\$90.1	\$83.3	\$96.3	\$98.1	\$105.5
Capital Gains Percentage	8.8%	10.3%	10.7%	9.4%	4.9%	3.5%	5.0%	7.3%	10.5%	9.7%	9.9%

<sup>P</sup> Preliminary

<sup>e</sup> Estimated

Figure REV-03 shows capital gains reported on California tax returns from 1970 through 2011. Although the level of capital gains has grown significantly since 1970 (along with the economy and total PIT revenue), capital gains volatility has been a constant.

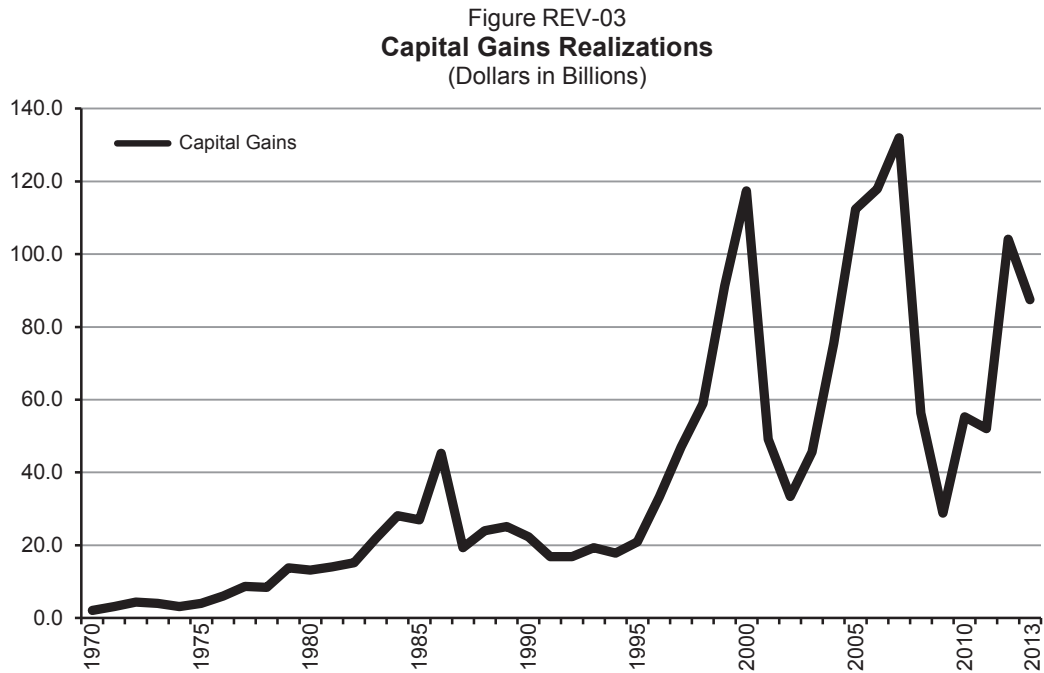
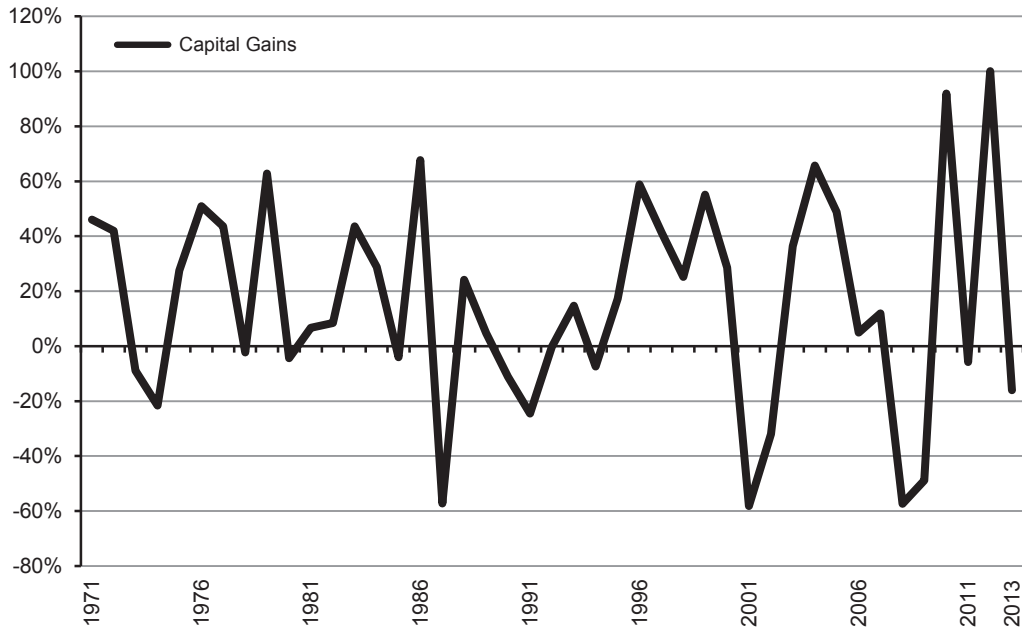


Figure REV-04 shows the year over year percentage change in capital gains since 1970. Growth exceeding 40 percent has been common. On the other hand, capital gains show an absolute year-over-year decline about one-quarter of the years, and declines exceeding 40 percent have happened four times during this period. History suggests that above-normal levels of capital gains eventually drop off.

The highest income Californians pay a large share of the state’s PIT taxes. For the 2011 tax year, the top 1 percent of income earners paid 41.1 percent of PIT taxes, down from the recent high of 48.1 percent in 2007. The share of total adjusted gross income for this group has increased from 13.8 percent in 1993, to 20.9 percent in 2011. Consequently, changes in the income of a relatively small group of taxpayers can have a significant impact on state revenues.

Figure REV-04  
**Capital Gains are Extremely Volatile**



These two related phenomena—significant reliance of General Fund on capital gains and on taxes paid by a small portion of the population—underscore the difficulty of forecasting PIT revenue, particularly in the long term, and the importance of budgeting in a way that does not build long-term commitments on windfall revenue. While there is a high level of confidence that 2013 capital gains will be well above normal levels and a reasonable level of confidence that 2014 capital gains will be above normal levels, it is very difficult to predict 2015 capital gains with any degree of confidence. As such, the Budget forecast for capital gains returns to normal levels as a percentage of personal income in 2015.

## LONG-TERM FORECAST

Figure REV-05 shows the forecast for the three largest General Fund revenues from 2012-13 through 2017-18. Total General Fund revenue from these sources is expected to grow from \$93.3 billion in 2012-13 to \$118 billion in 2017-18. The average year-over-year growth rate for this period is 6.8 percent.

Figure REV-05

**Long-Term Revenue Forecast - Three Largest Sources**

(General Fund Revenue - Dollars in Billions)

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	Average Year-Over-Year Growth
Personal Income Tax	\$65.3	\$64.3	\$69.8	\$73.5	\$77.4	\$81.3	7.2%
Sales and Use Tax	20.5	22.9	24.1	25.8	26.3	26.8	6.3%
Corporation Tax	7.5	8.0	8.7	9.3	9.7	9.8	5.3%
<b>Total</b>	<b>\$93.3</b>	<b>\$95.2</b>	<b>\$102.5</b>	<b>\$108.6</b>	<b>\$113.4</b>	<b>\$118.0</b>	6.8%
Growth	16.4%	2.0%	7.7%	5.9%	4.4%	4.1%	

Note: Numbers may not add due to rounding

The economic forecast reflects modest but steady growth over the next five years. The projected average growth rate in Gross Domestic Product over this period is 3 percent, a slightly slower rate than normal for an economic expansion. Most of the key drivers of the revenue forecast, such as total personal income, unemployment rate, and wages, are projected to grow at slightly slower rates than was projected for the 2013 Budget Act forecast. The long-term forecast reflects the sunset of the Proposition 30 sales tax rate increase halfway through 2016-17 and the elimination of the top three income tax brackets at the end of 2018.

**ECONOMIC DEVELOPMENT INITIATIVE**

Shortly after the 2013 Budget was adopted, the Legislature enacted the Governor’s proposal to reform California’s economic development programs. The state’s Enterprise Zone tax credit program, which was developed over 25 years ago, was failing to encourage the creation of new jobs and was, instead, rewarding employers for simply moving jobs from one place to another within the state. Additionally, the New Jobs Hiring Credit created in 2009 had not been effective at stimulating job growth.

In place of those two programs, three tax incentive programs were created. A new hiring credit is focused on specific areas that have high unemployment and poverty rates. This credit will be available for the hiring of long-term unemployed workers, unemployed veterans, ex-offenders previously convicted of a felony, recipients of the federal Earned Income Tax Credit, and people receiving public assistance. The new program also includes an upfront sales tax exemption for manufacturing or biotech research and development equipment purchases valued at up to \$200 million per business. Finally,

the California Competes tax credit will be administered by the Governor's Office of Business and Economic Development, which will negotiate agreements to provide businesses tax credits in exchange for investments and employment expansion in California.

This legislation is revenue neutral over five years and focuses on improving the performance of tax credits. It allows California to be more effective at stimulating economic growth and creating new jobs. The program is designed to allow small businesses to easily obtain the manufacturing sales tax exemption, and dedicates a portion of the hiring credit and the incentive fund solely to small businesses.

Figure REV-06 shows the revenue impact of the various components of the economic development initiative for the budget window.

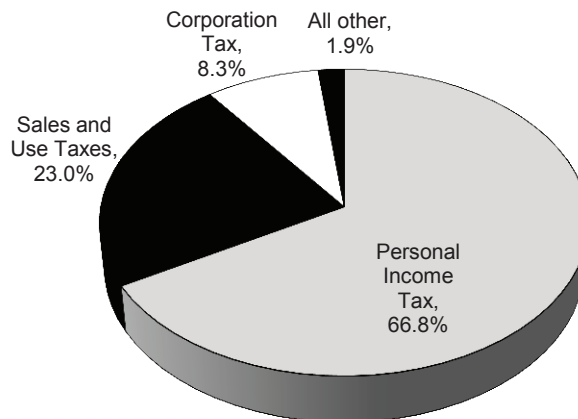
Figure REV-06  
**Economic Development Initiative**  
(Dollars in Millions)

	2012-13 Preliminary	2013-14 Forecast	2014-15 Forecast
Repeal Enterprise Zones	\$0	\$95	\$375
Repeal Hiring Credit	0	14	21
New Hiring Credit	0	-8	-37
Sales Tax Exemption for Manufacturing Equipment	0	0	-486
California Competes	0	0	-32
<b>Total</b>	<b>\$0</b>	<b>\$101</b>	<b>-\$159</b>

## GENERAL FUND REVENUE

In 2014-15, General Fund revenues and transfers represent 69.7 percent of total revenues reported in the Budget. Figure REV-07 shows the breakdown of General Fund revenues by taxation type. The remaining 30.3 percent consists of special fund revenues dedicated to specific programs.

Figure REV-07  
**2014-15 General Fund Revenues and Transfers = \$104.5 Billion**



**PERSONAL INCOME TAX**

The personal income tax (PIT) is the state’s largest single revenue source, accounting for 66.8 percent of all General Fund revenues and transfers in 2014-15.

Proposition 30 created three new income tax brackets for families with rates of 10.3 percent for taxable income above \$500,000, 11.3 percent for taxable income above \$600,000, and 12.3 percent for taxable income above \$1,000,000. These new tax brackets are in effect for seven years—tax years 2012 to 2018. Modeled closely on the federal income tax law, California’s PIT is imposed on net taxable income—gross income less exclusions and deductions. The tax rate structure is progressive over much of the income spectrum. For the 2012 tax year, the marginal rates ranged from 1 percent to 12.3 percent.

The largest income source for the PIT is wages and salaries. Although the year-over-year growth rates for wages tend to be less volatile than other income sources, wages and salaries includes some volatile types of compensation such as the vesting of restricted stock and restricted stock units, the exercise of most stock options, and bonus payments. In 2011, taxes attributable to wages and salaries accounted for over 63 percent of PIT revenues. Based on the economic forecast, wages and salaries are expected to rise by an average of 3.1 percent in 2013, followed by 5-percent growth in 2014, and 6 percent in 2015.

As noted previously, capital gains are expected to be above normal levels for 2013 and 2014. Forecasting capital gains beyond 2014 is difficult, since capital gains growth rates can fluctuate wildly. As such, the forecast assumes capital gains will return to historically normal levels beginning in 2015.

Pension income is a growing income source for PIT and accounted for 6 percent of PIT revenues in 2011. Pension income is increasing due to a growing 65 and over population and a strong stock market. Pension income is forecast to rise by 10.5 percent in 2013, 6.3 percent in 2014, and 6.3 percent in 2015. A significant reversal in the stock market could reduce these forecasted growth rates.

A portion of PIT revenue is for dedicated purposes and deposited into a special fund instead of the General Fund. Proposition 63, passed in November 2004, imposes a surcharge of 1 percent on taxable income over \$1 million. Revenue from the surcharge is transferred to the Mental Health Services Fund and used to fund mental health service programs. Revenues of \$1.5 billion are estimated for the 2012-13 fiscal year. Annual revenues of \$1.4 billion for 2013-14, and \$1.6 billion for 2014-15 are projected. The General Fund and the Mental Health Services Fund shares of PIT revenues for 2012-13 through 2014-15 are shown in Figure REV-08.

Figure REV-08  
**Personal Income Tax Revenue**  
(Dollars in Thousands)

	<b>2012-13 Preliminary</b>	<b>2013-14 Forecast</b>	<b>2014-15 Forecast</b>
General Fund	\$65,332,000	\$64,287,000	\$69,764,000
Mental Health Services Fund	1,477,000	1,375,000	1,587,000
<b>Total</b>	<b>\$66,809,000</b>	<b>\$65,662,000</b>	<b>\$71,351,000</b>

## SALES AND USE TAX

The sales and use tax (sales tax) is generally applied to the sale of merchandise, including vehicles, in the state. Sales and Use Tax revenues are forecast by relating taxable sales to economic factors such as income, employment, housing starts, new vehicle sales, and inflation. The sales tax is expected to generate General Fund revenues of \$22.9 billion in 2013-14 and \$24.1 billion in 2014-15. Revenue growth from 2013-14 to 2014-15 is muted due to a \$486 million reduction in 2014-15 revenues as a result of the start of the manufacturing equipment sales tax exemption on July 1, 2014. Receipts

## REVENUE ESTIMATES

from the sales tax, the state's second largest revenue source, are expected to contribute 23 percent of all General Fund revenues and transfers in 2014-15.

Figure REV-09 displays total sales tax revenues for the General Fund, and various special funds, for 2012-13 through 2014-15. Beginning on July 1, 2004, a temporary 0.25 percent state sales tax rate was imposed with revenues dedicated to the repayment of Economic Recovery Bonds. The total sales tax rate did not increase, however, as there was a concurrent drop in the Bradley-Burns rate for local governments. Once these bonds are repaid, which the Budget currently estimates to be in late 2014-15, this rate adjustment will sunset.

Figure REV-09  
**Sales Tax Revenue**  
(Dollars in Thousands)

	<b>2012-13 Preliminary</b>	<b>2013-14 Forecast</b>	<b>2014-15 Forecast</b>
General Fund	\$20,482,000	\$22,920,000	\$24,071,000
Sales and Use Tax-1991 Realignment	2,925,184	3,042,335	3,246,609
Sales and Use Tax-2011 Realignment	5,516,614	5,880,519	6,311,174
Economic Recovery Fund (a)	1,443,386	1,514,000	1,616,000
Other (b)	640,106	1,755,761	1,845,852
<b>Total</b>	<b>\$31,007,290</b>	<b>\$35,112,615</b>	<b>\$37,090,635</b>

(a) Economic Recovery Bonds are expected to be repaid by the end of 2014-15.

(b) Includes (1) Public Transportation Account: \$640.1 million in 2012-13, \$609.9 million in 2013-14, and \$593.2 million in 2014-15, and (2) Managed Care Organization Tax: \$1.2 billion in 2013-14, and \$1.3 billion in 2014-15.

Figure REV-10 displays the individual elements of the state and local sales tax rates.

Taxable sales, including sales of gasoline, increased by 8.3 percent in 2011-12. Based on preliminary data, it is estimated that taxable sales have increased by 5.9 percent in 2012-13. Growth is expected to continue at 5.5 percent in 2013-14, followed by 6.7 percent in 2014-15.

Over the last few years, wholesale trade has been the largest contributor to the sales tax base. Motor vehicle and parts dealer taxable sales realized the largest year-over-year growth of all sectors. Other significant contributors to the sales tax base include sales from gasoline stations and food services, which primarily include full-service restaurants, as well as food contractors and caterers.



Figure REV-10

**2014-15 State and Local Sales and Use Tax Rates (as of January 1, 2014)**

<b>State Rates</b>		
General Fund	4.19%	The permanent rate of 3.94% may be temporarily reduced by 0.25% if General Fund reserves exceed specified levels. As of January 1, 2013, Proposition 30 temporarily adds 0.25 percent to the General Fund rate.
Local Revenue Fund 2011	1.06%	Revenues attributable to a rate of 1.0625 percent is dedicated to the Local Revenue Fund 2011.
Local Revenue Fund	0.50%	Dedicated to local governments to fund health and social services programs transferred to counties as part of 1991 state-local realignment.
Economic Recovery Fund	0.25%	Beginning on July 1, 2004, a temporary 0.25% state sales tax rate was imposed, with a corresponding decrease in the Bradley-Burns rate. These revenues are dedicated to repayment of Economic Recovery Bonds. Once these bonds are repaid (currently estimated to be April 2015), this tax will sunset and the Bradley-Burns rate will return to 1%.
<b>Local Uniform Rates<sup>1</sup></b>		
Bradley-Burns	0.75% <sup>2</sup>	Imposed by city and county ordinance for general purpose use. <sup>3</sup>
Transportation Rate	0.25%	Dedicated for county transportation purposes.
Local Public Safety Fund	0.50%	Dedicated to cities and counties for public safety purposes. This rate was imposed temporarily by statute in 1993 and made permanent by the voters later that year through passage of Proposition 172.
<b>Local Add-on Rates</b>		
Transactions and Use Taxes	up to 2.00%	May be levied in 0.125% or 0.25% increments <sup>4</sup> up to a combined maximum of 2.00% in any county. <sup>5</sup> Any ordinance authorizing a transactions and use tax requires approval by the local governing board and local voters.

<sup>1</sup> These locally-imposed taxes are collected by the state for each county and city and are not included in the state's revenue totals.

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

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

<sup>4</sup> Increments imposed at 0.125 percent are only allowed when revenues are dedicated for library purposes.

<sup>5</sup> An exception to the 2 percent maximum is Los Angeles County, which may impose up to 2.5 percent.

The managed care organization tax is a tax on Medi-Cal managed care plan premiums through 2015-16, with the rate being equal to the state sales tax rate. Medi-Cal managed care plans are assessed the tax and proceeds are matched with federal funds to provide supplemental payments to plans. Remaining proceeds are used for the provision of health services to children and seniors and persons with disabilities in the Medi-Cal program.

Figure REV-11 shows combined state and local tax rates for each county including special rates for certain cities within those counties.

Figure REV-11  
**Combined State and Local Sales and Use Tax Rates by County**  
*(city rate provided if different from the county rate)*  
 Rates in Effect on January 1, 2014

County	Tax Rate	County	Tax Rate	County	Tax Rate
<b>Alameda</b> .....	9.00%	<b>Mendocino</b> .....	7.625%	<b>San Mateo</b> .....	9.00%
<b>Alpine</b> .....	7.50%	Point Arena, Ukiah, and Willits	8.125%	San Mateo	9.25%
<b>Amador</b> .....	8.00%	Fort Bragg	8.625%	Half Moon Bay	9.25%
.....	7.50%	<b>Merced</b> .....	7.50%	<b>Santa Barbara</b> .....	8.00%
<b>Calaveras</b> .....	7.50%	Atwater, Gustine,	8.00%	Santa Maria	8.25%
<b>Colusa</b> .....	7.50%	Los Banos, and Merced	8.00%	<b>Santa Clara</b> .....	8.75%
Williams	8.00%	<b>Modoc</b> .....	7.50%	Campbell	9.00%
<b>Contra Costa</b> .....	8.50%	<b>Mono</b> .....	7.50%	<b>Santa Cruz</b> .....	8.25%
Concord, Hercules, Orinda,	9.00%	Mammoth Lakes	8.00%	Watsonville	8.50%
Pinole, Pittsburg, and San Pablo	9.50%	<b>Monterey</b> .....	7.50%	Santa Cruz and Capitola	8.75%
El Cerrito and Moraga	9.50%	Salinas and Sand City	8.00%	<b>Shasta</b> .....	7.50%
<b>Del Norte</b> .....	7.50%	Carmel, Del Rey Oaks, Greenfield,	8.50%	<b>Sierra</b> .....	7.50%
<b>El Dorado</b> .....	7.50%	Marina, Pacific Grove,	8.50%	<b>Siskiyou</b> .....	7.50%
Placerville and South Lake Tahoe	8.00%	Seaside, and Soledad	8.00%	Mt. Shasta	7.75%
<b>Fresno</b> .....	8.225%	<b>Napa</b> .....	8.00%	<b>Solano</b> .....	7.625%
Reedley and Selma	8.725%	<b>Nevada</b> .....	7.625%	Vacaville	7.88%
Sanger	8.975%	Truckee and Grass Valley	8.125%	Rio Vista	8.38%
<b>Glenn</b> .....	7.50%	Nevada City	8.50%	Vallejo and Fairfield	8.63%
<b>Humboldt</b> .....	7.50%	<b>Orange</b> .....	8.00%	<b>Sonoma</b> .....	8.25%
Arcata, Eureka, and Trinidad	8.25%	La Habra	8.50%	Cotati, Rohnert Park, Santa Rosa,	8.75%
<b>Imperial</b> .....	8.00%	<b>Placer</b> .....	7.50%	Sonoma, and Healdsburg	9.00%
Calexico	8.50%	<b>Plumas</b> .....	7.50%	Sebastopol	9.00%
<b>Inyo</b> .....	8.00%	<b>Riverside</b> .....	8.00%	<b>Stanislaus</b> .....	7.625%
<b>Kern</b> .....	7.50%	Cathedral City and Palm Springs	9.00%	Ceres and Oakdale	8.125%
Ridgecrest	8.25%	<b>Sacramento</b> .....	8.00%	<b>Sutter</b> .....	7.50%
Arvin and Delano	8.50%	Galt and Sacramento	8.50%	<b>Tehama</b> .....	7.50%
<b>Kings</b> .....	7.50%	<b>San Benito</b> .....	7.50%	<b>Trinity</b> .....	7.50%
<b>Lake</b> .....	7.50%	San Juan Bautista	8.250%	<b>Tulare</b> .....	8.00%
Clearlake and Lakeport	8.00%	Hollister	8.50%	Visalia	8.25%
<b>Lassen</b> .....	7.50%	<b>San Bernardino</b> .....	8.00%	Tulare	8.50%
<b>Los Angeles</b> .....	9.00%	Montclair and San Bernardino	8.25%	Dinuba	8.75%
Avalon, Culver City,	9.50%	<b>San Diego</b> .....	8.00%	<b>Tuolumne</b> .....	7.50%
Commerce, El Monte, Inglewood,	10.00%	Vista	8.50%	Sonora	8.00%
Santa Monica, South El Monte,	10.00%	La Mesa	8.75%	<b>Ventura</b> .....	7.50%
and San Fernando	10.00%	El Cajon and National City	9.00%	Oxnard and Port Hueneme	8.00%
Pico Rivera, South Gate,	10.00%	<b>San Francisco</b> .....	8.75%	<b>Yolo</b> .....	7.50%
and La Mirada	10.00%	<b>San Joaquin</b> .....	8.00%	West Sacramento and Davis	8.00%
<b>Madera</b> .....	8.00%	<b>San Luis Obispo</b> .....	7.50%	Woodland	8.25%
<b>Marin</b> .....	8.50%	Arroyo Grande, Grover Beach,	8.00%	<b>Yuba</b> .....	7.50%
Fairfax, Novato, and San Rafael	9.00%	Morro Bay, Pismo Beach,	8.00%	Wheatland	8.00%
<b>Mariposa</b> .....	8.00%	San Luis Obispo, and Paso Robles			

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## CORPORATION TAX

Corporation tax revenues are expected to contribute 8.3 percent of all General Fund revenues and transfers in 2014-15. Corporation tax revenues were \$7.5 billion in 2012-13 and are expected to increase by 6.8 percent to \$8.0 billion in 2013-14. In 2014-15, they are expected to increase by 8.9 percent to \$8.7 billion. The 2013-14 revenues show more growth, in part, because of the passage of Proposition 39 (discussed below). Despite the projected year-over-year growth in corporation tax, receipts continue to be sluggish and are significantly affected by various tax law changes—primarily tax credits and income apportionment rules—that have been adopted in the last 25 years.

For 2011 and 2012, multi-state businesses could determine California taxable income based on one of two methods that they deemed most advantageous to them: (1) an apportioning formula which factors in their sales, property, and employees in this state, or (2) one based only on sales in California—frequently referred to as the single sales factor formula. The ability of corporations to use this election had a significant negative impact on corporation tax revenue.

Proposition 39, The California Clean Energy Jobs Act, passed by voters in November of 2012, requires most multi-state businesses to apportion their multi-state business income to California using single-sales-factor apportionment. Beginning in January 2013, Proposition 39 also removed the ability of some corporations to source their sales of services and intangibles to the state in which the majority of the work to produce that service or intangible was performed. Under Proposition 39, almost all taxpayers are required to source their sales of services and intangibles to the state into which the service or intangible is sold.

The Proposition 39 revenue estimate has decreased since the 2013 Budget Act was adopted. In May 2013, the Franchise Tax Board had estimated, using data from 2010 tax year returns, a revenue gain from Proposition 39 of \$928 million for 2013-14 and \$1 billion for 2014-15. A more recent estimate, using data from 2011 tax year returns, forecasts revenue gains of \$675 million for 2013-14 and \$726 million for 2014-15.

Also reducing corporation tax revenue is the continuing trend toward large refunds related to the resolution of taxpayer disputes from prior years. It is estimated that \$600 million in prior year refunds could be paid by the end of 2013-14, and our forecast assumes that this trend of refunds will continue.

## REVENUE ESTIMATES

The net impact of the Economic Development Initiative on the corporation tax is expected to be an increase of \$59 million in 2013-14 and \$189 million in 2014-15.

From 1943 through 1985, corporation tax liability as a percentage of profits closely tracked the corporation tax rate. Since 1986, increasing S-corporation activity and use of credits have been contributing to a divergence between profits and tax liability growth. Businesses that elect to form as S-corporations pay a reduced corporate rate, with the income and tax liability on that income passed through to owners and thus shifted to the personal income tax.

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### INSURANCE TAX

Most insurance policies written in California are subject to a 2.35 percent gross premiums tax. This premium tax takes the place of all other state and local taxes except those on real property and motor vehicles. In general, the basis of the tax is the amount of "gross premiums" received, less return premiums. The insurance tax is expected to generate General Fund revenues of \$2.1 billion in 2013-14 and \$2.3 billion in 2014-15.

The Department of Finance conducts an annual survey to project insurance premium growth. Responses were received this year from a sample representing about 39 percent of the dollar value of premiums written in California.

In 2012, \$120.2 billion in taxable premiums were reported, representing a decrease of 0.02 percent from 2011. The most recent survey indicates that total premiums will increase by 2.5 percent and 3.4 percent in 2013 and 2014, respectively. Survey respondents also reported 16.7 percent and 9.4 percent growth for taxable premiums from workers' compensation insurance in 2013 and 2014, respectively.

The primary reason for the decline in the insurance tax revenue estimate from 2012-13 to 2013-14 is refunds that are expected to be paid pursuant to a Board of Equalization decision in the *California Automobile Insurance Company* case. These refunds are also expected to dampen 2014-15 revenue. The California Department of Insurance estimates that the refunds resulting from this decision will equal \$223 million in 2013-14 and \$149 million in 2014-15.

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### ALCOHOLIC BEVERAGE TAXES

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

as follows: (1) \$0.20 for beer, dry wine, and sweet wine, (2) \$0.30 for sparkling wine, and (3) \$3.30 for distilled spirits.

Alcoholic beverage revenue estimates are based on projections of total and per capita consumption for each type of beverage. Consumption of alcoholic beverages is expected to decline by about 2 percent in 2013-14 before returning to an almost 2-percent increase in 2014-15. Revenues from this tax were \$357 million in 2012-13 and are forecast to be \$350 million in 2013-14 and \$357 million in 2014-15.

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## **CIGARETTE TAX**

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

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

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

Projections of cigarette tax revenues are based on projected per capita consumption of cigarettes and population growth, while revenue estimates for other tobacco products also rely on wholesale price data. The cumulative effect of product price increases, the increasingly restrictive environments for smokers, state anti-smoking campaigns funded by Proposition 99 Tobacco Tax and Health Protection Act revenues and revenues from the Master Tobacco Settlement, and the 2009 federal cigarette tax rate increase have reduced cigarette consumption considerably. This declining trend is expected to continue. Annual per capita consumption (based on population ages 18-64) declined

## REVENUE ESTIMATES

from 123 packs in 1989-90 to 84 packs in 1997-98 and 40 packs in 2011-12. This forecast assumes an annual decline in total consumption of approximately 3.6 percent.

Figure REV-12 shows the distribution of tobacco tax revenues for the General Fund and various special funds for 2012-13 through 2014-15.

Figure REV-12  
**Tobacco Tax Revenue**  
(Dollars in Millions)

	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
	<b>Preliminary</b>	<b>Forecast</b>	<b>Forecast</b>
General Fund	\$90.0	\$89.0	\$86.0
Cigarette and Tobacco Products Surtax Fund	277.8	264.0	256.0
Breast Cancer Fund	18.0	18.0	17.0
California Children and Families First Trust Fund	481.2	466.0	451.0
Cigarette and Tobacco Products Compliance Fund	1.7	1.5	1.5
<b>Total</b>	<b>\$868.7</b>	<b>\$838.5</b>	<b>\$811.5</b>

## PROPERTY TAXES

Although the property tax is a local revenue source, the amount of property tax generated each year has a substantial impact on the state budget because local property tax revenues allocated to K-14 schools generally offset General Fund expenditures.

Assessed value growth is estimated based on statistical modeling and evaluations of real estate trends. The median sales price of new and existing homes rose by over 12 percent in 2012 and 24 percent in 2013 (with activity in the 2013 calendar year driving fiscal year 2014-15 assessed valuations for property tax purposes). While sales volumes declined by approximately 3 percent in 2013, the impact on 2014-15 property tax revenues will be moderated by the significant increase in 2013 median prices, combined with the reassessment to current market value of homes whose assessed values were significantly reduced during the market downturn. This increase in property valuations, coupled with continuing declines in the number of foreclosures, indicates the state's real estate market is in a period of rebound. Despite this overall increase, however, there are still areas where sales volumes and property values continue to stagnate.

Statewide property tax revenues are estimated to increase 4.2 percent in 2013-14 and 6.3 percent in 2014-15, of which roughly 40 percent (\$22.3 billion) will go to K-14 schools. While this amount includes \$785 million that schools are expected to receive in 2014-15 pursuant to the dissolution of the RDAs, it does not include the \$1.6 billion shifted to cities and counties to replace sales and use tax revenues redirected from those entities to repay the Economic Recovery Bonds, nor does it include the \$6.8 billion shifted to cities and counties to replace Vehicle License Fee (VLF) revenue losses stemming from the reduced VLF rate of 0.65 percent.

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## **OTHER REVENUES**

### **UNCLAIMED PROPERTY**

The Budget reflects receipts of \$473 million in 2012-13, \$421 million in 2013-14, and \$446 million in 2014-15. These numbers reflect increases in receipts from life insurance companies.

### **INDIAN GAMING**

The Budget reflects General Fund revenues from tribal gaming of \$335 million in 2012-13 and \$332 million in 2013-14 and 2014-15. This revenue includes approximately \$95 million that is transferred annually from a special deposit fund to the General Fund for certain transportation programs that would otherwise be funded with revenues from a bond sale yet to occur. Absent a bond sale, the Administration proposes to continue this funding arrangement through 2015-16.

### **LOAN REPAYMENTS TO SPECIAL FUNDS**

The Budget reflects the repayment of loans to special funds based on the operational needs of the programs requiring these repayments. In addition, the Budget proposes early loan repayments for transportation and Cap and Trade to accelerate programmatic benefits, such as the maintenance of existing state highways. Total repayments are projected to be \$720.9 million and \$927 million in 2013-14 and 2014-15, respectively.

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## **SPECIAL FUND REVENUE**

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

Total special fund revenues are estimated to be \$43.1 billion in 2014-15. Taxes and fees related to motor vehicles are expected to comprise about 27 percent of all special fund revenue in 2014-15. The principal sources are motor vehicle fees (registration, weight, and vehicle license fees) and motor vehicle fuel taxes. During 2014-15, it is expected that about \$12 billion in revenues will be derived from the ownership or operation of motor vehicles. About 38 percent of all motor vehicle taxes and fees will be allocated to local governments, and the remaining portion will be used for state transportation programs.

**MOTOR VEHICLE FEES**

Motor vehicle fees and taxes consist of vehicle license, registration, weight, driver’s license, and other charges related to vehicle operation. Figure REV-13 displays revenue from these sources from 2012-13 through 2014-15.

The Vehicle License Fee (VLF) is imposed on vehicles that travel on public highways in California. The current VLF tax rate is 0.65 percent. This tax is imposed in lieu of a local personal property tax on automobiles and is administered by the Department of

Motor Vehicles. The number of vehicles in the state, the ages of those vehicles, and their most recent sales price affect the amount of VLF collected. The total number of vehicles in California—autos, trucks, trailers, and motorcycles including vehicles registered in multiple states—is estimated to be 29,910,283 in 2013-14 and is expected to increase to 30,413,022 in 2014-15. Consistent with expected increases in national new vehicle sales due to the availability of consumer credit, an improving employment picture, and projected increases to after-tax income, the forecast projects that there will be 2,027,262 new vehicles registered in 2013-14, increasing to 2,132,968 in 2014-15.

In addition to the VLF, truck owners pay a fee based on vehicle weight. Due partly to the expected increase in truck sales reflecting an improving business climate, weight fee revenues are expected to be \$945 million in 2013-14 and to increase by 1.3 percent to \$957.5 million in 2014-15.

Figure REV-13  
**Motor Vehicle Fees Special Fund Revenue**  
(Dollars in Thousands)

	<b>2012-13 Preliminary</b>	<b>2013-14 Forecast</b>	<b>2014-15 Forecast</b>
Vehicle License Fees	\$1,945,822	\$2,048,591	\$2,093,171
Registration, Weight, and Other Fees	<u>3,890,492</u>	<u>3,981,718</u>	<u>4,115,531</u>
<b>Total</b>	<b>\$5,836,314</b>	<b>\$6,030,309</b>	<b>\$6,208,702</b>



## MOTOR VEHICLE FUEL TAXES

The motor vehicle fuel tax, diesel fuel tax, and use fuel tax are the major sources of funds for maintaining, replacing, and constructing state highway and transportation facilities. Over one-third of these revenues are apportioned to local jurisdictions for a broad range of local road projects, including both maintenance of existing roads and construction of new roads. In addition, some jurisdictions choose to spend a portion of their allocation on improvements to the state highway system in their region to decrease traffic congestion. Motor vehicle fuel tax collections are shown in Figure REV-14.

Figure REV-14

### Motor Vehicle Fuel Tax Revenue

(Dollars in Thousands)

	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
	<b>Preliminary</b>	<b>Forecast</b>	<b>Forecast</b>
Gasoline <sup>1</sup>	\$5,170,066	\$5,684,733	\$5,208,178
Diesel	320,576	327,082	333,721
<b>Total</b>	<b>\$5,490,642</b>	<b>\$6,011,815</b>	<b>\$5,541,899</b>

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

The gallons of gasoline consumed were down 0.74 percent in 2012-13 when compared to the prior fiscal year. Gasoline consumption is expected to decrease 0.67 percent in both 2013-14 and 2014-15. Because most diesel fuel is consumed by the commercial trucking industry, the gallons consumed are affected most significantly by general economic conditions. A recovering economy is expected to contribute to growth of 2 percent in diesel consumption per year in 2013-14 and 2014-15.

The motor vehicle fuel tax (gas tax) is collected from distributors when fuel is loaded into ground transportation for transport to retail stations. This fuel is taxed at a rate of 39.5 cents per gallon under current law. The excise rate is adjusted annually so that the total amount of tax revenue generated is equal to what it would have been when gasoline was subject to the state sales tax rate. The Budget forecasts that the excise tax on gasoline will be 36.4 cents per gallon in 2014-15. Fuels subject to the gas tax include gasoline, natural gas, and blends of gasoline and alcohol sold for use on public streets and highways.

Distributors pay the diesel fuel tax, which applies to both pure diesel fuel and blends, at the fuel terminal. Diesel fuel for highway use is taxed at a rate of 10 cents per gallon in 2013-14. The excise rate is adjusted annually so that the total amount of tax revenue generated is neutral given the changes to the sales add-on for diesel fuel. Under current law, the sales tax rate add-on will decrease to 1.75 percent in 2014-15, and the Budget forecasts that the excise tax on diesel fuel will be adjusted to 11 cents per gallon

## REVENUE ESTIMATES

in 2014-15. Dyed diesel fuel, which is used for off-highway purposes such as farm equipment, is not taxed.

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### **SUMMARY OF STATE TAX SYSTEM**

The state's tax system is outlined at the end of this section in Figure REV-15. Tax collections per capita and per \$100 of personal income are displayed in Schedule 2 in the Appendix. The revenue generated from each state tax from 1970-71 through 2014-15 is displayed in Schedule 3 in the Appendix.

Figure REV-15  
**Outline of State Tax System  
as of January 1, 2014**

Major Taxes and Fees	Base or Measure	Rate	Administering Agency	Fund
<b>Alcoholic Beverage Excise Taxes:</b>				
Beer	Gallon	\$0.20	Equalization	General
Distilled Spirits	Gallon	\$3.30	Equalization	General
Dry Wine/Sweet Wine	Gallon	\$0.20	Equalization	General
Sparkling Wine	Gallon	\$0.30	Equalization	General
Hard Cider	Gallon	\$0.20	Equalization	General
<b>Corporation:</b>				
General Corporation	Net income	8.84% [1]	Franchise	General
Bank and Financial Corp.	Net income	10.84%	Franchise	General
Alternative Minimum Tax	Alt. Taxable Income	6.65%	Franchise	General
<b>Tobacco:</b>				
Cigarette	Package	\$0.87 [2]	Equalization	See below [2]
Other Tobacco Products	Wholesale cost	29.82% [3]	Equalization	See below [3]
<b>Insurance</b>				
Insurers	Gross Premiums	2.35% [4]	Insurance Dept.	General
<b>Liquor License Fees</b>	Type of license	Various	Alc. Bev. Control	General
<b>Motor Vehicle:</b>				
Vehicle License Fees (VLF)	Market value	0.65%	DMV	Motor VLF, Local Revenue [5]
Fuel—Gasoline	Gallon	\$0.360 [6]	Equalization	Motor Vehicle Fuel [7]
Fuel—Diesel	Gallon	\$0.10 [8]	Equalization	Motor Vehicle Fuel
Registration Fees	Vehicle	\$69.00	DMV	Motor Vehicle [9]
Weight Fees	Gross Vehicle Wt.	Various	DMV	State Highway
<b>Personal Income</b>	Taxable income	1.0-12.3% [10]	Franchise	General
Proposition 63 Surcharge	Taxable income > \$1 million	1.0%	Franchise	Mental Health Services
Alternative Minimum Tax	Alt. Taxable Income	7.0%	Franchise	General
<b>Retail Sales and Use</b>	Sales or lease of taxable items	7.50% [11]	Equalization	See below [11]
Medi-Cal managed care plans	Sales Tax on Gross Premiums	3.93%	Equalization	See below [12]

[1] Minimum Tax is \$800 per year for existing corporations. New corporations are exempt for the first two years.

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

[3] The surtax rate is determined annually by the BOE and is equivalent to the combined rate of tax applied to cigarettes, with funding for the Cigarette and Tobacco Products Surtax Fund and California Children and Families First Trust Fund. Effective July 1, 2013, through June 30, 2014, the rate is 29.82 percent of the wholesale cost.

[4] 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.

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

[6] As part of the fuel tax swap implemented beginning July 1, 2010, this rate was increased from 18 cents and will be adjusted each year to maintain revenue neutrality with the elimination of the General Fund portion of the sales tax on gasoline.

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

[8] As part of the fuel tax swap, this rate was decreased by 3 cents on July 1, 2012, and will be adjusted each year thereafter to maintain revenue neutrality to offset the increased sales tax on diesel.

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

[10] Proposition 30 (The Schools and Local Public Safety Protection Act of 2012) was passed by the California voters in November 2012. Proposition 30, for tax years 2012 through 2018, created three new income tax brackets with rates of 10.3 percent for taxable income over \$250,000, 11.3 percent for taxable income over \$300,000, and 12.3 percent for taxable income over \$500,000.

[11] The 7.50 percent rate includes the rates for General Fund, Special Funds, and uniform local rates. Additionally, cities and counties may generally assess up to an additional 2.00 percent to the statewide rate. This rate includes the passage of Proposition 30 (The Schools and Local Public Safety Protection Act of 2012), effective beginning January 1, 2013.

[12] Tax on Medi-Cal managed care plan premiums through 2015-16, with the rate being equal to the state sales tax rate.

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# **Appendices and Schedules**

# Budget Process Overview

The Governor's Budget is the result of a process that begins more than one year before the Budget becomes law. When presented to the Legislature on January 10 of each year, the Governor's Budget incorporates revenue and expenditure estimates based upon the most current information available through mid December. In the event that the Governor wants to change the Budget presented to the Legislature, including adjustments resulting from changes in population, caseload, or enrollment estimates, the Department of Finance (Finance) proposes adjustments to the Legislature during budget hearings through Finance Letters. During late spring, usually in May, Finance submits revised revenue and expenditure estimates for both the current and budget years to the Legislature. This update process is referred to as the May Revision. Finance also prepares monthly economic and cash revenue updates during the fiscal year. Listed below are the key documents used in the budget process.

<b>Title</b>	<b>Purpose</b>	<b>Prepared/Issued by</b>	<b>When</b>
Budget Letters and Management Memos	Convey the Administration's guidelines for budget preparation to agencies and departments.	Governor/Finance	January through December
Budget Change Proposals	Documents that propose to modify or change the existing level of service, propose new programs, or delete existing programs.	Agencies and departments submit to Finance analysts	July through September
Governor's Budget	Governor's proposed budget for the upcoming fiscal year.	Governor/Finance	January 10
Governor's Budget Summary	A summary of the Governor's Budget.	Governor/Finance	January 10
Budget Bill	Requests spending authorization to carry out the Governor's expenditure plan (legislative budget decision document).	Finance/Legislature	January 10
Analysis of the Budget	Analysis of the Budget, including recommendations for changes to the Governor's Budget.	Legislative Analyst	February
May Revision	Update of General Fund revenues, expenditures, and reserve estimates based on the latest economic forecast and changes in population, caseload, or enrollment estimates.	Finance	Mid-May
Budget Act	The primary annual expenditure authorization as approved by the Governor and Legislature, including a listing of the Governor's vetoes.	Legislature/Governor	Late June or enactment of the Budget
Final Budget Summary	Update of the individual Budget Act items with changes by the Governor's vetoes, including certain budget summary schedules.	Finance	Late July - August or 1-2 months after Budget enactment
Final Change Book	Update of changes to the detailed fiscal information in the Governor's Budget.	Finance	Late July - August or 1-2 months after Budget enactment



# Adjustments in Accounting Methods and Prior Year Fund Balances

Government Code section 13344 requires the Department of Finance (Finance) to clearly note in the Governor's Budget or related documents any adjustments of prior year fund balances and accounting methods. This requirement is to ensure the closest possible comparability of the Governor's Budget with the State Controller's Budgetary-Legal Basis Annual Report (Annual Report).

## **Accounting Methods**

No major changes were implemented or proposed since last year's report.

## **Prior Year Fund Balances**

Government Code section 13344 requires state departments to prepare and maintain financial and accounting data for inclusion in the Governor's Budget, Budget Act and related documents, and the State Controller's Annual Report, according to the methods and bases provided in regulations, budget letters, and other directives of Finance. Consistent with this requirement, Finance has continued to implement enhanced efforts in the reconciliation of special funds between the Governor's Budget documents provided to Finance and the year-end financial statements provided to the State Controller's Office by departments. The efforts include new additional in-person training, reconciliation package, and more complete certification requirements. Departments that are the designated fund administrators continue to be primarily responsible for the reconciliation, and Finance works very closely with the departments to ensure this is completed for all special funds. Special fund balances were reconciled using the best information available. However, final balances for the Annual Report are not available during the preparation of the Governor's Budget. Therefore, there will be some remaining variances in the spring when final balances become available.

# Statewide Financial Information

Provides various statewide displays of financial information included in the Budget that may be the most useful to the public, private sector, or other levels of government. Each statewide display includes a description of the information included.

**Schedule 1 *General Budget Summary***—Total statewide revenues and expenditures for the General Fund and special funds, and expenditure totals for selected bond funds.

**Schedule 2 *Summary of State Tax Collections***—State tax collections per capita and per \$100 of personal income.

**Schedule 3 *Comparative Yield of State Taxes***—Revenues for major state taxes.

**Schedule 4 *Positions and Salary Cost Estimates***—Position data and corresponding dollar amounts.

**Schedule 5A *Statement of Estimated Accounts Payable and Accounts Receivable***—Actual payable and receivable amounts as of the end of the last fiscal year and estimated amounts for the end of the current fiscal year and the next fiscal year.

**Schedule 5B *Actual 2012-13 Fiscal Year Cashflow***—Actual receipts, disbursements, borrowable resources, and cashflow loan balances for the last fiscal year.

**Schedule 5C *Estimated 2013-14 Fiscal Year Cashflow***—Projected receipts, disbursements, borrowable resources, and cashflow loan balances for the current fiscal year.

**Schedule 5D *Estimated 2014-15 Fiscal Year Cashflow***—Projected receipts, disbursements, borrowable resources, and cashflow loan balances for the next fiscal year.

**Schedule 6 *Summary of State Population, Employees, and Expenditures***—Historical data of state population, employees, personal income, revenues, and expenditures.

**Schedule 7 *General Fund Statement of Fund Balance***—Available upon request. Contact the Department of Finance, Budget Operations Support Unit, at (916) 445-5332.

**Schedule 8 *Comparative Statement of Revenues***—Detail of General Fund and special fund revenues by source for the past, current, and budget years within the following categories: (1) major taxes and licenses, (2) minor revenues, and (3) transfers and loans.

**Schedule 9 *Comparative Statement of Expenditures***—Detail of General Fund, special fund, selected bond fund, and federal fund expenditures included in the Governor's Budget by the following categories: (1) State Operations, (2) Local Assistance, (3) Capital Outlay, and (4) Unclassified.

**Schedule 10 *Summary of Fund Condition Statements***—A listing in alphabetical order of the beginning reserve, revenues, expenditures, and ending reserve for the General Fund and each special fund for the past, current, and budget years.

**Schedule 11 *Statement of General Obligation Bond and Commercial Paper Debt of the State of California***—List of all general obligation bonds including: maturity dates, authorized amount of bond issues, amounts of unissued bonds, redemptions, and outstanding issues, as well as authorized and outstanding commercial paper.

**Schedule 12A *State Appropriations Limit Summary***—Summary of Schedules 12B through 12E provides a calculation of the appropriations subject to the State Appropriations Limit and the Limit Room or Surplus.

**Schedule 12B *Revenues to Excluded Funds***—List of revenues in special funds NOT included in the calculation of total appropriations subject to the State Appropriations Limit.

**Schedule 12C *Non-Tax Revenues in Funds Subject to Limit***—Total of non-tax General and special fund

revenues deposited in funds that are otherwise included in the calculation of total appropriations subject to the State Appropriations Limit.

**Schedule 12D *State Appropriations Limit Transfer from Other Funds to Included Funds***—Detail of transfers between funds that are used in calculating the appropriations subject to the State Appropriations Limit.

**Schedule 12E *State Appropriations Limit Excluded Appropriations***—Exclusions from appropriations subject to the State Appropriations Limit.

**SCHEDULE 1  
GENERAL BUDGET SUMMARY<sup>1</sup>**  
(In Thousands)

	Reference to Schedule	General Fund	Special Funds	Selected Bond Fund Expenditures	Expenditure Totals
<b>2012-13</b>					
Prior year resources available	10	-\$825,570	\$7,689,796		
Revenues and transfers	8	99,915,162	37,327,247		
Expenditures	9	96,562,082	37,724,331	\$6,714,605	\$141,001,018
Fund Balance	10	\$2,527,510	\$7,292,712		
<i>Reserve for Liquidation of Encumbrances<sup>2</sup></i>					
		954,630	--		
<i>Reserves for Economic Uncertainties<sup>3</sup></i>					
		--	7,292,712		
<i>Special Fund for Economic Uncertainties<sup>3</sup></i>					
		1,572,880	--		
<b>2013-14</b>					
Prior year resources available	10	\$2,527,510	\$7,292,712		
Revenues and transfers	8	100,147,233	43,818,493		
Expenditures	9	98,462,715	41,152,941	\$8,180,595	\$147,796,251
Fund Balance	10	\$4,212,028	\$9,958,264		
<i>Reserve for Liquidation of Encumbrances<sup>2</sup></i>					
		954,630	--		
<i>Reserves for Economic Uncertainties<sup>3</sup></i>					
		--	9,958,264		
<i>Special Fund for Economic Uncertainties<sup>3</sup></i>					
		3,257,398	--		
<b>2014-15</b>					
Prior year resources available	10	\$4,212,028	\$9,958,264		
Revenues and transfers	8	104,502,705	45,333,772		
Expenditures	9	106,793,215	43,978,861	\$4,165,920	\$154,937,996
Fund Balance	10	\$1,921,518	\$11,313,175		
<i>Reserve for Liquidation of Encumbrances<sup>2</sup></i>					
		954,630	--		
<i>Reserves for Economic Uncertainties<sup>3</sup></i>					
		--	11,313,175		
<i>Special Fund for Economic Uncertainties<sup>3</sup></i>					
		966,888	--		
<i>Budget Stabilization Account/Rainy Day Fund</i>					
		1,591,412	--		

<sup>1</sup> The General Budget Summary includes the revenues and expenditures of all state funds that reflect the cost of state government and selected bond fund expenditures. The transactions involving other nongovernmental cost funds are excluded. The amounts included in this schedule for expenditures and revenues may not agree with those shown in Schedules 8, 9 and 10 due to rounding.

<sup>2</sup> The Reserve for Liquidation of Encumbrances represents an amount which will be expended in the future for state obligations for which goods and services have not been received at the end of the fiscal year. This reserve treatment is consistent with accounting methodology prescribed by Generally Accepted Accounting Principles (GAAP) and Government Code Sections 13306 and 13307.

<sup>3</sup> The Special Fund for Economic Uncertainties and the Reserves for Economic Uncertainties are reserve accounts for the General and special funds as provided by Section 5 of Article XIII B of the California Constitution.

**SCHEDULE 2**  
**SUMMARY OF STATE TAX COLLECTIONS**  
(Excludes Departmental, Interest, and Miscellaneous Revenue)

Fiscal Year	Per Capita Personal Income <sup>1,2</sup>	State Tax Collections (Dollars in Millions)		Taxes per Capita <sup>1</sup>		Taxes per \$100 of Personal Income <sup>3</sup>	
		General		General		General	
		Fund	Total	Fund	Total	Fund	Total
1967	\$3,878	\$3,558	\$4,676	\$185.55	\$243.86	\$4.78	\$6.29
1968	4,199	3,963	5,173	203.94	266.21	4.86	6.34
1969	4,525	4,126	5,409	208.96	273.94	4.62	6.05
1970	4,797	4,290	5,598	214.08	279.36	4.46	5.82
1971	5,027	5,213	6,597	256.22	324.24	5.10	6.45
1972	5,451	5,758	7,231	279.72	351.28	5.13	6.44
1973	5,943	6,377	7,877	305.57	377.45	5.14	6.35
1974	6,557	8,043	9,572	379.85	452.06	5.79	6.89
1975	7,136	9,050	10,680	420.19	495.87	5.89	6.95
1976	7,835	10,781	12,525	491.48	570.98	6.27	7.29
1977	8,571	12,951	14,825	579.41	663.25	6.76	7.74
1978	9,573	14,188	16,201	621.30	709.45	6.49	7.41
1979	10,718	16,904	19,057	726.83	819.41	6.78	7.64
1980	11,938	17,808	20,000	748.80	840.97	6.27	7.04
1981	13,148	19,053	21,501	784.78	885.62	5.97	6.74
1982	13,750	19,567	22,359	788.83	901.39	5.74	6.56
1983	14,531	22,300	25,674	880.14	1,013.30	6.06	6.97
1984	15,931	25,515	29,039	988.34	1,124.85	6.20	7.06
1985	16,801	26,974	30,898	1,021.63	1,170.25	6.08	6.97
1986	17,559	31,331	35,368	1,158.18	1,307.41	6.60	7.45
1987	18,487	31,228	35,611	1,126.67	1,284.81	6.09	6.95
1988	19,564	35,647	40,613	1,255.49	1,430.39	6.42	7.31
1989	20,502	37,248	43,052	1,278.16	1,477.32	6.23	7.21
1990	21,474	36,828	43,556	1,234.66	1,460.21	5.75	6.80
1991	21,743	40,072	48,856	1,315.62	1,604.01	6.05	7.38
1992	22,429	39,197	48,230	1,264.93	1,556.44	5.64	6.94
1993	22,716	38,351	48,941	1,224.72	1,562.90	5.39	6.88
1994	23,419	41,099	50,648	1,303.75	1,606.67	5.57	6.86
1995	24,486	44,825	54,805	1,413.51	1,728.20	5.77	7.06
1996	25,833	47,955	58,400	1,500.33	1,827.10	5.81	7.07
1997	27,090	53,859	64,826	1,659.61	1,997.56	6.13	7.37
1998	29,306	58,199	69,724	1,770.96	2,121.65	6.04	7.24
1999	30,753	70,027	81,773	2,095.45	2,446.93	6.81	7.96
2000	33,392	75,668	88,147	2,225.47	2,592.50	6.66	7.76
2001	34,031	62,679	73,295	1,816.12	2,123.70	5.34	6.24
2002	34,157	64,879	75,420	1,856.95	2,158.65	5.44	6.32
2003	35,162	70,229	81,628	1,984.49	2,306.60	5.64	6.56
2004	36,965	80,070	93,764	2,239.55	2,622.57	6.06	7.09
2005	38,798	90,468	105,860	2,514.02	2,941.74	6.48	7.58
2006	41,368	93,237	109,390	2,572.28	3,017.93	6.22	7.30
2007	42,800	95,290	111,778	2,606.95	3,058.01	6.09	7.14
2008	43,311	79,398	95,020	2,154.26	2,578.12	4.97	5.95
2009	41,439	84,537	99,284	2,280.02	2,677.76	5.50	6.46
2010	42,326	89,910	106,942	2,409.86	2,866.34	5.69	6.77
2011	44,802	82,850	106,351	2,205.21	2,830.72	4.92	6.32
2012 <sup>p</sup>	46,684	95,971	120,118	2,534.07	3,171.65	5.43	6.79
2013 <sup>e</sup>	47,461	97,781	124,158	2,559.41	3,249.82	5.39	6.85
2014 <sup>e</sup>	49,196	105,279	132,379	2,731.05	3,434.07	5.55	6.98

<sup>1</sup> Per capita computations are based on July 1 population estimates, benchmarked on the 2010 Census.

<sup>2</sup> Personal income data are on a calendar year basis (e.g., 2011 for 2011-12).

<sup>3</sup> Taxes per \$100 personal income computed using calendar year personal income (e.g. 2011 income related to 2011-12 tax collections).

<sup>p</sup> Preliminary.

<sup>e</sup> Estimated.

**SCHEDULE 3**  
**COMPARATIVE YIELD OF STATE TAXES, 1970-71 THROUGH 2014-15**  
**Includes both General and Special Funds**

(Dollars in Thousands)

Fiscal Year Beginning	Sales and Use (a)	Personal Income (b)	Corporation (c)	Tobacco (d)	Estate Inheritance and Gift (e)	Insurance (f)	Alcoholic Beverage (g)	Motor Vehicle Fuel (h)	Vehicle Fees (i)
1970	\$1,808,052	\$1,264,383	\$532,091	\$239,721	\$185,699	\$158,423	\$106,556	\$674,635	\$513,202
1971	2,015,993	1,785,618	662,522	247,424	220,192	170,179	112,091	712,426	547,845
1972	2,198,523	1,884,058	866,117	253,602	260,119	179,674	114,884	746,196	596,922
1973	2,675,738	1,829,385	1,057,191	258,921	231,934	201,697	119,312	742,702	644,448
1974	3,376,078	2,579,676	1,253,673	261,975	242,627	202,991	120,749	752,234	664,453
1975	3,742,524	3,086,611	1,286,515	268,610	316,648	241,224	125,313	766,555	749,936
1976	4,314,201	3,761,356	1,641,500	269,384	367,964	322,476	127,485	810,321	807,782
1977	5,030,438	4,667,887	2,082,208	273,658	365,092	387,560	132,060	850,181	924,410
1978	5,780,919	4,761,571	2,381,223	268,816	416,955	420,184	140,059	896,591	1,021,856
1979	6,623,521	6,506,015	2,510,039	290,043	465,611	446,228	138,940	852,752	1,096,640
1980	7,131,429	6,628,694	2,730,624	278,161	530,185	460,926	142,860	839,994	1,127,293
1981	7,689,023	7,483,007	2,648,735	276,824	482,300	454,984	139,523	833,446	1,373,354
1982	7,795,488	7,701,099	2,536,011	271,621	517,875	736,929	136,209	928,633	1,614,993
1983	8,797,865	9,290,279	3,231,281	263,231	236,452	457,490	137,433	1,213,167	1,906,290
1984	9,797,564	10,807,706	3,664,593	262,868	296,805	643,139	135,786	1,159,637	2,137,326
1985	10,317,930	11,413,040	3,843,024	258,141	252,810	839,939	132,262	1,194,172	2,515,295
1986	10,904,022	13,924,527	4,800,843	255,076	273,089	1,008,804	131,288	1,245,881	2,692,835
1987	11,650,531	12,950,346	4,776,388	250,572	304,148	1,158,321	128,734	1,293,254	2,966,334
1988	12,650,893	15,889,179	5,138,009	559,617	335,091	1,317,630	128,264	1,320,512	3,142,484
1989	13,917,771	16,906,568	4,965,389	787,076	388,527	1,167,684	128,524	1,349,146	3,305,711
1990	13,839,573	16,852,079	4,544,783	745,074	498,774	1,287,152	129,640	1,999,771	3,513,159
1991	17,458,521	17,242,816	4,538,451	726,064	446,696	1,167,307	321,352	2,457,229	4,369,862
1992	16,598,863	17,358,751	4,659,950	677,846	458,433	1,188,181	292,107	2,412,574	4,470,321
1993	16,857,369	17,402,976	4,809,273	664,322	552,139	1,196,921	275,797	2,547,633	4,518,795
1994	16,273,800	18,608,181	5,685,618	674,727	595,238	998,868	268,957	2,685,731	4,749,594
1995	17,466,584	20,877,687	5,862,420	666,779	659,338	1,131,737	269,227	2,757,289	5,009,319
1996	18,424,355	23,275,990	5,788,414	665,415	599,255	1,199,554	271,065	2,824,589	5,260,355
1997	19,548,574	27,927,940	5,836,881	644,297	780,197	1,221,285	270,947	2,853,846	5,660,574
1998	21,013,674	30,894,865	5,724,237	976,513	890,489	1,253,972	273,112	3,025,226	5,610,374
1999	23,451,570	39,578,237	6,638,898	1,216,651	928,146	1,299,777	282,166	3,069,694	5,263,245
2000	24,287,928	44,618,532	6,899,322	1,150,869	934,709	1,496,556	288,450	3,142,142	5,286,542
2001	23,816,406	33,046,665	5,333,036	1,102,807	915,627	1,596,002	292,627	3,295,903	3,836,904
2002	24,899,025	32,709,761	6,803,559	1,055,505	647,372	1,879,784	290,564	3,202,511	3,889,602
2003	26,506,911	36,398,983	6,925,916	1,081,588	397,848	2,114,980	312,826	3,324,883	4,415,126
2004	29,967,136	42,992,007	8,670,065	1,096,224	213,036	2,232,955	314,252	3,366,141	4,873,705
2005	32,201,082	51,219,823	10,316,467	1,088,703	3,786	2,202,327	318,276	3,393,381	5,078,529
2006	32,669,175	53,348,766	11,157,898	1,078,536	6,348	2,178,336	333,789	3,432,527	5,147,341
2007	31,972,874	55,745,970	11,849,097	1,037,287	6,303	2,172,936	327,260	3,418,413	5,212,811
2008	28,972,302	44,355,959	9,535,679	1,000,456	245	2,053,850	323,934	3,180,112	5,566,642
2009	31,197,154	45,650,901	9,114,589	922,986	0	2,180,786	311,242	3,163,694	6,726,967
2010	30,996,372	50,507,989	9,613,594	905,245	0	2,307,022	334,178	5,705,527	6,558,121
2011	28,542,238	55,449,292	7,233,000	895,677	0	2,416,073	346,000	5,544,530	5,907,866
2012 <sup>P</sup>	31,007,290	66,809,000	7,462,000	868,703	0	2,242,379	357,000	5,492,850	5,864,814
2013 <sup>*</sup>	35,112,616	65,662,000	7,971,000	838,518	0	2,143,000	350,000	6,014,023	6,052,182
2014 <sup>*</sup>	37,090,635	71,351,000	8,682,000	811,518	0	2,297,000	357,000	5,544,107	6,230,957

- (a) Includes the 0.5 percent Local Revenue Fund, the 1.0625 percent Local Revenue Fund 2011, the 0.25 percent sales tax, effective July 1, 2004, for repayment of economic recovery bonds, and the state sales tax rate of 6 percent from April 1, 2009 to June 30, 2011. Includes passage of Proposition 30, which increases the General Fund sales tax rate by 0.25 percent from January 1, 2013 to December 31, 2016. Includes revenue for a tax on Medi-Cal managed care premiums beginning in 2013-14, with the rate being equal to the state General Fund sales tax rate.
- (b) Includes the revenue for a 1-percent surcharge on taxable incomes over \$1 million, with proceeds funding mental health programs. Includes the 0.25 percent surcharge and reduced dependent exemption credit effective for tax years 2009 and 2010. Also includes the impact of Proposition 30, which establishes three additional tax brackets for tax years 2012 through 2018.
- (c) Includes the corporation tax, corporation income tax, LLC fees, and minimum franchise tax for corporations, partnerships, LLCs, and LLPs. From 1989 through 1997, it included the unitary election fee. Also includes impact of Proposition 39 beginning in tax year 2012.
- (d) Proposition 99 (November 1988) increased the cigarette tax to \$0.35 per pack and added an equivalent tax to other tobacco products. The Breast Cancer Act added \$0.02 per pack effective 1/1/94. Proposition 10 (November 1998) increased the cigarette tax to \$0.87 per pack and added the equivalent of \$1.00 tax to other tobacco products.
- (e) Proposition 6, an initiative measure adopted by the voters in June 1982, repealed the inheritance and gift taxes and imposed instead an estate tax known as "the pick-up tax," because it is designed to pick up the maximum credit allowed against the federal estate tax. The federal estate tax has undergone many changes since 2001. It was reinstated in January 2013 for deaths on and after January 1, 2013. The new federal tax operates in such a way as to effectively eliminate the state pick-up estate tax.
- (f) Includes insurance gross premiums tax on Medi-Cal managed care plans through June 30, 2013, to provide interim funding for the Healthy Families and Medi-Cal programs. A Board of Equalization decision regarding the taxation of premiums on a cash versus accrued basis has resulted in refunds of \$9.5 million in 2012-13, and estimated refunds of \$223 million and \$149 million in 2013-14 and 2014-15, respectively.
- (g) Alcoholic beverage excise taxes were increased effective July 15, 1991.
- (h) Motor vehicle fuel tax (gasoline), use fuel tax (diesel and other fuels), and jet fuel. Gasoline is taxed at 39.5 cents per gallon in 2013-14 and the Budget forecasts that the excise rate on gasoline will be 36.4 cents per gallon in 2014-15. The excise rate on diesel is 10 cents per gallon in 2013-14 and the Budget forecasts that the rate will increase to 11 cents per gallon in 2014-15.
- (i) Registration and weight fees, motor vehicle license fees, and other fees.

<sup>P</sup> Preliminary.  
<sup>\*</sup> Estimated.

**SCHEDULE 4**  
**POSITIONS AND SALARY COST ESTIMATES**  
(Excludes Staff Benefits <sup>1/</sup>)  
(Dollars in Thousands)

	Positions			Dollars		
	Actuals 2012-13	Estimated 2013-14	Proposed 2014-15	Actuals 2012-13	Estimated 2013-14	Proposed 2014-15
<b>Executive</b>						
Executive	14,448.5	14,954.7	15,050.6	\$928,127	\$1,023,074	\$1,043,985
Business, Consumer Services, and Housing	5,395.1	5,409.4	5,555.5	321,043	342,691	356,720
Transportation	39,222.0	39,014.5	39,824.5	2,873,428	3,081,459	3,135,882
Natural Resources	18,838.8	19,215.8	19,434.3	1,189,391	1,292,543	1,340,681
California Environmental Protection	4,957.6	4,939.5	5,421.2	373,441	400,373	444,223
Health and Human Services	30,938.0	32,617.5	32,626.6	2,052,675	2,401,289	2,432,090
Corrections and Rehabilitation	58,742.3	60,870.9	60,683.0	4,106,282	4,826,028	4,946,845
Education						
K thru 12 Education	2,854.1	2,845.3	2,852.3	172,884	181,901	184,820
Community Colleges/Other	317.2	330.9	338.9	26,007	28,359	29,388
Labor and Workforce Development	12,493.4	11,725.2	11,403.3	706,290	717,248	712,437
Government Operations	14,661.5	14,865.6	14,990.6	892,799	965,328	988,000
General Government	11,379.1	11,301.4	11,467.7	666,632	735,810	734,926
<b>SUBTOTAL, EXECUTIVE</b>	<b>214,247.6</b>	<b>218,090.7</b>	<b>219,648.5</b>	<b>\$14,308,999</b>	<b>\$15,996,103</b>	<b>\$16,349,997</b>
<b>Higher Education</b>						
University of California	87,600.2	89,790.2	89,790.2	\$7,034,740	\$7,384,135	\$7,384,144
Hastings College of Law	247.7	246.8	246.8	25,375	25,265	25,290
California State University	41,473.1	43,031.1	43,031.1	2,474,033	2,611,838	2,611,838
<b>SUBTOTAL, HIGHER EDUCATION</b>	<b>129,321.0</b>	<b>133,068.1</b>	<b>133,068.1</b>	<b>\$9,534,148</b>	<b>\$10,021,238</b>	<b>\$10,021,272</b>
<b>Legislative <sup>1/</sup></b>	750.0	750.0	750.0	\$59,049	\$57,368	\$58,141
<b>Judicial</b>	2,002.2	1,986.0	1,986.0	197,397	199,656	202,329
<b>GRAND TOTALS</b>	<b>346,320.8</b>	<b>353,894.8</b>	<b>355,452.6</b>	<b>\$24,099,593</b>	<b>\$26,274,365</b>	<b>\$26,631,739</b>

<sup>1/</sup> The numbers of positions include 120 legislators and staff at the Legislative Counsel Bureau. They do not include the Legislature's staff and Legislative Analyst's Office. Legislative members' staff benefits are included in the dollars.

**SCHEDULE 5A**  
**STATEMENT OF ESTIMATED ACCOUNTS PAYABLE AND ACCOUNTS RECEIVABLE**  
**GENERAL FUND**  
(Dollars in Thousands)

	Actual 2012-13 Fiscal Year Accruals <sup>1/2/</sup>		Estimated 2013-14 Fiscal Year Accruals <sup>2/3/</sup>		Estimated 2014-15 Fiscal Year Accruals <sup>2/3/</sup>		Net accruals June 30, 2015
	Accounts payable June 30, 2013	Accounts receivable June 30, 2013	Accounts payable June 30, 2014	Accounts receivable June 30, 2014	Accounts payable June 30, 2015	Accounts receivable June 30, 2015	
<b>STATE OPERATIONS</b>							
Legislative/Judicial/Executive	\$558,167	\$242,489	\$574,912	\$249,764	\$592,159	\$257,257	\$334,902
Business, Consumer Services, Housing	3,799	2,844	3,913	2,929	4,030	3,017	1,013
Transportation	40	1,081	41	1,113	42	1,146	-1,104
Natural Resources	545,030	450,335	561,381	463,845	578,222	477,760	100,462
California Environmental Protection	17,493	1,143	18,018	1,177	18,559	1,212	17,347
Health and Human Services:							
Health Care Services	5,970	1,868	1,175	1,924	1,210	1,982	-772
Developmental Services	68,115	125,812	70,158	129,586	72,263	133,474	-61,211
State Hospitals	280,359	47,973	288,770	49,412	297,433	50,894	246,539
Other Health and Human Services	150,995	204,398	155,575	210,793	160,242	217,117	-56,875
Corrections and Rehabilitation	1,031,714	618,801	1,062,665	637,365	1,094,545	656,486	438,059
Education:							
Department of Education	10,724	841	11,046	866	11,377	892	10,485
University of California	0	0	0	0	0	0	0
California State University	45	0	46	0	47	0	47
Other Education	13,286	6,394	13,685	6,586	14,096	6,784	7,312
Government Operations	94,813	81,546	97,657	83,992	100,587	86,512	14,075
General Government/Labor	215,363	1,338,694	221,824	1,378,855	228,479	1,420,221	-1,191,742
<b>Totals, State Operations</b>	<b>\$2,995,913</b>	<b>\$3,124,219</b>	<b>\$3,080,816</b>	<b>\$3,217,944</b>	<b>\$3,173,240</b>	<b>\$3,314,483</b>	<b>-\$141,243</b>
<b>LOCAL ASSISTANCE</b>							
Public Schools K-12	\$3,564,075	\$279,610	\$2,693,451	\$287,998	\$2,774,255	\$296,638	\$2,477,617
California Community Colleges	240,199	33,585	247,405	34,593	254,827	35,631	219,196
Other Education	42,122	2,856	43,386	2,942	44,688	3,030	41,658
Health Care Services (Non-Medi-Cal)	591,044	184,936	116,393	190,484	119,885	196,199	-76,314
Developmental Services	513,235	933,151	528,632	961,146	544,491	989,980	-445,489
State Hospitals	0	0	0	0	0	0	0
Social Services	302,511	853,475	311,586	879,079	320,934	905,451	-584,517
Other Health and Human Services	49,691	83,735	51,182	86,247	52,717	88,834	-36,117
Tax Relief	0	0	0	0	0	0	0
Other Local Assistance	11,167	6,212	11,502	6,398	11,847	6,590	5,257
<b>Totals, Local Assistance</b>	<b>\$5,314,044</b>	<b>\$2,377,560</b>	<b>\$4,003,537</b>	<b>\$2,448,887</b>	<b>\$4,123,644</b>	<b>\$2,522,353</b>	<b>\$1,601,291</b>
<b>TOTALS, ALL CHARACTERS</b>	<b>\$8,309,957</b>	<b>\$5,501,779</b>	<b>\$7,084,355</b>	<b>\$5,666,831</b>	<b>\$7,296,884</b>	<b>\$5,836,836</b>	<b>\$1,460,048</b>

<sup>1/</sup> Information per the State Controller's Office.

<sup>2/</sup> While the Governor's Reorganization Plan 2 did not become operational until July 1, 2013, all fiscal years above reflect an Agency display based on the Reorganization Plan.

<sup>3/</sup> 2013-14 and 2014-15 typically assume a 3% growth from the prior fiscal year, except for adjustments due to major one-time issues to conform with budget treatment.  
**Note:** Numbers may not add due to rounding.



**SCHEDULE 5B**  
**ACTUAL 2012-13 FISCAL YEAR CASH FLOW**  
**GENERAL FUND**  
(Dollars in Millions)

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
<b>BEGINNING CASH BALANCE</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>RECEIPTS:</b>													
Alcoholic Beverage Excise Tax	\$8	\$33	\$27	\$31	\$29	\$24	\$28	\$41	\$12	\$41	\$57	\$30	\$361
Corporation Tax	265	41	774	148	-100	984	36	144	1,501	1,424	291	2,112	7,620
Cigarette Tax	2	8	8	14	8	8	8	6	7	7	3	12	91
Inheritance, Gift and Estate Taxes	1	0	0	0	0	0	0	1	0	0	0	2	4
Insurance Tax	-5	207	323	18	202	321	21	18	201	428	183	327	2,244
Personal Income Tax	3,311	3,644	4,406	3,941	3,603	6,513	13,450	1,927	2,509	12,471	3,510	8,030	67,315
Retail Sales and Use Tax	587	2,505	1,468	684	2,677	472	1,576	2,994	1,525	539	2,996	2,050	20,073
Vehicle License Fee	1	1	1	1	1	0	0	0	1	1	0	0	7
Income from Pooled Money Investments	1	4	2	2	2	2	1	1	2	1	2	3	23
Transfer from Special Fund for Economic Uncertainties	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	346	483	568	263	790	215	326	457	272	528	500	939	5,687
<b>TOTAL, Receipts</b>	<b>\$4,517</b>	<b>\$6,926</b>	<b>\$7,577</b>	<b>\$5,102</b>	<b>\$7,212</b>	<b>\$8,539</b>	<b>\$15,446</b>	<b>\$5,589</b>	<b>\$6,030</b>	<b>\$15,440</b>	<b>\$7,542</b>	<b>\$13,504</b>	<b>\$103,425</b>
<b>DISBURSEMENTS:</b>													
State Operations:													
University of California	\$3	\$17	\$106	\$206	\$220	\$176	\$176	\$201	\$199	\$201	\$378	\$503	\$2,386
Debt Service	-31	353	472	786	411	99	-81	507	367	830	297	473	4,483
Other State Operations	1,521	1,338	1,756	2,196	793	1,578	1,196	1,334	1,229	1,723	1,506	3,092	19,262
Social Services	752	585	904	-188	699	638	724	579	537	397	463	394	6,484
Medi-Cal Assistance for DHCS	1,224	1,544	1,147	1,233	2,186	977	1,545	1,254	1,106	1,251	825	99	14,391
Other Health and Human Services	624	636	-5	241	394	221	209	240	-28	85	-409	-8	2,200
Schools	8,472	5,439	3,771	2,353	2,672	3,741	2,128	2,381	1,508	916	798	7,696	41,875
Teachers' Retirement	225	0	0	476	0	183	0	0	0	476	0	2	1,362
Transfer to Special Fund for Economic Uncertainties	0	0	0	0	0	0	948	-475	0	0	0	0	473
Transfer to Budget Stabilization Account	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	191	357	350	129	64	269	85	82	69	201	1,121	433	3,350
<b>TOTAL, Disbursements</b>	<b>\$12,981</b>	<b>\$10,259</b>	<b>\$9,501</b>	<b>\$7,432</b>	<b>\$7,439</b>	<b>\$7,882</b>	<b>\$6,930</b>	<b>\$6,103</b>	<b>\$4,987</b>	<b>\$6,080</b>	<b>\$4,979</b>	<b>\$12,684</b>	<b>\$96,266</b>
<b>EXCESS RECEIPTS/(DEFICIT)</b>	<b>-\$8,464</b>	<b>-\$3,343</b>	<b>-\$924</b>	<b>-\$2,330</b>	<b>-\$227</b>	<b>\$657</b>	<b>\$8,516</b>	<b>-\$514</b>	<b>\$1,044</b>	<b>\$9,360</b>	<b>\$2,563</b>	<b>\$820</b>	<b>\$7,158</b>
<b>NET TEMPORARY LOANS:</b>													
Special Fund for Economic Uncertainties	\$0	\$0	\$0	\$0	\$0	\$0	\$948	-\$475	\$0	-\$948	\$0	\$948	\$473
Budget Stabilization Account	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Internal Sources	8,464	-6,657	924	2,330	227	-657	-9,464	989	-1,044	-4,230	0	1,487	-7,632
External Borrowing/RANS	0	10,000	0	0	0	0	0	0	0	0	-2,500	-7,500	0
<b>TOTAL, Net Temporary Loans</b>	<b>\$8,464</b>	<b>\$3,343</b>	<b>\$924</b>	<b>\$2,330</b>	<b>\$227</b>	<b>-\$657</b>	<b>-\$8,516</b>	<b>\$514</b>	<b>-\$1,044</b>	<b>-\$5,178</b>	<b>-\$2,500</b>	<b>-\$5,065</b>	<b>-\$7,159</b>
<b>ENDING CASH BALANCE</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,182</b>	<b>\$4,245</b>	<b>\$0</b>	<b>\$0</b>
<b>AVAILABLE/BORROWABLE RESOURCES:</b>													
Special Fund for Economic Uncertainties	\$475	\$475	\$475	\$475	\$475	\$475	\$1,423	\$948	\$948	\$948	\$948	\$948	\$948
Budget Stabilization Account	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Internal Sources	21,815	10,925	23,458	22,377	21,836	22,659	21,876	22,703	22,141	20,416	20,110	20,267	20,267
External Borrowing/RANS	0	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	7,500	0	0
<b>TOTAL, Available/Borrowable Resources</b>	<b>\$22,290</b>	<b>\$33,015</b>	<b>\$33,933</b>	<b>\$32,852</b>	<b>\$32,311</b>	<b>\$33,134</b>	<b>\$33,299</b>	<b>\$33,651</b>	<b>\$33,090</b>	<b>\$31,364</b>	<b>\$28,558</b>	<b>\$21,215</b>	<b>\$21,215</b>
<b>CUMULATIVE LOAN BALANCES:</b>													
Special Fund for Economic Uncertainties	\$475	\$475	\$475	\$475	\$475	\$475	\$1,423	\$948	\$948	\$0	\$0	\$0	\$948
Budget Stabilization Account	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Internal Sources	17,582	10,925	11,849	14,179	14,406	13,749	4,285	5,274	4,230	0	0	1,487	1,487
External Borrowing/RANS	0	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	7,500	0	0
<b>TOTAL, Cumulative Loan Balances</b>	<b>\$18,057</b>	<b>\$21,400</b>	<b>\$22,324</b>	<b>\$24,654</b>	<b>\$24,881</b>	<b>\$24,224</b>	<b>\$15,708</b>	<b>\$16,222</b>	<b>\$15,178</b>	<b>\$10,000</b>	<b>\$7,500</b>	<b>\$2,435</b>	<b>\$2,435</b>
<b>UNUSED BORROWABLE RESOURCES</b>	<b>\$4,233</b>	<b>\$11,615</b>	<b>\$11,608</b>	<b>\$8,198</b>	<b>\$7,430</b>	<b>\$8,911</b>	<b>\$17,591</b>	<b>\$17,429</b>	<b>\$17,912</b>	<b>\$21,364</b>	<b>\$21,058</b>	<b>\$18,780</b>	<b>\$18,780</b>

Note: Numbers may not add due to rounding.  
Source: State Controller's Office

**SCHEDULE 5C**  
**ESTIMATED 2013-14 FISCAL YEAR CASHFLOW**  
**GENERAL FUND**  
(Dollars in Millions)

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
<b>BEGINNING CASH BALANCE</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>RECEIPTS:</b>													
Alcoholic Beverage Excise Tax	\$5	\$59	\$4	\$30	\$27	\$30	\$35	\$22	\$25	\$29	\$29	\$30	\$325
Corporation Tax	218	66	812	164	-139	1,307	70	37	1,370	1,512	178	2,191	7,786
Cigarette Tax	7	1	14	7	8	7	8	7	7	7	7	9	89
Inheritance, Gift and Estate Taxes	0	3	0	0	0	0	0	0	0	0	0	2	5
Insurance Tax	20	204	335	13	159	378	13	15	103	458	103	371	2,172
Personal Income Tax	3,641	3,721	5,318	4,172	3,106	6,936	10,406	1,579	2,706	10,871	3,426	8,623	64,505
Retail Sales and Use Tax	754	2,701	1,895	776	2,592	1,787	1,336	2,899	1,655	674	3,213	2,292	22,574
Vehicle License Fee	0	0	0	0	0	0	0	0	0	0	0	0	1
Income from Pooled Money Investments	1	3	2	1	2	2	2	1	3	2	1	1	25
Transfer from Special Fund for Economic Uncertainties	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	177	287	164	174	590	136	575	287	91	128	321	1,078	4,008
<b>TOTAL Receipts</b>	<b>\$4,823</b>	<b>\$7,045</b>	<b>\$8,544</b>	<b>\$5,337</b>	<b>\$6,345</b>	<b>\$10,583</b>	<b>\$12,445</b>	<b>\$4,847</b>	<b>\$5,960</b>	<b>\$13,681</b>	<b>\$7,278</b>	<b>\$14,603</b>	<b>\$101,490</b>
<b>DISBURSEMENTS:</b>													
State Operations:													
University of California	\$56	\$24	\$114	\$217	\$217	\$218	\$418	\$718	\$218	\$218	\$435	\$1	\$2,854
Debt Service	8	362	335	804	454	107	18	415	656	1,247	357	252	5,015
Other State Operations	2,000	1,550	1,950	1,866	1,402	1,575	1,544	1,314	1,331	1,728	1,642	1,363	19,265
Social Services	768	605	739	804	385	502	600	566	600	476	354	309	6,768
Medi-Cal Assistance for DHCS	2,539	1,434	1,728	1,364	1,135	1,725	1,064	1,302	1,228	1,328	1,586	243	16,676
Other Health and Human Services	916	-139	406	388	181	172	368	248	113	-12	25	-15	2,661
Schools	7,265	4,547	5,300	2,636	3,672	4,403	3,626	2,755	4,225	1,476	165	2,648	42,718
Teachers' Retirement	183	0	0	489	0	199	0	0	0	489	0	2	1,362
Transfer to Special Fund for Economic Uncertainties	0	0	0	0	0	0	123	0	0	0	0	0	123
Transfer to Budget Stabilization Account	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	-432	100	373	320	143	375	105	117	160	254	168	898	2,581
<b>TOTAL Disbursements</b>	<b>\$13,303</b>	<b>\$8,483</b>	<b>\$10,945</b>	<b>\$8,898</b>	<b>\$7,559</b>	<b>\$9,276</b>	<b>\$7,926</b>	<b>\$7,435</b>	<b>\$8,631</b>	<b>\$7,204</b>	<b>\$4,732</b>	<b>\$5,701</b>	<b>\$100,023</b>
<b>EXCESS RECEIPTS/(DEFICIT)</b>	<b>-\$8,480</b>	<b>-\$1,438</b>	<b>-\$2,401</b>	<b>-\$3,561</b>	<b>-\$1,214</b>	<b>\$1,307</b>	<b>\$4,519</b>	<b>-\$2,588</b>	<b>-\$2,571</b>	<b>\$6,477</b>	<b>\$2,546</b>	<b>\$8,902</b>	<b>\$1,467</b>
<b>NET TEMPORARY LOANS:</b>													
Special Fund for Economic Uncertainties	\$0	\$0	\$0	\$0	\$0	\$0	\$123	\$0	\$0	\$0	\$0	-\$103	\$19
Budget Stabilization Account	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Internal Sources	8,480	-4,062	2,401	3,561	1,245	-1,307	-4,642	2,588	2,571	-6,477	-1,046	-4,799	-1,487
External Borrowing	0	5,500	0	0	0	0	0	0	0	0	-1,500	-4,000	0
<b>TOTAL, Net Temporary Loans</b>	<b>\$8,480</b>	<b>\$1,438</b>	<b>\$2,401</b>	<b>\$3,561</b>	<b>\$1,245</b>	<b>-\$1,307</b>	<b>-\$4,519</b>	<b>\$2,588</b>	<b>\$2,571</b>	<b>-\$6,477</b>	<b>-\$2,546</b>	<b>-\$8,902</b>	<b>-\$1,468</b>
<b>ENDING CASH BALANCE</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>AVAILABLE/BORROWABLE RESOURCES:</b>													
Special Fund for Economic Uncertainties	\$948	\$948	\$948	\$948	\$948	\$948	\$1,071	\$1,071	\$1,071	\$1,071	\$1,071	\$1,071	\$1,071
Budget Stabilization Account	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Internal Sources	19,209	21,112	20,837	20,734	21,519	19,487	17,973	19,498	20,087	19,732	20,398	20,665	20,665
External Borrowing	0	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	4,000	0	0
<b>TOTAL, Available/Borrowable Resources</b>	<b>\$20,157</b>	<b>\$27,560</b>	<b>\$27,285</b>	<b>\$27,183</b>	<b>\$27,967</b>	<b>\$25,935</b>	<b>\$24,544</b>	<b>\$26,069</b>	<b>\$26,658</b>	<b>\$26,303</b>	<b>\$25,469</b>	<b>\$21,736</b>	<b>\$21,736</b>
<b>CUMULATIVE LOAN BALANCES:</b>													
Special Fund for Economic Uncertainties	\$948	\$948	\$948	\$948	\$948	\$948	\$1,071	\$1,071	\$1,071	\$1,071	\$1,071	\$1,071	\$968
Budget Stabilization Account	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Internal Sources	9,967	5,905	8,306	11,867	13,111	11,804	7,162	9,750	12,321	5,844	4,799	0	0
External Borrowing	0	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	4,000	0	0
<b>TOTAL, Cumulative Loan Balances</b>	<b>\$10,915</b>	<b>\$12,353</b>	<b>\$14,754</b>	<b>\$18,315</b>	<b>\$19,560</b>	<b>\$18,253</b>	<b>\$13,733</b>	<b>\$16,321</b>	<b>\$18,892</b>	<b>\$13,415</b>	<b>\$9,870</b>	<b>\$968</b>	<b>\$668</b>
<b>UNUSED BORROWABLE RESOURCES</b>	<b>\$9,242</b>	<b>\$15,207</b>	<b>\$12,531</b>	<b>\$8,868</b>	<b>\$8,407</b>	<b>\$7,683</b>	<b>\$10,811</b>	<b>\$9,748</b>	<b>\$7,766</b>	<b>\$13,888</b>	<b>\$15,599</b>	<b>\$20,768</b>	<b>\$20,768</b>
<b>Cash and Unused Borrowable Resources</b>	<b>\$9,242</b>	<b>\$15,207</b>	<b>\$12,531</b>	<b>\$8,868</b>	<b>\$8,407</b>	<b>\$7,683</b>	<b>\$10,811</b>	<b>\$9,748</b>	<b>\$7,766</b>	<b>\$13,888</b>	<b>\$15,599</b>	<b>\$20,768</b>	<b>\$20,768</b>

Note: Numbers may not add due to rounding.

**SCHEDULE 5D**  
**ESTIMATED 2014-15 FISCAL YEAR CASHFLOW**  
**GENERAL FUND**  
(Dollars in Millions)

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
<b>BEGINNING CASH BALANCE</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>RECEIPTS:</b>													
Alcoholic Beverage Excise Tax	\$35	\$28	\$31	\$30	\$30	\$30	\$36	\$23	\$25	\$29	\$29	\$30	\$356
Corporation Tax	281	-48	918	45	1	1,066	173	171	1,398	1,651	256	2,402	8,314
Cigarette Tax	8	8	8	7	8	7	7	6	7	7	7	7	87
Inheritance, Gift and Estate Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0
Insurance Tax	11	151	408	16	141	413	14	17	112	499	113	403	2,298
Personal Income Tax	3,653	3,953	5,444	4,096	3,703	6,798	11,135	1,862	2,994	13,432	3,711	8,937	69,918
Retail Sales and Use Tax	912	3,059	1,825	945	2,814	2,323	1,013	2,962	1,683	685	3,320	2,369	23,910
Vehicle License Fee	0	0	0	0	0	0	0	0	0	0	0	0	0
Income from Pooled Money Investments	2	2	2	3	3	2	3	2	3	2	1	6	31
Transfer from Special Fund for Economic Uncertainties	0	0	0	0	0	0	104	0	0	0	0	0	104
Other	143	221	124	108	395	70	141	272	88	87	318	625	2,592
<b>TOTAL, Receipts</b>	<b>\$5,245</b>	<b>\$7,374</b>	<b>\$8,760</b>	<b>\$5,250</b>	<b>\$7,095</b>	<b>\$10,709</b>	<b>\$12,626</b>	<b>\$5,315</b>	<b>\$6,310</b>	<b>\$16,392</b>	<b>\$7,755</b>	<b>\$14,780</b>	<b>\$107,610</b>
<b>DISBURSEMENTS:</b>													
State Operations:													
University of California	\$476	\$228	\$228	\$228	\$228	\$228	\$228	\$228	\$228	\$228	\$456	\$3	\$2,987
Debt Service	18	437	426	1,012	400	121	18	492	645	1,415	214	150	5,348
Other State Operations	2,307	1,701	2,015	2,051	1,403	1,825	1,476	1,410	1,390	1,780	1,622	1,394	20,374
Social Services	956	463	497	347	485	472	472	562	503	421	302	530	6,033
Medi-Cal Assistance for DHCS	2,168	1,512	1,398	1,513	1,409	1,450	1,523	1,568	1,319	1,495	1,501	15	16,871
Other Health and Human Services	618	314	299	398	215	203	203	264	167	28	1	-6	2,617
Schools	8,270	2,431	5,667	3,488	3,398	5,165	3,603	3,275	5,321	3,180	3,010	5,108	51,916
Teachers' Retirement	199	0	0	505	0	215	0	0	0	505	0	2	1,426
Transfer to Special Fund for Economic Uncertainties	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer to Budget Stabilization Account	0	0	3,183	0	0	0	0	0	0	0	0	0	3,183
Other	532	810	527	171	218	272	58	79	98	186	121	871	3,942
<b>TOTAL, Disbursements</b>	<b>\$15,544</b>	<b>\$7,896</b>	<b>\$14,240</b>	<b>\$9,713</b>	<b>\$7,756</b>	<b>\$9,887</b>	<b>\$7,581</b>	<b>\$7,878</b>	<b>\$9,671</b>	<b>\$9,238</b>	<b>\$7,227</b>	<b>\$8,067</b>	<b>\$114,697</b>
<b>EXCESS RECEIPTS/(DEFICIT)</b>	<b>-\$10,299</b>	<b>-\$222</b>	<b>-\$5,480</b>	<b>-\$4,463</b>	<b>-\$661</b>	<b>\$822</b>	<b>\$5,045</b>	<b>-\$2,564</b>	<b>-\$3,361</b>	<b>\$7,154</b>	<b>\$528</b>	<b>\$6,713</b>	<b>-\$7,087</b>
<b>NET TEMPORARY LOANS:</b>													
Special Fund for Economic Uncertainties	\$103	\$0	\$0	\$0	\$0	\$0	-\$104	\$0	\$0	\$0	\$0	\$0	-\$1
Budget Stabilization Account	0	0	1,591	0	0	0	0	0	0	0	0	0	1,591
Other Internal Sources	10,195	522	389	4,463	661	-822	-4,941	2,564	3,361	-7,154	-528	-3,213	5,496
External Borrowing	0	0	3,500	0	0	0	0	0	0	0	0	-3,500	0
<b>TOTAL, Net Temporary Loans</b>	<b>\$10,298</b>	<b>\$522</b>	<b>\$5,480</b>	<b>\$4,463</b>	<b>\$661</b>	<b>-\$822</b>	<b>-\$5,045</b>	<b>\$2,564</b>	<b>\$3,361</b>	<b>-\$7,154</b>	<b>-\$528</b>	<b>-\$6,713</b>	<b>\$7,086</b>
<b>ENDING CASH BALANCE</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>AVAILABLE/BORROWABLE RESOURCES:</b>													
Special Fund for Economic Uncertainties	\$1,071	\$1,071	\$1,071	\$1,071	\$1,071	\$1,071	\$967	\$967	\$967	\$967	\$967	\$967	\$967
Budget Stabilization Account	0	0	1,591	1,591	1,591	1,591	1,591	1,591	1,591	1,591	1,591	1,591	1,591
Other Internal Sources	19,694	22,352	21,771	20,055	22,324	19,613	19,396	20,880	21,380	21,155	21,756	22,196	22,196
External Borrowing	0	0	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	0	0
<b>TOTAL, Available/Borrowable Resources</b>	<b>\$20,765</b>	<b>\$23,423</b>	<b>\$27,934</b>	<b>\$26,218</b>	<b>\$28,487</b>	<b>\$25,776</b>	<b>\$25,454</b>	<b>\$26,938</b>	<b>\$27,438</b>	<b>\$27,213</b>	<b>\$27,814</b>	<b>\$24,754</b>	<b>\$24,754</b>
<b>CUMULATIVE LOAN BALANCES:</b>													
Special Fund for Economic Uncertainties	\$1,071	\$1,071	\$1,071	\$1,071	\$1,071	\$1,071	\$967	\$967	\$967	\$967	\$967	\$967	\$967
Budget Stabilization Account	0	0	1,591	1,591	1,591	1,591	1,591	1,591	1,591	1,591	1,591	1,591	1,591
Other Internal Sources	10,195	10,717	11,106	15,568	16,229	15,407	10,467	13,030	16,391	9,238	8,710	5,496	5,496
External Borrowing	0	0	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	0	0
<b>TOTAL, Cumulative Loan Balances</b>	<b>\$11,266</b>	<b>\$11,788</b>	<b>\$17,268</b>	<b>\$21,731</b>	<b>\$22,392</b>	<b>\$21,570</b>	<b>\$16,525</b>	<b>\$19,039</b>	<b>\$22,450</b>	<b>\$15,296</b>	<b>\$14,768</b>	<b>\$8,055</b>	<b>\$8,055</b>
<b>UNUSED BORROWABLE RESOURCES</b>	<b>\$9,499</b>	<b>\$11,635</b>	<b>\$10,665</b>	<b>\$4,487</b>	<b>\$6,095</b>	<b>\$4,206</b>	<b>\$8,929</b>	<b>\$7,850</b>	<b>\$4,989</b>	<b>\$11,917</b>	<b>\$13,046</b>	<b>\$16,700</b>	<b>\$16,700</b>
Cash and Unused Borrowable Resources	<b>\$9,499</b>	<b>\$11,635</b>	<b>\$10,665</b>	<b>\$4,487</b>	<b>\$6,095</b>	<b>\$4,206</b>	<b>\$8,929</b>	<b>\$7,850</b>	<b>\$4,989</b>	<b>\$11,917</b>	<b>\$13,046</b>	<b>\$16,700</b>	<b>\$16,700</b>

Note: Numbers may not add due to rounding.

**SCHEDULE 6  
SUMMARY OF STATE POPULATION, EMPLOYEES, AND EXPENDITURES**

Year	Population <sup>1</sup> (Thousands)	Employees <sup>2</sup> Population	Employees per 1,000 Population	Personal Income (Billions)	Revenue		Expenditures		Expenditures per Capita		Expenditures per \$100 of Personal Income	
					General Fund	Total	General Fund <sup>3</sup>	Total <sup>4</sup>	General Fund <sup>3</sup>	Total <sup>4</sup>	General Fund <sup>3</sup>	Total <sup>4</sup>
					(Millions)	(Millions)	(Millions)	(Millions)	(Millions)	(Millions)	(Millions)	(Millions)
1950-51	10,643	61,000	5.7	\$20.0	\$672	\$994	\$587	\$1,006	\$55.15	\$94.52	\$2.94	\$5.03
1951-52	11,130	63,860	5.7	23.1	734	1,086	635	1,068	57.05	95.96	2.75	4.62
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	27.5	798	1,271	809	1,381	66.85	114.12	2.94	5.02
1954-55	12,517	74,099	5.9	28.4	879	1,434	852	1,422	68.07	113.61	3.00	5.01
1955-56	13,004	77,676	6.0	31.3	1,005	1,578	923	1,533	70.98	117.89	2.95	4.90
1956-57	13,581	88,299	6.5	34.2	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	63.4	2,509	3,581	2,580	4,059	139.73	219.83	4.07	6.40
1966-67	18,831	158,404	8.4	68.9	2,895	4,073	3,017	4,659	160.21	247.41	4.38	6.76
1967-68	19,175	162,677	8.5	74.2	3,682	4,927	3,273	5,014	170.69	261.49	4.41	6.76
1968-69	19,432	171,655	8.8	81.4	4,136	5,450	3,909	5,673	201.16	291.94	4.80	6.97
1969-70	19,745	179,583	9.1	89.3	4,330	5,743	4,456	6,302	225.68	319.17	4.99	7.06
1970-71	20,039	181,581	9.1	96.1	4,534	5,919	4,854	6,556	242.23	327.16	5.05	6.82
1971-72	20,346	181,912	8.9	102.3	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	124.0	6,978	8,715	7,299	9,311	349.75	446.16	5.89	7.51
1974-75	21,174	203,548	9.6	138.8	8,630	10,405	8,349	10,276	394.30	485.31	6.02	7.40
1975-76	21,538	206,361	9.6	153.7	9,639	11,567	9,518	11,452	441.92	531.71	6.19	7.45
1976-77	21,936	213,795	9.7	171.9	11,381	13,463	10,467	12,632	477.16	575.86	6.09	7.35
1977-78	22,352	221,251	9.9	191.6	13,695	15,962	11,686	14,003	522.82	626.48	6.10	7.31
1978-79	22,836	218,530	9.6	218.6	15,219	17,711	16,251	18,745	711.64	820.85	7.43	8.58
1979-80	23,257	220,193	9.5	249.3	17,985	20,919	18,534	21,488	796.92	923.94	7.43	8.62
1980-81	23,782	225,567	9.5	283.9	19,023	22,104	21,105	24,511	887.44	1,030.65	7.43	8.63
1981-82	24,278	228,813	9.4	319.2	20,960	23,601	21,693	25,022	893.53	1,030.65	6.80	7.84
1982-83	24,805	228,489	9.2	341.1	21,233	24,291	21,751	25,330	876.88	1,021.17	6.38	7.43
1983-84	25,337	226,695	8.9	368.2	23,809	27,626	22,869	26,797	902.59	1,057.62	6.21	7.28
1984-85	25,816	229,845	8.9	411.3	26,536	31,570	25,722	30,961	996.36	1,199.30	6.25	7.53
1985-86	26,403	229,641	8.7	443.6	28,072	33,558	28,841	34,977	1,092.34	1,324.74	6.50	7.88
1986-87	27,052	232,927	8.6	475.0	32,519	37,767	31,469	38,079	1,163.28	1,407.62	6.63	8.02
1987-88	27,717	237,761	8.6	512.4	32,534	38,773	33,021	40,452	1,191.36	1,459.47	6.44	7.89
1988-89	28,393	248,173	8.7	555.5	36,953	43,322	35,897	44,634	1,264.29	1,572.01	6.46	8.03
1989-90	29,142	254,589	8.7	597.5	38,750	46,453	39,456	48,594	1,353.92	1,667.49	6.60	8.13
1990-91	29,828	260,622	8.7	640.5	38,214	47,024	40,264	51,446	1,349.87	1,724.76	6.29	8.03
1991-92	30,459	261,713	8.6	662.3	42,026	53,117	43,327	56,280	1,422.47	1,847.73	6.54	8.50
1992-93	30,987	260,939	8.4	695.0	40,946	52,526	40,948	56,480	1,321.46	1,822.70	5.89	8.13
1993-94	31,314	265,035	8.5	711.3	40,095	52,384	38,958	53,083	1,244.11	1,695.18	5.48	7.46
1994-95	31,524	269,004	8.5	738.3	42,710	54,942	41,961	54,613	1,331.08	1,732.43	5.68	7.40
1995-96	31,712	271,076	8.5	776.5	46,296	59,266	45,393	59,870	1,431.41	1,887.93	5.85	7.71
1996-97	31,963	271,966	8.5	825.7	49,220	62,831	49,088	64,523	1,535.78	2,018.68	5.95	7.81
1997-98	32,453	264,551	8.2	879.2	54,973	69,424	52,874	68,528	1,629.25	2,111.61	6.01	7.79
1998-99	32,863	282,860	8.6	963.1	58,615	74,281	57,827	75,260	1,759.64	2,290.11	6.00	7.81
1999-00	33,419	296,076	8.9	1,027.7	71,931	87,536	66,494	84,864	1,989.71	2,539.39	6.47	8.26
2000-01	34,001	311,239	9.2	1,135.3	71,428	88,419	78,053	96,382	2,295.61	2,834.68	6.88	8.49
2001-02	34,513	322,277	9.3	1,174.5	72,239	89,780	76,752	99,220	2,223.86	2,874.86	6.53	8.45
2002-03	34,938	321,394	9.2	1,193.4	80,564	95,794	77,482	106,779	2,217.70	3,056.24	6.49	8.95
2003-04	35,389	316,860	9.0	1,244.4	76,774	96,365	78,345	104,223	2,213.82	2,945.07	6.30	8.38
2004-05	35,753	313,684	8.8	1,321.6	82,209	104,462	79,804	107,591	2,232.09	3,009.29	6.04	8.14
2005-06	35,986	317,593	8.8	1,396.2	93,427	118,331	91,592	119,612	2,545.21	3,323.85	6.56	8.57
2006-07	36,247	335,384	9.3	1,499.5	95,415	120,663	101,413	129,968	2,797.83	3,585.62	6.76	8.67
2007-08	36,553	343,118	9.4	1,564.4	102,574	127,194	102,986	138,065	2,817.44	3,777.12	6.58	8.83
2008-09	36,856	350,609	9.5	1,596.3	82,772	106,319	90,940	122,386	2,467.44	3,320.65	5.70	7.67
2009-10	37,077	345,777	9.3	1,536.4	87,041	109,989	87,237	117,001	2,352.86	3,155.62	5.68	7.62
2010-11	37,309	371,959	10.0	1,579.1	93,443	122,463	91,549	130,981	2,453.80	3,510.71	5.80	8.29
2011-12	37,570	356,808	9.5	1,683.2	86,786	118,792	86,404	126,361	2,299.81	3,363.35	5.13	7.51
2012-13	37,872	346,321	9.1	1,768.0	99,915	137,242	96,562	141,001	2,549.69	3,723.09	5.46	7.98
2013-14	38,205	353,895	9.3	1,813.2	100,147	143,966	98,463	147,796	2,577.23	3,868.50	5.43	8.15
2014-15	38,549	355,453	9.2	1,896.0	104,503	149,836	106,793	154,938	2,770.32	4,019.25	5.63	8.17

<sup>1</sup> Population as of July 1, the beginning of the fiscal year.

<sup>2</sup> Beginning with the 2010-11 fiscal year, "Employees" displays positions, as opposed to prior years that show personnel years.

<sup>3</sup> Includes Special Accounts in General Fund from 1973-74 to 1976-77.

<sup>4</sup> Expenditures include payments from General Fund, Special Funds and Selected Bond Funds beginning in 1963-64.

**SCHEDULE 8  
COMPARATIVE STATEMENT OF REVENUES  
(Dollars In Thousands)**

Sources	Actual 2012-13			Estimated 2013-14			Proposed 2014-15		
	General Fund	Special Funds	Total	General Fund	Special Funds	Total	General Fund	Special Funds	Total
<b>MAJOR TAXES AND LICENSES</b>									
Alcoholic Beverage Taxes and Fees	\$357,000	-	\$357,000	\$350,000	-	\$350,000	\$357,000	-	\$357,000
Corporation Tax	7,462,000	-	7,462,000	7,971,000	-	7,971,000	8,682,000	-	8,682,000
Cigarette Tax	90,000	778,703	868,703	89,000	749,518	838,518	86,000	725,518	811,518
Horse Racing (Parimutuel) License Fees	1,105	12,983	14,088	1,200	13,484	14,684	1,200	13,662	14,862
Insurance Gross Premiums Tax	2,221,000	21,379	2,242,379	2,143,000	-	2,143,000	2,297,000	-	2,297,000
Trailer Coach License (In-Lieu) Fees	19,112	2,388	21,500	19,985	1,868	21,853	20,367	1,888	22,255
Motor Vehicle License (In-Lieu) Fees	7,000	1,945,822	1,952,822	-	2,048,591	2,048,591	-	2,093,171	2,093,171
Motor Vehicle Fuel Tax (Gasoline)	-	5,172,274	5,172,274	-	5,686,941	5,686,941	-	5,210,386	5,210,386
Motor Vehicle Fuel Tax (Diesel)	-	320,576	320,576	-	327,082	327,082	-	333,721	333,721
Motor Vehicle Registration	-	3,890,492	3,890,492	-	3,981,718	3,981,718	-	4,115,531	4,115,531
Personal Income Tax	65,332,000	1,477,000	66,809,000	64,287,000	1,375,000	65,662,000	69,764,000	1,587,000	71,351,000
Retail Sales and Use Tax-Realignment	-	8,441,798	8,441,798	-	8,922,855	8,922,855	-	9,557,783	9,557,783
Retail Sales and Use Taxes	20,482,000	640,106	21,122,106	22,920,000	1,755,761	24,675,761	24,071,000	1,845,852	25,916,852
Retail Sales and Use Tax-Fiscal Recovery	-	1,443,386	1,443,386	-	1,514,000	1,514,000	-	1,616,000	1,616,000
<b>TOTALS, MAJOR TAXES AND LICENSES</b>	<b>\$95,971,217</b>	<b>\$24,146,907</b>	<b>\$120,118,124</b>	<b>\$97,781,185</b>	<b>\$26,376,838</b>	<b>\$124,158,023</b>	<b>\$105,278,567</b>	<b>\$27,100,512</b>	<b>\$132,379,079</b>
<b>MINOR REVENUES</b>									
<b>REGULATORY TAXES AND LICENSES</b>									
General Fish and Game Taxes	-	895	895	-	1,024	1,024	-	1,025	1,025
Energy Resource Surcharge	-	535,871	535,871	-	864,106	864,106	-	856,923	856,923
Quarterly Public Utility Commission Fees	-	141,125	141,125	-	128,943	128,943	-	128,943	128,943
Penalties on Pub Util Comm Qtrly Fees	-	1	1	-	-	-	-	-	-
Hwy Carrier Uniform Business License Tax	-	-	-	153	-	153	153	-	153
Off-Highway Vehicle Fees	-	23,422	23,422	-	23,000	23,000	-	23,000	23,000
Liquor License Fees	-	53,008	53,008	-	54,029	54,029	-	55,106	55,106
Genetic Disease Testing Fees	-	111,715	111,715	-	108,416	108,416	-	124,951	124,951
Other Regulatory Taxes	-	88,978	88,978	-	94,651	94,651	-	119,408	119,408
New Motor Vehicle Dealer License Fee	-	1,410	1,410	-	1,410	1,410	-	1,410	1,410
General Fish and Game Lic Tags Permits	-	101,178	101,178	-	100,918	100,918	-	101,801	101,801
Duck Stamps	-	-	-	-	5	5	-	-	-
Elevator and Boiler Inspection Fees	-	28,955	28,955	-	28,700	28,700	-	28,700	28,700
Employment Agency License Fees	737	4,656	5,393	737	4,474	5,211	737	4,474	5,211
Employment Agency Filing Fees	98	-	98	98	-	98	98	-	98
Teacher Credential Fees	-	14,716	14,716	-	15,300	15,300	-	15,300	15,300
Teacher Examination Fees	-	4,058	4,058	-	4,104	4,104	-	4,104	4,104
Insurance Co License Fees & Penalties	-	35,841	35,841	-	43,950	43,950	-	47,132	47,132
Insurance Company Examination Fees	-	20,471	20,471	-	19,246	19,246	-	20,599	20,599
Real Estate Examination Fees	-	3,384	3,384	-	3,392	3,392	-	3,526	3,526
Real Estate License Fees	-	38,930	38,930	-	39,115	39,115	-	39,476	39,476
Subdivision Filing Fees	-	5,796	5,796	-	6,050	6,050	-	6,352	6,352
Building Construction Filing Fees	-	5,732	5,732	-	8,196	8,196	-	8,196	8,196
Domestic Corporation Fees	-	8,491	8,491	-	6,505	6,505	-	6,505	6,505
Foreign Corporation Fees	-	1,071	1,071	-	862	862	-	862	862
Notary Public License Fees	-	1,052	1,052	-	655	655	-	655	655
Filing Financing Statements	-	2,245	2,245	-	2,516	2,516	-	2,516	2,516

**SCHEDULE 8 -- Continued**  
**COMPARATIVE STATEMENT OF REVENUES**  
(Dollars in Thousands)

Sources	Actual 2012-13			Estimated 2013-14			Proposed 2014-15		
	General Fund	Special Funds	Total	General Fund	Special Funds	Total	General Fund	Special Funds	Total
Candidate Filing Fee	45	-	45	1,100	-	1,100	150	-	150
Beverage Container Redemption Fees	-	1,175,473	1,175,473	-	1,145,032	1,145,032	-	1,169,411	1,169,411
Explosive Permit Fees	-	1	1	-	18	18	-	18	18
Processing Fees	-	304	304	-	377	377	-	377	377
Environmental and Hazardous Waste Fees	-	42,293	42,293	-	43,028	43,028	-	43,128	43,128
Other Regulatory Fees	357,427	6,493,569	6,850,996	939	8,987,265	8,988,204	939	6,792,008	6,792,947
Other Regulatory Licenses and Permits	4,798	496,114	500,912	5,262	499,050	504,312	5,362	514,074	519,436
Renewal Fees	-	247,632	247,632	-	247,507	247,507	-	255,540	255,540
Delinquent Fees	2	6,978	6,980	-	6,875	6,875	-	6,950	6,950
Private Rail Car Tax	7,886	-	7,886	7,886	-	7,886	7,886	-	7,886
Insurance Department Fees, Prop 103	-	27,296	27,296	-	28,017	28,017	-	28,879	28,879
Insurance Department Fees, General	-	23,140	23,140	-	25,961	25,961	-	27,208	27,208
Insurance Fraud Assessment, Workers Comp	-	50,010	50,010	-	49,631	49,631	-	52,554	52,554
Insurance Fraud Assessment, Auto	-	48,066	48,066	-	48,479	48,479	-	49,130	49,130
Insurance Fraud Assessment, General	-	8,146	8,146	-	12,321	12,321	-	12,564	12,564
Refinery Fees	-	-	-	-	5,412	5,412	-	5,412	5,412
<b>Totals, REGULATORY TAXES AND LICENSES</b>	<b>\$370,993</b>	<b>\$9,852,023</b>	<b>\$10,223,016</b>	<b>\$16,175</b>	<b>\$12,658,540</b>	<b>\$12,674,715</b>	<b>\$15,325</b>	<b>\$10,558,217</b>	<b>\$10,573,542</b>
<b>REVENUE FROM LOCAL AGENCIES</b>									
Architecture Public Building Fees	-	28,092	28,092	-	29,508	29,508	-	29,508	29,508
Penalties on Traffic Violations	-	74,904	74,904	-	72,160	72,160	-	69,914	69,914
Penalties on Felony Convictions	-	51,888	51,888	3	50,002	50,005	3	50,002	50,005
Fines-Crimes of Public Offense	58	12,065	12,123	57	10,000	10,057	57	10,000	10,057
Fish and Game Violation Fines	-	1,132	1,132	-	814	814	-	818	818
Penalty Assessments on Fish & Game Fines	-	559	559	-	655	655	-	642	642
Interest on Loans to Local Agencies	118	1,035	1,153	118	1,159	1,277	118	1,111	1,229
Add'l Assmnts on Fish & Game Fines	-	65	65	-	64	64	-	65	65
Narcotic Fines	1,112	-	1,112	1,000	-	1,000	1,000	-	1,000
Fingerprint ID Card Fees	-	65,503	65,503	-	65,767	65,767	-	65,767	65,767
Misc Revenue From Local Agencies	222,176	1,176,433	1,398,609	198,200	1,461,137	1,659,337	198,200	1,562,000	1,760,200
Open Space Cancellation Fee Deferrd Taxes	2,463	2,536	4,999	10	2,536	2,546	-	2,733	2,733
Rev Local Govt Agencies-Cost Recoveries	13,590	7,963	21,553	16,166	8,042	24,208	16,166	8,123	24,289
<b>Totals, REVENUE FROM LOCAL AGENCIES</b>	<b>\$239,517</b>	<b>\$1,422,175</b>	<b>\$1,661,692</b>	<b>\$215,554</b>	<b>\$1,701,844</b>	<b>\$1,917,398</b>	<b>\$215,544</b>	<b>\$1,800,683</b>	<b>\$2,016,227</b>
<b>SERVICES TO THE PUBLIC</b>									
Pay Patients Board Charges	14,902	-	14,902	10,977	-	10,977	9,440	-	9,440
State Beach and Park Service Fees	-	92,723	92,723	-	104,000	104,000	-	111,500	111,500
Parking Lot Revenues	-	9,718	9,718	-	8,670	8,670	-	8,675	8,675
Emergency Telephone Users Surcharge	-	79,150	79,150	-	94,251	94,251	-	107,740	107,740
Sales of Documents	114	4,208	4,322	115	4,524	4,669	115	4,467	4,582
General Fees--Secretary of State	161	28,976	29,137	110	27,908	28,018	187	27,999	28,186
Parental Fees	-	5,465	5,465	-	6,207	6,207	-	6,207	6,207
Miscellaneous Services to the Public	2,292	158,857	161,149	1,952	175,397	177,349	1,952	165,448	167,400
Medicare Receipts Firm Federal Government	16,205	-	16,205	13,428	-	13,428	12,310	-	12,310
Personalized License Plates	-	53,754	53,754	-	57,890	57,890	-	57,992	57,992
<b>Totals, SERVICES TO THE PUBLIC</b>	<b>\$33,674</b>	<b>\$432,851</b>	<b>\$466,525</b>	<b>\$26,582</b>	<b>\$478,877</b>	<b>\$505,459</b>	<b>\$24,004</b>	<b>\$490,028</b>	<b>\$514,032</b>
<b>USE OF PROPERTY AND MONEY</b>									

**SCHEDULE 8 -- Continued**  
**COMPARATIVE STATEMENT OF REVENUES**  
(Dollars in Thousands)

Sources	Actual 2012-13			Estimated 2013-14			Proposed 2014-15		
	General Fund	Special Funds	Total	General Fund	Special Funds	Total	General Fund	Special Funds	Total
Income From Pooled Money Investments	26,000	184	26,184	23,000	274	23,274	32,000	244	32,244
Income From Surplus Money Investments	369	22,469	22,838	511	28,304	28,815	511	29,055	29,566
Interest Income From Loans	4,304	3,927	8,231	4,551	3,538	8,089	4,219	13,210	17,429
Interest Income From Interfund Loans	186	19,845	20,031	-	31,703	31,703	-	26,327	26,327
Income From Other Investments	-	218	218	-	-	-	-	-	-
Income From Condemnation Deposits Fund	-	243	243	-	941	941	-	819	819
Federal Lands Royalties	-	83,856	83,856	-	83,856	83,856	-	83,856	83,856
Oil & Gas Lease-1% Revenue City/County	921	-	921	800	-	800	700	-	700
Geothermal Resource Well Fees	-	4,283	4,283	-	3,950	3,950	-	3,950	3,950
Rentals of State Property	16,561	54,568	71,129	18,227	52,310	70,537	18,589	55,331	73,920
Misc Revenue Firm Use of Property & Money	3,078	19,504	22,582	154	19,347	19,501	154	18,533	18,687
School Lands Royalties	-	46	46	-	50	50	-	50	50
State Lands Royalties	381,701	-	381,701	324,699	-	324,699	279,825	-	279,825
<b>Totals, USE OF PROPERTY AND MONEY</b>	<b>\$433,120</b>	<b>\$209,143</b>	<b>\$642,263</b>	<b>\$371,942</b>	<b>\$224,273</b>	<b>\$596,215</b>	<b>\$335,998</b>	<b>\$231,375</b>	<b>\$567,373</b>
<b>MISCELLANEOUS</b>									
Attorney General Proceeds of Anti-Trust	-	1,400	1,400	-	3,000	3,000	-	2,300	2,300
Penalties & Interest on UI & DI Contrib	-	104,080	104,080	-	106,806	106,806	-	101,940	101,940
Sale of Fixed Assets	3	9,495	9,498	1	39,810	39,811	1	42,745	42,746
Sale of Confiscated Property	6,243	9	6,252	5,419	24	5,443	5,200	24	5,224
Sale of State's Public Lands	-	8,572	8,572	-	16,439	16,439	-	8,227	8,227
Proceeds From Estates of Deceased Person	176	-	176	643	-	643	643	-	643
Revenue-Abandoned Property	473,114	-	473,114	421,330	-	421,330	446,190	-	446,190
Escheat of Unclaimed Checks & Warrants	37,591	9,288	46,879	33,012	7,825	40,837	33,012	7,987	40,999
Miscellaneous Revenue	157,106	428,242	585,348	158,728	400,490	559,218	158,730	387,322	546,052
Penalties & Intrst on Personal Income Tx	-	14,445	14,445	-	15,670	15,670	-	17,565	17,565
Other Revenue - Cost Recoveries	37,904	117,593	155,497	33,666	119,439	153,105	39,121	116,131	155,252
Tribal Gaming Revenues	239,531	42,590	282,121	237,000	46,026	283,026	237,000	46,376	283,376
Delinquent Receivables-Cost Recoveries	12,254	177	12,431	12,254	15	12,269	12,254	15	12,269
Settlements/Judgments(not Anti-trust)	23,132	4,085	27,217	425,698	7,791	433,489	3,004	5,591	8,595
Uninsured Motorist Fees	1,120	263	1,383	1,115	265	1,380	1,000	268	1,268
Traffic Violations	-	39,419	39,419	-	39,721	39,721	-	39,379	39,379
Parking Violations	20,658	1,340	21,998	21,165	1,562	22,727	22,000	1,562	23,562
Penalty Assessments	41,814	250,107	291,921	36,333	237,220	273,553	28,173	232,414	260,587
Civil & Criminal Violation Assessment	390	181,258	181,648	225	216,234	216,459	200	180,534	180,734
Fines and Forfeitures	2,649	205,496	208,145	2,659	204,378	207,037	2,659	204,378	207,037
Court Filing Fees and Surcharges	-	626,674	626,674	-	598,869	598,869	-	598,869	598,869
Penalty Assessments on Criminal Fines	-	252,253	252,253	-	252,242	252,242	-	252,242	252,242
Donations	173	890	1,063	222	1,314	1,536	-	1,125	1,125
Auction Proceeds for Carbon Allowances	-	257,264	257,264	-	500,000	500,000	-	550,000	550,000
Miscellaneous Tax Revenue	-	-	-	-	-	-	-	1,200	1,200
Cash Adjustment for Transportation Funds	-	-1,029	-1,029	-	-58,762	-58,762	-	-50,000	-50,000
Cash Adjustment for Transportation Funds	-	85,000	85,000	-	138,000	138,000	-	117,000	117,000
<b>Totals, MISCELLANEOUS</b>	<b>\$1,053,858</b>	<b>\$2,638,911</b>	<b>\$3,692,769</b>	<b>\$1,389,470</b>	<b>\$2,894,378</b>	<b>\$4,283,848</b>	<b>\$989,187</b>	<b>\$2,865,194</b>	<b>\$3,854,381</b>
<b>TOTALS, MINOR REVENUES</b>	<b>\$2,131,162</b>	<b>\$14,555,103</b>	<b>\$16,686,265</b>	<b>\$2,019,723</b>	<b>\$17,957,912</b>	<b>\$19,977,635</b>	<b>\$1,580,058</b>	<b>\$15,945,497</b>	<b>\$17,525,555</b>
<b>TOTALS, REVENUES</b>	<b>\$98,102,379</b>	<b>\$38,702,010</b>	<b>\$136,804,389</b>	<b>\$99,800,908</b>	<b>\$44,334,750</b>	<b>\$144,135,658</b>	<b>\$106,858,625</b>	<b>\$43,046,009</b>	<b>\$149,904,634</b>

**SCHEDULE 8 -- Continued**  
**COMPARATIVE STATEMENT OF REVENUES**  
(Dollars in Thousands)

Sources	Actual 2012-13			Estimated 2013-14			Proposed 2014-15		
	General Fund	Special Funds	Total	General Fund	Special Funds	Total	General Fund	Special Funds	Total
<b>TRANSFERS AND LOANS</b>									
General Fund	-184,447	181,240	-3,207	-729,360	629,360	-100,000	-2,624,889	2,621,471	-3,418
Property Acquisition Law Money Account	-	-	-	3,701	-3,701	-	-	-	-
Special Account for Capital Outlay	93	-93	-	-	-	-	-	-	-
Highway Account, State, STF	786,075	-786,075	-	62,942	-62,942	-	-	-	-
Motor Vehicle Account, STF	365,807	-365,807	-	65,808	-65,808	-	70,902	-70,902	-
Public Transportation Account, STF	-	-	-	-	-26,199	-26,199	-	-29,316	-29,316
Propane Safety Insp/Enforcmt Prog Trust	-	76	76	-	114	114	-	114	114
Motor Vehicle Fuel Account, TTF	141,245	-167,713	-26,468	163,717	-190,140	-26,423	139,661	-165,907	-26,246
Motor Vehicle Trans Tax Account, TTF	-	-	-	1,751	-1,751	-	1	-1	-
Corporations Fund, State	-	-	-	15,000	-15,000	-	-	-	-
School Facilities Fee Assistance Fund	-	-	-	2,300	-2,300	-	124	-124	-
Foster and Small Family Insurance Fund	-	-	-	-	-	-	-	-	-
Clandestine Drug Lab Clean-Up Account	8	-8	-	-	-	-	-	-	-
Driver Training Penalty Assessment Fund	3,531	-3,531	-	8,258	-8,258	-	763	-763	-
Employment Development Dept Benefit Audit	15,334	-15,334	-	10,222	-10,222	-	-	-	-
Employment Development Contingent Fund	40,945	-40,945	-	22,097	-22,097	-	-	-	-
Business Fees Fund, Secty of State's	14,643	-14,643	-	2,336	-2,336	-	11,799	-11,799	-
Off-Highway Vehicle Trust Fund	109,549	-109,549	-	-	-	-	-	-	-
Indian Gaming Special Distribution Fund	-	-33,500	-33,500	-	-28,200	-28,200	-	-25,000	-25,000
False Claims Act Fund	7,700	-7,700	-	-	-8,000	-8,000	34,000	-34,000	-
Underground Storage Tank Cleanup Fund	-	-	-	-	-	-	-	-	-
Olympic Training Account, California	82	-82	-	78	-78	-	78	-78	-
Financial Responsibility Penalty Account	934	-934	-	1,000	-1,000	-	1,000	-1,000	-
Harbors and Watercraft Revolving Fund	56,848	11,200	68,048	-	10,775	10,775	-	13,950	13,950
Unemployment Compensation Disability Fd	308,391	-	308,391	-	-	-	-	-	-
Drinking Water Treatment & Research Fund	3,829	-3,829	-	-	-	-	-	-	-
Public Buildings Construction Fund	8,453	-	8,453	-	-	-	-	-	-
Service Revolving Fund	1,186	-	1,186	1,186	-	1,186	1,186	-	1,186
Prison Industries Revolving Fund	13,000	-	13,000	-	-	-	-	-	-
School Building Aid Fund, State	1,986	-	1,986	5,498	-	5,498	9,387	-	9,387
Refunding Escrow Fund	-	107	107	-	-	-	-	-	-
Housing Trust Fund, Cal	-	-	-	-	-	-	68	-	68
Special Deposit Fund	90	858	948	-	995	995	-	600	600
Community Revitalization Fee Fund	1	-1	-	-	-	-	-	-	-
Private Hospital Supplemental Fund	17,500	-17,500	-	8,750	-8,750	-	-	-	-
Youthful Offender Block Grant Fund	-	-	-	641	-641	-	-	-	-
Managed Care Admin Fines & Penalties Fnd	-	-1,000	-1,000	-	-977	-977	-	-902	-902
Immediate and Critical Needs Acct, SCFCF	-	-	-	200,000	-200,000	-	-	-	-
Enterprise Zone Fund	-	-	-	400	-400	-	-	-	-
Greenhouse Gas Reduction Fund	-	-	-	500,000	-500,000	-	-	-	-10,000
Centrl Cst St Vet Cmtry Ft Ord Endow, CA	-	-	-	-	1,299	1,299	-	1,420	1,420
National Mortgage Special Deposit Fund	100,000	-	100,000	-	-	-	-	-	-
Clean Energy Job Creation Fund	-	-	-	-	-	-	-	-	-
<b>TOTALS, TRANSFERS AND LOANS</b>	<b>\$1,812,793</b>	<b>-\$1,374,763</b>	<b>\$438,020</b>	<b>\$346,325</b>	<b>-\$516,257</b>	<b>-\$169,932</b>	<b>-\$2,355,920</b>	<b>\$2,287,763</b>	<b>-\$68,157</b>





**SCHEDULE 9  
COMPARATIVE STATEMENT OF EXPENDITURES  
(Dollars In Thousands)**

	Actual 2012-13			Estimated 2013-14			Proposed 2014-15					
	General Fund	Special Fund	Selected Bond Funds	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Federal Funds
<b>LEGISLATIVE, JUDICIAL, AND EXECUTIVE</b>												
<b>Legislature</b>												
<b>Senate</b>												
State Operations	\$109,350	-	-	\$109,350	-	-	\$115,692	-	\$115,692	-	-	\$115,692
<b>Assembly</b>												
State Operations	146,716	-	-	146,716	-	-	152,438	-	152,438	-	-	152,438
<b>Totals, Legislature</b>	<b>\$256,066</b>	<b>-</b>	<b>-</b>	<b>\$256,066</b>	<b>-</b>	<b>-</b>	<b>\$268,130</b>	<b>-</b>	<b>\$268,130</b>	<b>-</b>	<b>-</b>	<b>\$268,130</b>
<b>Legislative Counsel Bureau</b>												
State Operations	73,065	-	-	73,065	-	-	76,333	-	76,333	-	-	76,333
<b>Totals, Legislative</b>	<b>\$329,131</b>	<b>-</b>	<b>-</b>	<b>\$329,131</b>	<b>-</b>	<b>-</b>	<b>\$344,463</b>	<b>-</b>	<b>\$344,463</b>	<b>-</b>	<b>-</b>	<b>\$344,463</b>
<b>Judicial</b>												
<b>Judicial Branch</b>												
State Operations	339,459	228,861	-	568,320	2,748	349,475	281,980	-	631,455	4,551	354,760	358,718
Local Assistance	408,119	1,774,494	-	2,182,613	795	870,283	1,509,643	-	2,379,926	2,275	970,283	1,498,099
Capital Outlay	-	-	-	-	-	-	48,119	-	48,119	-	-	108,646
<b>Totals, Judicial Branch</b>	<b>\$747,578</b>	<b>\$2,003,355</b>	<b>-</b>	<b>\$2,750,933</b>	<b>\$3,543</b>	<b>\$1,219,758</b>	<b>\$1,839,742</b>	<b>-</b>	<b>\$3,059,500</b>	<b>\$6,826</b>	<b>\$1,325,043</b>	<b>\$1,965,463</b>
<b>Commission on Judicial Performance</b>												
State Operations	4,019	-	-	4,019	-	4,214	-	-	4,214	-	-	4,214
<b>Judges' Retirement System Contributions</b>												
State Operations	3,703	-	-	3,703	-	3,523	-	-	3,523	-	-	3,463
Local Assistance	209,333	-	-	209,333	-	237,875	-	-	237,875	-	-	232,344
<b>Totals, Judges' Retirement System Contributions</b>	<b>\$213,036</b>	<b>-</b>	<b>-</b>	<b>\$213,036</b>	<b>-</b>	<b>\$241,398</b>	<b>-</b>	<b>-</b>	<b>\$241,398</b>	<b>-</b>	<b>-</b>	<b>\$235,807</b>
<b>Totals, Judicial</b>	<b>\$964,633</b>	<b>\$2,003,355</b>	<b>-</b>	<b>\$2,967,988</b>	<b>\$3,543</b>	<b>\$1,465,370</b>	<b>\$1,839,742</b>	<b>-</b>	<b>\$3,305,112</b>	<b>\$6,826</b>	<b>\$1,565,064</b>	<b>\$1,965,463</b>
<b>Executive/Governor</b>												
<b>Governor's Office</b>												
State Operations	8,154	-	-	8,154	-	10,819	-	-	10,819	-	-	10,751
<b>Governor's Office of Bus &amp; Econ Developm</b>												
State Operations	2,756	-	-	2,756	-	7,708	114	-	7,822	27,609	120	8,792
<b>Business Transportation &amp; Housing, Secy</b>												
State Operations	2,317	1,359	-	3,676	-	-	-	-	-	-	-	-
<b>Office of the Inspector General</b>												
State Operations	13,507	-	-	13,507	-	15,762	-	-	15,762	-	-	17,031
<b>Office of Planning &amp; Research</b>												
State Operations	1,888	-	-	1,888	1,324	2,876	-	-	2,876	1,821	3,373	799
Local Assistance	-	-	-	-	24,664	-	-	-	24,664	-	-	28,000
<b>Totals, Office of Planning &amp; Research</b>	<b>\$1,888</b>	<b>-</b>	<b>-</b>	<b>\$1,888</b>	<b>\$25,988</b>	<b>\$2,876</b>	<b>-</b>	<b>-</b>	<b>\$2,876</b>	<b>\$29,821</b>	<b>\$3,373</b>	<b>\$100,000</b>
<b>Office of Emergency Services</b>												
State Operations	38,776	2,860	1,136	42,772	50,926	41,745	6,767	2,660	51,172	72,001	41,760	6,715
Local Assistance	66,089	22,331	99,714	188,134	279,889	61,597	132,943	100,000	294,540	938,125	61,597	131,019
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	2,683
<b>Totals, Office of Emergency Services</b>	<b>\$104,865</b>	<b>\$25,191</b>	<b>\$100,850</b>	<b>\$230,906</b>	<b>\$330,815</b>	<b>\$103,342</b>	<b>\$139,710</b>	<b>\$102,660</b>	<b>\$345,712</b>	<b>\$1,010,126</b>	<b>\$106,040</b>	<b>\$137,734</b>
<b>Totals, Executive/Governor</b>	<b>\$133,487</b>	<b>\$26,550</b>	<b>\$100,850</b>	<b>\$260,887</b>	<b>\$356,803</b>	<b>\$140,507</b>	<b>\$139,824</b>	<b>\$102,660</b>	<b>\$382,991</b>	<b>\$1,067,556</b>	<b>\$145,867</b>	<b>\$102,660</b>
<b>Executive/Constitutional Offices</b>												
Office of the Lieutenant Governor	-	-	-	-	-	-	-	-	-	-	-	-
<b>Totals, Executive/Governor</b>	<b>\$133,487</b>	<b>\$26,550</b>	<b>\$100,850</b>	<b>\$260,887</b>	<b>\$356,803</b>	<b>\$140,507</b>	<b>\$139,824</b>	<b>\$102,660</b>	<b>\$382,991</b>	<b>\$1,067,556</b>	<b>\$145,867</b>	<b>\$102,660</b>
<b>Office of the Lieutenant Governor</b>												
State Operations	-	-	-	-	-	-	-	-	-	-	-	-
Local Assistance	-	-	-	-	-	-	-	-	-	-	-	-
<b>Totals, Office of the Lieutenant Governor</b>	<b>\$104,865</b>	<b>\$25,191</b>	<b>\$100,850</b>	<b>\$230,906</b>	<b>\$330,815</b>	<b>\$103,342</b>	<b>\$139,710</b>	<b>\$102,660</b>	<b>\$345,712</b>	<b>\$1,010,126</b>	<b>\$106,040</b>	<b>\$137,734</b>
<b>Totals, Executive/Constitutional Offices</b>	<b>\$104,865</b>	<b>\$25,191</b>	<b>\$100,850</b>	<b>\$230,906</b>	<b>\$330,815</b>	<b>\$103,342</b>	<b>\$139,710</b>	<b>\$102,660</b>	<b>\$345,712</b>	<b>\$1,010,126</b>	<b>\$106,040</b>	<b>\$137,734</b>
<b>Totals, Executive/Governor</b>	<b>\$133,487</b>	<b>\$26,550</b>	<b>\$100,850</b>	<b>\$260,887</b>	<b>\$356,803</b>	<b>\$140,507</b>	<b>\$139,824</b>	<b>\$102,660</b>	<b>\$382,991</b>	<b>\$1,067,556</b>	<b>\$145,867</b>	<b>\$102,660</b>
<b>Office of the Lieutenant Governor</b>												
State Operations	-	-	-	-	-	-	-	-	-	-	-	-
Local Assistance	-	-	-	-	-	-	-	-	-	-	-	-
<b>Totals, Office of the Lieutenant Governor</b>	<b>\$104,865</b>	<b>\$25,191</b>	<b>\$100,850</b>	<b>\$230,906</b>	<b>\$330,815</b>	<b>\$103,342</b>	<b>\$139,710</b>	<b>\$102,660</b>	<b>\$345,712</b>	<b>\$1,010,126</b>	<b>\$106,040</b>	<b>\$137,734</b>
<b>Totals, Executive/Constitutional Offices</b>	<b>\$104,865</b>	<b>\$25,191</b>	<b>\$100,850</b>	<b>\$230,906</b>	<b>\$330,815</b>	<b>\$103,342</b>	<b>\$139,710</b>	<b>\$102,660</b>	<b>\$345,712</b>	<b>\$1,010,126</b>	<b>\$106,040</b>	<b>\$137,734</b>
<b>Totals, Executive/Governor</b>	<b>\$133,487</b>	<b>\$26,550</b>	<b>\$100,850</b>	<b>\$260,887</b>	<b>\$356,803</b>	<b>\$140,507</b>	<b>\$139,824</b>	<b>\$102,660</b>	<b>\$382,991</b>	<b>\$1,067,556</b>	<b>\$145,867</b>	<b>\$102,660</b>
<b>Office of the Lieutenant Governor</b>												
State Operations	-	-	-	-	-	-	-	-	-	-	-	-
Local Assistance	-	-	-	-	-	-	-	-	-	-	-	-
<b>Totals, Office of the Lieutenant Governor</b>	<b>\$104,865</b>	<b>\$25,191</b>	<b>\$100,850</b>	<b>\$230,906</b>	<b>\$330,815</b>	<b>\$103,342</b>	<b>\$139,710</b>	<b>\$102,660</b>	<b>\$345,712</b>	<b>\$1,010,126</b>	<b>\$106,040</b>	<b>\$137,734</b>
<b>Totals, Executive/Constitutional Offices</b>	<b>\$104,865</b>	<b>\$25,191</b>	<b>\$100,850</b>	<b>\$230,906</b>	<b>\$330,815</b>	<b>\$103,342</b>	<b>\$139,710</b>	<b>\$102,660</b>	<b>\$345,712</b>	<b>\$1,010,126</b>	<b>\$106,040</b>	<b>\$137,734</b>
<b>Totals, Executive/Governor</b>	<b>\$133,487</b>	<b>\$26,550</b>	<b>\$100,850</b>	<b>\$260,887</b>	<b>\$356,803</b>	<b>\$140,507</b>	<b>\$139,824</b>	<b>\$102,660</b>	<b>\$382,991</b>	<b>\$1,067,556</b>	<b>\$145,867</b>	<b>\$102,660</b>
<b>Office of the Lieutenant Governor</b>												
State Operations	-	-	-	-	-	-	-	-	-	-	-	-
Local Assistance	-	-	-	-	-	-	-	-	-	-	-	-
<b>Totals, Office of the Lieutenant Governor</b>	<b>\$104,865</b>	<b>\$25,191</b>	<b>\$100,850</b>	<b>\$230,906</b>	<b>\$330,815</b>	<b>\$103,342</b>	<b>\$139,710</b>	<b>\$102,660</b>	<b>\$345,712</b>	<b>\$1,010,126</b>	<b>\$106,040</b>	<b>\$137,734</b>
<b>Totals, Executive/Constitutional Offices</b>	<b>\$104,865</b>	<b>\$25,191</b>	<b>\$100,850</b>	<b>\$230,906</b>	<b>\$330,815</b>	<b>\$103,342</b>	<b>\$139,710</b>	<b>\$102,660</b>	<b>\$345,712</b>	<b>\$1,010,126</b>	<b>\$106,040</b>	<b>\$137,734</b>
<b>Totals, Executive/Governor</b>	<b>\$133,487</b>	<b>\$26,550</b>	<b>\$100,850</b>	<b>\$260,887</b>	<b>\$356,803</b>	<b>\$140,507</b>	<b>\$139,824</b>	<b>\$102,660</b>	<b>\$382,991</b>	<b>\$1,067,556</b>	<b>\$145,867</b>	<b>\$102,660</b>
<b>Office of the Lieutenant Governor</b>												
State Operations	-	-	-	-	-	-	-	-	-	-	-	-
Local Assistance	-	-	-	-	-	-	-	-	-	-	-	-
<b>Totals, Office of the Lieutenant Governor</b>	<b>\$104,865</b>	<b>\$25,191</b>	<b>\$100,850</b>	<b>\$230,906</b>	<b>\$330,815</b>	<b>\$103,342</b>	<b>\$139,710</b>	<b>\$102,660</b>	<b>\$345,712</b>	<b>\$1,010,126</b>	<b>\$106,040</b>	<b>\$137,734</b>
<b>Totals, Executive/Constitutional Offices</b>	<b>\$104,865</b>	<b>\$25,191</b>	<b>\$100,850</b>	<b>\$230,906</b>	<b>\$330,815</b>	<b>\$103,342</b>	<b>\$139,710</b>	<b>\$102,660</b>	<b>\$345,712</b>	<b>\$1,010,126</b>	<b>\$106,040</b>	<b>\$137,734</b>
<b>Totals, Executive/Governor</b>	<b>\$133,487</b>	<b>\$26,550</b>	<b>\$100,850</b>	<b>\$260,887</b>	<b>\$356,803</b>	<b>\$140,507</b>	<b>\$139,824</b>	<b>\$102,660</b>	<b>\$382,991</b>	<b>\$1,067,556</b>	<b>\$145,867</b>	<b>\$102,660</b>
<b>Office of the Lieutenant Governor</b>												
State Operations	-	-	-	-	-	-	-	-	-	-	-	-
Local Assistance	-	-	-	-	-	-	-	-	-	-	-	-
<b>Totals, Office of the Lieutenant Governor</b>	<b>\$104,865</b>	<b>\$25,191</b>	<b>\$100,850</b>	<b>\$230,906</b>	<b>\$330,815</b>	<b>\$103,342</b>	<b>\$139,710</b>	<b>\$102,660</b>	<b>\$345,712</b>	<b>\$1,010,126</b>	<b>\$106,040</b>	<b>\$137,734</b>
<b>Totals, Executive/Constitutional Offices</b>	<b>\$104,865</b>	<b>\$25,191</b>	<b>\$100,850</b>	<b>\$230,906</b>	<b>\$330,815</b>	<b>\$103,342</b>	<b>\$139,710</b>	<b>\$102,660</b>	<b>\$345,712</b>	<b>\$1,010,126</b>	<b>\$106,040</b>	<b>\$137,734</b>
<b>Totals, Executive/Governor</b>	<b>\$133,487</b>	<b>\$26,550</b>	<b>\$100,850</b>	<b>\$260,887</b>	<b>\$356,803</b>	<b>\$140,507</b>	<b>\$139,824</b>	<b>\$102,660</b>	<b>\$382,991</b>	<b>\$1,067,556</b>	<b>\$145,867</b>	<b>\$102,660</b>
<b>Office of the Lieutenant Governor</b>												
State Operations	-	-	-	-	-	-	-	-	-	-	-	-
Local Assistance	-	-	-	-	-	-	-	-	-	-	-	-
<b>Totals, Office of the Lieutenant Governor</b>	<b>\$104,865</b>	<b>\$25,191</b>	<b>\$100,850</b>	<b>\$230,906</b>	<b>\$330,815</b>	<b>\$103,342</b>	<b>\$139,710</b>	<b>\$102,660</b>	<b>\$345,712</b>	<b>\$1,010,126</b>	<b>\$106,040</b>	<b>\$137,734</b>
<b>Totals, Executive/Constitutional Offices</b>	<b>\$104,865</b>	<b>\$25,191</b>	<b>\$100,850</b>	<b>\$230,906</b>	<b>\$330,815</b>	<b>\$103,342</b>	<b>\$139,710</b>	<b>\$102,660</b>	<b>\$345,712</b>	<b>\$1,010,126</b>	<b>\$106,040</b>	<b>\$137,734</b>
<b>Totals, Executive/Governor</b>	<b>\$133,487</b>	<b>\$26,550</b>	<b>\$100,850</b>	<b>\$260,887</b>	<b>\$356,803</b>	<b>\$140,507</b>	<b>\$139,824</b>	<b>\$102,660</b>	<b>\$382,991</b>	<b>\$1,067,556</b>	<b>\$145,867</b>	<b>\$102,660</b>

**SCHEDULE 9 -- Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES**  
(Dollars In Thousands)

	Actual 2012-13			Estimated 2013-14			Proposed 2014-15					
	General Fund	Special Fund	Selected Bond Funds	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Federal Funds
State Operations	1,001	-	-	1,001	1,032	-	-	1,032	1,033	-	-	-
<b>Department of Justice</b>												
State Operations	153,518	243,833	-	25,884	177,771	280,184	-	457,955	35,197	194,380	279,416	-
Local Assistance	-	4,883	-	4,883	-	4,883	-	4,883	-	4,883	-	-
<b>Totals, Department of Justice</b>	<b>\$153,518</b>	<b>\$248,716</b>	<b>-</b>	<b>\$25,884</b>	<b>\$177,771</b>	<b>\$285,067</b>	<b>-</b>	<b>\$462,838</b>	<b>\$35,197</b>	<b>\$194,380</b>	<b>\$284,299</b>	<b>-</b>
<b>State Controller</b>												
State Operations	45,874	19,709	1,398	936	54,949	8,288	1,698	64,935	1,142	49,046	8,995	1,700
Local Assistance	-180	-	-	-180	-135	-	-	-135	-	-52	-	-52
<b>Totals, State Controller</b>	<b>\$45,694</b>	<b>\$19,709</b>	<b>\$1,398</b>	<b>\$936</b>	<b>\$54,814</b>	<b>\$8,288</b>	<b>\$1,698</b>	<b>\$64,800</b>	<b>\$1,142</b>	<b>\$48,994</b>	<b>\$8,995</b>	<b>\$1,700</b>
<b>Department of Insurance</b>												
State Operations	-	163,450	-	710	-	176,514	-	176,514	2,857	-	180,326	-
Local Assistance	-	56,658	-	56,658	-	64,223	-	64,223	-	-	61,391	-
<b>Totals, Department of Insurance</b>	<b>-</b>	<b>\$220,108</b>	<b>-</b>	<b>\$710</b>	<b>-</b>	<b>\$240,737</b>	<b>-</b>	<b>\$240,737</b>	<b>\$2,857</b>	<b>-</b>	<b>\$241,717</b>	<b>-</b>
<b>Gambling Control Commission</b>												
State Operations	-	9,891	-	9,891	-	6,691	-	6,691	-	-	6,299	-
Local Assistance	-	9,059	-	9,059	-	9,100	-	9,100	-	-	-	-
<b>Totals, Gambling Control Commission</b>	<b>-</b>	<b>\$18,950</b>	<b>-</b>	<b>\$18,950</b>	<b>-</b>	<b>\$15,791</b>	<b>-</b>	<b>\$15,791</b>	<b>-</b>	<b>-</b>	<b>\$6,299</b>	<b>-</b>
<b>State Board of Equalization</b>												
State Operations	287,026	68,005	-	355,031	136	316,845	81,088	397,933	440	317,155	83,010	400,165
<b>Secretary of State</b>												
State Operations	197	34,744	-	34,941	4,769	27,571	43,228	70,799	29,647	28,750	55,221	83,971
Local Assistance	-	-	-	497	-	-	-	-	1,307	-	-	2,734
<b>Totals, Secretary of State</b>	<b>\$197</b>	<b>\$34,744</b>	<b>-</b>	<b>\$34,941</b>	<b>\$5,266</b>	<b>\$27,571</b>	<b>\$43,228</b>	<b>\$70,799</b>	<b>\$30,954</b>	<b>\$28,750</b>	<b>\$55,221</b>	<b>\$83,971</b>
<b>Citizens Redistricting Initiative</b>												
State Operations	80	-	-	80	71	-	-	71	-	91	-	91
<b>State Treasurer</b>												
State Operations	2,728	-	-	2,728	4,806	-	-	4,806	-	4,666	-	4,666
<b>Debt &amp; Investment Advisory Commission</b>												
State Operations	-	2,307	-	2,307	-	2,904	-	2,904	-	-	2,863	-
<b>Debt Limit Allocation Committee</b>												
State Operations	-	1,228	-	1,228	-	1,355	-	1,355	-	-	1,410	-
<b>Industrial Divmt Financing Advisory Comm</b>												
State Operations	-	19	-	19	-	40	-	40	-	-	40	-
<b>Tax Credit Allocation Committee</b>												
State Operations	-	5,297	-	5,297	-	6,110	-	6,110	-	-	6,386	-
Local Assistance	-	210	-	210	-	190	-	190	-	-	190	-
<b>Totals, Tax Credit Allocation Committee</b>	<b>-</b>	<b>\$5,507</b>	<b>-</b>	<b>\$5,507</b>	<b>-</b>	<b>\$6,300</b>	<b>-</b>	<b>\$6,300</b>	<b>-</b>	<b>-</b>	<b>\$6,576</b>	<b>-</b>
<b>Alt Energy &amp; Advanced Trans Fin Auth</b>												
State Operations	-	183	-	183	-	912	-	912	-	-	694	-
Local Assistance	-	5,000	-	5,000	-	7,500	-	7,500	-	-	21,950	-
<b>Totals, Alt Energy &amp; Advanced Trans Fin Auth</b>	<b>-</b>	<b>\$5,183</b>	<b>-</b>	<b>\$5,183</b>	<b>-</b>	<b>\$8,412</b>	<b>-</b>	<b>\$8,412</b>	<b>-</b>	<b>-</b>	<b>\$22,644</b>	<b>-</b>
<b>Pollution Control Financing Authority</b>												
Local Assistance	-	-	-	-	-	-	-	-	-	-	-	27,823
<b>Health Facilities Financing Authority</b>												
Local Assistance	-	-	-	-	-	-	-	-	-	-	-	28,666

**SCHEDULE 9 -- Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES**  
(Dollars In Thousands)

	Actual 2012-13			Estimated 2013-14			Proposed 2014-15						
	General Fund	Special Fund	Selected Bond Funds	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Federal Funds	
State Operations	-	-	471	-	350	-	501	851	-	150	-	502	652
Local Assistance	-	-	305,358	-	50,000	4,500	93,000	147,500	-	92,000	4,000	120,000	216,000
<b>Totals, Health Facilities Financing Authority</b>	-	-	<b>\$305,829</b>	-	<b>\$50,350</b>	<b>\$4,500</b>	<b>\$93,501</b>	<b>\$148,351</b>	-	<b>\$92,150</b>	<b>\$4,000</b>	<b>\$120,502</b>	<b>\$216,652</b>
School Finance Authority	-	-	567	130	281	-	1,052	1,333	140	373	-	1,053	1,426
State Operations	-	-	-	17,345	92,031	-	-	92,031	20,000	92,031	-	-	92,031
Local Assistance	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Totals, School Finance Authority</b>	-	-	<b>\$567</b>	<b>\$17,475</b>	<b>\$92,312</b>	-	<b>\$1,052</b>	<b>\$93,364</b>	<b>\$20,140</b>	<b>\$92,404</b>	-	<b>\$1,053</b>	<b>\$93,457</b>
<b>Totals, Executive/Constitutional Offices</b>	<b>\$490,244</b>	<b>\$624,476</b>	<b>\$307,794</b>	<b>\$50,407</b>	<b>\$725,572</b>	<b>\$697,710</b>	<b>\$96,251</b>	<b>\$1,519,533</b>	<b>\$118,553</b>	<b>\$779,623</b>	<b>\$717,074</b>	<b>\$123,255</b>	<b>\$1,619,952</b>
<b>Totals, Executive/Constitutional Offices</b>	<b>\$490,244</b>	<b>\$624,476</b>	<b>\$307,794</b>	<b>\$50,407</b>	<b>\$725,572</b>	<b>\$697,710</b>	<b>\$96,251</b>	<b>\$1,519,533</b>	<b>\$118,553</b>	<b>\$779,623</b>	<b>\$717,074</b>	<b>\$123,255</b>	<b>\$1,619,952</b>
Statewide Distributed Costs	-	-	-	-	-	-	-	-	-	-	-	-	-
General Obligation Bonds-LJE	12,957	-	-	12,957	17,984	-	-	17,984	-	9,088	-	-	9,088
State Operations	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Totals, Statewide Distributed Costs</b>	<b>\$12,957</b>	-	-	<b>\$12,957</b>	<b>\$17,984</b>	-	-	<b>\$17,984</b>	-	<b>\$9,088</b>	-	-	<b>\$9,088</b>
<b>TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE</b>	<b>\$1,930,452</b>	<b>\$2,654,381</b>	<b>\$408,644</b>	<b>\$410,753</b>	<b>\$2,693,896</b>	<b>\$2,677,276</b>	<b>\$198,911</b>	<b>\$5,570,083</b>	<b>\$1,192,935</b>	<b>\$2,843,694</b>	<b>\$2,920,391</b>	<b>\$225,915</b>	<b>\$5,990,000</b>
State Operations	1,247,091	781,746	3,572	87,563	1,382,245	896,175	5,911	2,284,331	175,405	1,392,808	991,012	5,915	2,389,735
Local Assistance	683,361	1,872,635	405,072	323,190	1,311,651	1,732,982	193,000	3,237,633	1,017,530	1,448,203	1,820,733	220,000	3,488,936
Capital Outlay	-	-	-	-	-	48,119	-	48,119	-	2,683	108,646	-	111,329
BUSINESS, CONSUMER SERVICES, & HOUSING	-	-	-	-	-	-	-	-	-	-	-	-	-
Business, Consumer Svcs, & Housing, Secy	-	-	-	-	107	596	-	703	-	104	715	-	819
State Operations	-	-	-	-	-	-	-	-	-	-	-	-	-
Department of Consumer Affairs, Boards	-	-	-	-	-	-	-	-	-	-	-	-	-
State Operations	-	242,975	-	-	289,100	-	-	289,100	-	-	305,925	-	305,925
Department of Consumer Affairs, Bureaus	-	-	-	-	-	-	-	-	-	-	-	-	-
State Operations	-	188,280	-	-	289,344	-	-	289,344	-	-	287,309	-	287,309
Seismic Safety Commission, A. E. Alquist	630	283	-	-	1,146	-	-	1,146	-	-	1,156	-	1,156
State Operations	-	-	-	-	-	-	-	-	-	-	-	-	-
Department of Fair Employment & Housing	10,457	-	-	10,457	13,383	-	-	13,383	5,534	16,401	-	-	16,401
State Operations	-	-	-	-	-	-	-	-	-	-	-	-	-
Business Oversight	-	-	-	-	-	-	-	-	-	-	-	-	-
State Operations	-	-	-	-	79,264	-	-	79,264	-	-	82,696	-	82,696
Fair Employment & Housing Commission	389	-	-	-	-	-	-	-	-	-	-	-	-
State Operations	-	-	-	-	-	-	-	-	-	-	-	-	-
Horse Racing Board	-	-	-	-	-	-	-	-	-	-	-	-	-
State Operations	-	11,488	-	-	11,735	-	-	11,735	-	-	12,355	-	12,355
General Obligation Bonds-BCH	196,325	-	-	-	625,699	-	-	625,699	-	720,259	-	-	720,259
State Operations	-	-	-	-	-	-	-	-	-	-	-	-	-
Department of Alcoholic Beverage Control	-	50,152	-	181	53,653	-	-	53,653	-	-	-	-	53,895
State Operations	-	2,997	-	2,997	3,000	-	-	3,000	-	3,000	-	-	3,000
Local Assistance	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Totals, Department of Alcoholic Beverage Contr</b>	<b>\$53,149</b>	<b>\$53,149</b>	-	<b>\$56,653</b>	<b>\$56,653</b>	-	-	<b>\$56,653</b>	-	<b>\$56,653</b>	-	-	<b>\$56,653</b>
Alcoholic Beverage Control Appeals Board	-	-	-	-	-	-	-	-	-	-	-	-	-
State Operations	-	851	-	-	1,033	-	-	1,033	-	-	1,027	-	1,027
Department of Financial Institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
State Operations	-	33,337	-	-	-	-	-	-	-	-	-	-	-
Department of Corporations	-	-	-	-	-	-	-	-	-	-	-	-	-

**SCHEDULE 9 -- Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES**  
(Dollars In Thousands)

	Actual 2012-13			Estimated 2013-14			Proposed 2014-15					
	General Fund	Special Fund	Selected Bond Funds	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Federal Funds
State Operations	-	43,134	-	-	-	-	-	-	-	-	-	-
<b>Dept of Housing &amp; Community Development</b>												
State Operations	1,362	26,058	5,849	9,594	1,514	27,890	7,376	36,780	9,648	3,004	26,940	8,814
Local Assistance	5,629	-	76,270	81,899	5,629	-	177,725	183,354	121,996	5,629	-	37,853
<b>Totals, Dept of Housing &amp; Community Development</b>	<b>\$6,991</b>	<b>\$26,058</b>	<b>\$82,119</b>	<b>\$99,923</b>	<b>\$7,143</b>	<b>\$27,890</b>	<b>\$185,101</b>	<b>\$220,134</b>	<b>\$131,644</b>	<b>\$8,633</b>	<b>\$26,940</b>	<b>\$95,804</b>
<b>Office of Real Estate Appraisers</b>												
State Operations	-	4,953	-	4,953	-	-	-	-	-	-	-	-
<b>Department of Real Estate</b>												
State Operations	-	42,993	-	42,993	-	-	-	-	-	-	-	-
<b>TOTALS, BUSINESS, CONSUMER SERVICES, &amp; HOUSING</b>	<b>\$214,792</b>	<b>\$647,501</b>	<b>\$82,119</b>	<b>\$104,844</b>	<b>\$646,342</b>	<b>\$756,761</b>	<b>\$185,101</b>	<b>\$1,588,204</b>	<b>\$137,178</b>	<b>\$745,397</b>	<b>\$775,018</b>	<b>\$1,580,646</b>
State Operations	209,163	644,504	5,849	859,516	14,515	753,761	7,376	1,401,850	15,182	739,768	772,018	1,534,164
Local Assistance	5,629	2,997	76,270	84,896	5,629	3,000	177,725	186,354	121,996	5,629	3,000	46,482
<b>TRANSPORTATION</b>												
<b>Transportation</b>												
<b>Transportation, Secy</b>												
State Operations	-	-	-	-	-	2,560	-	2,560	59,968	-	2,555	59,234
Local Assistance	-	-	-	-	-	-	-	-	63,219	-	-	36,993
<b>Totals, Transportation, Secy</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$2,560</b>	<b>-</b>	<b>\$2,560</b>	<b>\$123,187</b>	<b>-</b>	<b>\$2,555</b>	<b>\$96,227</b>
<b>California Transportation Commission</b>												
State Operations	-	2,094	470	2,564	-	2,232	887	3,119	-	-	2,431	605
Local Assistance	-	-	53,257	53,257	-	-	25,000	25,000	-	-	-	25,000
<b>Totals, California Transportation Commission</b>	<b>-</b>	<b>\$2,094</b>	<b>\$53,727</b>	<b>\$55,821</b>	<b>-</b>	<b>\$2,232</b>	<b>\$25,887</b>	<b>\$28,119</b>	<b>\$28,119</b>	<b>-</b>	<b>\$2,431</b>	<b>\$25,605</b>
<b>State Transit Assistance</b>												
Local Assistance	-	417,495	752,892	1,170,387	-	389,752	298,988	688,740	-	-	373,091	823,949
<b>Department of Transportation</b>												
State Operations	-	2,626,957	166,835	2,793,792	-	2,698,277	183,310	2,881,587	881,025	-	2,717,901	182,257
<b>Local Assistance</b>												
Aeronautics Program	-	-231	-	-231	-	1,055	-	1,055	-	-	4,640	4,640
Highway Transportation Program	-	187,015	631,205	818,220	-	584,193	359,247	943,440	1,791,934	-	360,287	91,591
Mass Transportation Program	-	109,731	330,430	440,161	-	125,826	479,140	604,966	60,492	-	162,041	31,360
Transportation Planning Program	-	7,354	-	7,354	-	12,000	-	12,000	71,100	-	12,000	12,000
Totals, Local Assistance	-	303,869	961,635	1,265,504	-	723,074	838,387	1,561,461	1,923,526	-	538,968	122,951
Capital Outlay	-	425,976	2,153,183	2,579,159	-	492,449	1,311,336	1,803,785	2,083,242	-	403,343	517,601
Unclassified	83,416	-83,416	-	-	-	81,362	-81,362	-	5,000	83,012	-83,012	-
<b>Totals, Department of Transportation</b>	<b>\$83,416</b>	<b>\$3,273,366</b>	<b>\$3,281,653</b>	<b>\$6,638,455</b>	<b>\$81,362</b>	<b>\$3,832,438</b>	<b>\$2,333,033</b>	<b>\$6,246,833</b>	<b>\$4,892,793</b>	<b>\$83,012</b>	<b>\$3,577,200</b>	<b>\$822,809</b>
<b>High-Speed Rail Authority</b>												
State Operations	-	-	17,740	17,740	-	-	26,351	26,351	-	-	-	29,316
Local Assistance	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	27,275	27,275	-	21,974	21,974	21,974	571,324	-	250,000	250,000
<b>Totals, High-Speed Rail Authority</b>	<b>-</b>	<b>-</b>	<b>\$45,015</b>	<b>\$45,015</b>	<b>-</b>	<b>\$48,325</b>	<b>\$48,325</b>	<b>\$48,325</b>	<b>\$571,324</b>	<b>-</b>	<b>\$250,000</b>	<b>\$279,316</b>
<b>Board of Pilot Commissioners</b>												
State Operations	-	1,550	-	1,550	-	2,223	-	2,223	-	-	2,161	-
<b>Office of Traffic Safety</b>												
State Operations	-	401	-	401	-	-	-	-	-	-	-	-

**SCHEDULE 9 -- Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES**  
(Dollars In Thousands)

	Actual 2012-13				Estimated 2013-14				Proposed 2014-15			
	General Fund	Special Fund	Selected Bond Funds	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Federal Funds
Local Assistance	-	-	-	30,974	-	-	-	-	-	-	-	-
<b>Totals, Office of Traffic Safety</b>	-	\$401	-	\$89,346	-	-	-	-	-	-	-	-
<b>Dept of the California Highway Patrol</b>	-	1,759,800	-	17,391	-	1,909,936	-	18,887	-	1,917,803	-	19,027
State Operations	-	1,759,800	-	17,391	-	1,909,936	-	18,887	-	1,917,803	-	19,027
Capital Outlay	-	16,553	-	13,944	-	13,944	-	13,944	-	14,307	-	14,307
<b>Totals, Dept of the California Highway Patrol</b>	-	\$1,776,353	-	\$17,391	-	\$1,923,880	-	\$18,887	-	\$1,932,110	-	\$19,027
<b>Department of Motor Vehicles</b>	-	899,990	-	739	-	1,005,939	-	5,129	-	1,056,845	-	4,063
State Operations	-	899,990	-	739	-	1,005,939	-	5,129	-	1,056,845	-	4,063
Capital Outlay	-	13,341	-	9,425	-	9,425	-	9,425	-	-	-	-
<b>Totals, Department of Motor Vehicles</b>	-	\$913,331	-	\$739	-	\$1,015,364	-	\$5,129	-	\$1,056,845	-	\$4,063
<b>General Obligation Bonds-Transportation</b>	-	677,724	-	563,559	-	69,428	-	945,668	-	1,122,115	-	1,250,975
State Operations	-	677,724	-	563,559	-	69,428	-	945,668	-	1,122,115	-	1,250,975
<b>TOTALS, TRANSPORTATION</b>	\$-30,749	\$7,062,334	\$4,133,287	\$11,164,872	\$150,790	\$8,114,117	\$2,706,233	\$10,971,140	\$5,611,320	\$1,701,679	\$10,232,059	\$6,011,182
<b>TOTALS, TRANSPORTATION</b>	\$-30,749	\$7,062,334	\$4,133,287	\$11,164,872	\$150,790	\$8,114,117	\$2,706,233	\$10,971,140	\$5,611,320	\$1,701,679	\$10,232,059	\$6,011,182
State Operations	-	5,968,516	185,045	6,039,396	69,428	6,566,835	210,548	6,846,811	965,009	6,821,811	212,178	7,162,849
Local Assistance	-	721,364	1,767,784	2,489,148	-	1,112,826	1,162,375	2,275,201	1,986,745	-	912,059	1,916,027
Capital Outlay	-	455,870	2,180,458	2,636,328	-	515,818	1,333,310	1,849,128	2,654,566	-	667,650	3,209,305
Unclassified	83,416	-	-	-	81,362	-	-	-	5,000	83,012	-	5,000
<b>NATURAL RESOURCES</b>	-	3,132	5,009	8,141	-	5,458	10,094	15,552	9,278	-	9,980	15,812
<b>Secretary of the Natural Resources</b>	-	3,132	5,009	8,141	-	5,458	10,094	15,552	9,278	-	9,980	15,812
State Operations	-	3,132	5,009	8,141	-	5,458	10,094	15,552	9,278	-	9,980	15,812
Local Assistance	-	-	29,589	29,589	-	10,000	34,471	44,471	-	-	17,800	43,003
<b>Totals, Secretary of the Natural Resources</b>	-	\$3,132	\$34,598	\$37,730	-	\$15,458	\$44,565	\$60,023	\$9,278	-	\$27,780	\$31,035
<b>Science Center</b>	-	-	-	-	-	-	-	-	-	-	-	-
State Operations	20,097	7,531	-	27,628	-	20,818	-	28,786	-	20,821	7,889	28,710
<b>Special Resources Programs</b>	-	203	-	203	-	205	-	205	-	-	211	211
State Operations	-	203	-	203	-	205	-	205	-	-	211	211
Local Assistance	-	4,797	-	4,797	-	4,838	-	4,838	-	-	4,838	4,838
<b>Totals, Special Resources Programs</b>	-	\$5,000	-	\$5,000	-	\$5,043	-	\$5,043	-	-	\$5,049	\$5,049
<b>Tahoe Conservancy</b>	-	4,157	75	4,232	171	4,530	23	4,553	227	-	5,053	5,076
State Operations	-	4,157	75	4,232	171	4,530	23	4,553	227	-	5,053	5,076
Local Assistance	-	183	375	558	-	-	-	-	-	-	-	-
Capital Outlay	-	-2,787	1,034	-1,753	233	4,484	5,712	10,196	11,434	-	974	3,205
<b>Totals, Tahoe Conservancy</b>	-	\$1,553	\$1,484	\$3,037	\$404	\$9,014	\$5,735	\$14,749	\$11,661	-	\$6,027	\$8,281
<b>California Conservation Corps</b>	-	31,669	34,812	5,062	71,543	-	35,649	40,411	5,382	35,818	37,357	78,212
State Operations	-	31,669	34,812	5,062	71,543	-	35,649	40,411	5,382	35,818	37,357	78,212
Local Assistance	-	-	7,488	7,488	-	-	-	-	-	-	114	114
<b>Totals, California Conservation Corps</b>	\$31,669	\$34,812	\$12,550	\$79,031	\$35,649	\$40,411	\$5,382	\$81,442	\$35,818	\$37,357	\$5,151	\$78,326
<b>Energy Resource Conservation/Dvlmt Comm</b>	-	292,199	-	292,199	7,180	378,205	-	378,205	19,088	-	286,965	15,124
State Operations	-	292,199	-	292,199	7,180	378,205	-	378,205	19,088	-	286,965	15,124
Local Assistance	-	285	-	285	-	215,820	-	215,820	-	-	176,200	-
<b>Totals, Energy Resource Conservation/Dvlmt Com</b>	-	\$292,484	-	\$292,484	\$7,180	\$594,025	-	\$594,025	\$19,088	-	\$463,165	\$15,124
<b>Renewable Resources Investment Program</b>	-	1,174	-	1,174	-	1,200	-	1,200	-	-	1,200	-
State Operations	-	1,174	-	1,174	-	1,200	-	1,200	-	-	1,200	-

**SCHEDULE 9 -- Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES**  
(Dollars In Thousands)

	Actual 2012-13			Estimated 2013-14			Proposed 2014-15		
	General Fund	Special Fund	Selected Bond Funds	General Fund	Special Fund	Selected Bond Funds	General Fund	Special Fund	Selected Bond Funds
<b>Department of Conservation</b>									
State Operations	3,625	47,337	1,227	2,314	2,983	58,157	2,861	2,985	72,301
Local Assistance	-	-	24,041	-	-	45,950	-	-	621
<b>Totals, Department of Conservation</b>	<b>\$3,625</b>	<b>\$47,337</b>	<b>\$25,268</b>	<b>\$2,314</b>	<b>\$2,983</b>	<b>\$58,157</b>	<b>\$2,861</b>	<b>\$2,985</b>	<b>\$72,301</b>
<b>Department of Forestry &amp; Fire Protection</b>									
State Operations	859,176	63,266	357	10,856	715,044	95,129	19,780	777,627	127,369
Local Assistance	-	-	566	-	-	-	-	-	24,153
Capital Outlay	-	-	-	-	6,815	-	-	-	-
<b>Totals, Department of Forestry &amp; Fire Protection</b>	<b>\$859,176</b>	<b>\$63,266</b>	<b>\$923</b>	<b>\$10,856</b>	<b>\$721,859</b>	<b>\$95,129</b>	<b>\$19,780</b>	<b>\$777,627</b>	<b>\$151,522</b>
<b>State Lands Commission</b>									
State Operations	9,460	14,888	-	24,348	10,537	16,537	-	10,565	16,435
<b>Department of Fish &amp; Wildlife</b>									
State Operations	60,483	161,110	26,433	58,837	62,971	196,096	42,523	63,041	201,185
Local Assistance	576	1,191	667	2,434	576	1,341	20,000	576	27,959
Capital Outlay	-	-	-	-	-	-	-	-	615
<b>Totals, Department of Fish &amp; Wildlife</b>	<b>\$61,059</b>	<b>\$162,301</b>	<b>\$27,100</b>	<b>\$58,837</b>	<b>\$63,547</b>	<b>\$197,437</b>	<b>\$62,523</b>	<b>\$63,617</b>	<b>\$229,759</b>
<b>Wildlife Conservation Board</b>									
State Operations	-	1,548	1,400	2,948	-	2,360	4,538	-	2,460
Local Assistance	-	10,202	46,422	56,624	-	-	-	-	-
Capital Outlay	-	-22,344	14,637	-7,707	16,568	2,176	35,000	17,160	4,503
<b>Totals, Wildlife Conservation Board</b>	<b>-</b>	<b>\$-10,594</b>	<b>\$62,459</b>	<b>\$23,207</b>	<b>\$16,568</b>	<b>\$4,536</b>	<b>\$35,000</b>	<b>\$17,160</b>	<b>\$69,963</b>
<b>Department of Boating &amp; Waterways</b>									
State Operations	-	-	-	6,478	-	-	-	-	-
Local Assistance	-	1,199	-	2,703	-	-	-	-	-
<b>Totals, Department of Boating &amp; Waterways</b>	<b>-</b>	<b>\$1,199</b>	<b>-</b>	<b>\$9,181</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Coastal Commission</b>									
State Operations	10,308	1,244	-	2,791	14,062	1,301	2,590	11,073	1,302
Local Assistance	-	798	-	1,000	816	-	1,816	1,000	754
<b>Totals, Coastal Commission</b>	<b>\$10,308</b>	<b>\$2,042</b>	<b>-</b>	<b>\$2,791</b>	<b>\$15,062</b>	<b>\$2,117</b>	<b>\$2,590</b>	<b>\$12,073</b>	<b>\$2,056</b>
<b>State Coastal Conservancy</b>									
State Operations	-	1,509	6,854	127	-	200	244	1,067	200
Local Assistance	-	492	51,130	3,746	-	2,000	-	-	965
Capital Outlay	-	-385	1,271	886	4,000	6,720	12,243	4,000	-200
<b>Totals, State Coastal Conservancy</b>	<b>-</b>	<b>\$1,616</b>	<b>\$59,255</b>	<b>\$4,339</b>	<b>\$4,000</b>	<b>\$6,920</b>	<b>\$12,487</b>	<b>\$5,067</b>	<b>\$965</b>
<b>Native American Heritage Commission</b>									
State Operations	612	-	-	612	849	-	-	849	-
<b>Department of Parks &amp; Recreation</b>									
State Operations	110,295	194,149	39,848	6,393	115,623	224,777	16,610	115,938	253,436
Local Assistance	-	23,887	126,115	4,948	2,000	33,823	48,545	-	24,800
Capital Outlay	-	11,021	13,140	-	-	35,696	50,188	-	31,112
<b>Totals, Department of Parks &amp; Recreation</b>	<b>\$110,295</b>	<b>\$229,057</b>	<b>\$179,103</b>	<b>\$11,341</b>	<b>\$117,623</b>	<b>\$294,296</b>	<b>\$65,155</b>	<b>\$115,938</b>	<b>\$309,348</b>
<b>Santa Monica Mountains Conservancy</b>									
State Operations	-	275	680	-	-	310	825	-	312
Local Assistance	-	-	5,651	-	-	-	-	-	-
<b>Totals, Santa Monica Mountains Conservancy</b>	<b>-</b>	<b>275</b>	<b>680</b>	<b>-</b>	<b>-</b>	<b>310</b>	<b>825</b>	<b>-</b>	<b>312</b>
<b>Federal Funds</b>									
<b>Department of Conservation</b>									
State Operations	-	-	-	2,861	-	2,861	2,861	-	2,861
Local Assistance	-	-	-	-	-	-	-	-	-
<b>Totals, Department of Conservation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,861</b>	<b>-</b>	<b>2,861</b>	<b>2,861</b>	<b>-</b>	<b>2,861</b>
<b>Department of Forestry &amp; Fire Protection</b>									
State Operations	-	-	-	-	-	-	19,780	-	19,780
Local Assistance	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-
<b>Totals, Department of Forestry &amp; Fire Protection</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,780</b>	<b>-</b>	<b>19,780</b>
<b>State Lands Commission</b>									
State Operations	-	-	-	-	-	-	-	-	-
<b>Department of Fish &amp; Wildlife</b>									
State Operations	-	-	-	-	-	-	42,523	-	42,523
Local Assistance	-	-	-	-	-	-	20,000	-	20,000
Capital Outlay	-	-	-	-	-	-	-	-	615
<b>Totals, Department of Fish &amp; Wildlife</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>62,523</b>	<b>-</b>	<b>62,523</b>
<b>Wildlife Conservation Board</b>									
State Operations	-	-	-	-	-	-	-	-	-
Local Assistance	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-
<b>Totals, Wildlife Conservation Board</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Department of Boating &amp; Waterways</b>									
State Operations	-	-	-	-	-	-	-	-	-
Local Assistance	-	-	-	-	-	-	-	-	-
<b>Totals, Department of Boating &amp; Waterways</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Coastal Commission</b>									
State Operations	-	-	-	-	-	-	-	-	-
Local Assistance	-	-	-	-	-	-	-	-	-
<b>Totals, Coastal Commission</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>State Coastal Conservancy</b>									
State Operations	-	-	-	-	-	-	-	-	-
Local Assistance	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-
<b>Totals, State Coastal Conservancy</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Native American Heritage Commission</b>									
State Operations	-	-	-	-	-	-	-	-	-
<b>Department of Parks &amp; Recreation</b>									
State Operations	-	-	-	-	-	-	-	-	-
Local Assistance	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-
<b>Totals, Department of Parks &amp; Recreation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Santa Monica Mountains Conservancy</b>									
State Operations	-	-	-	-	-	-	-	-	-
Local Assistance	-	-	-	-	-	-	-	-	-
<b>Totals, Santa Monica Mountains Conservancy</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Federal Funds Budget Total</b>									
<b>Department of Conservation</b>									
State Operations	-	-	-	2,861	-	2,861	2,861	-	2,861
Local Assistance	-	-	-	-	-	-	-	-	-
<b>Totals, Department of Conservation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,861</b>	<b>-</b>	<b>2,861</b>	<b>2,861</b>	<b>-</b>	<b>2,861</b>
<b>Department of Forestry &amp; Fire Protection</b>									
State Operations	-	-	-	-	-	-	19,780	-	19,780
Local Assistance	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-
<b>Totals, Department of Forestry &amp; Fire Protection</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,780</b>	<b>-</b>	<b>19,780</b>
<b>State Lands Commission</b>									
State Operations	-	-	-	-	-	-	-	-	-
<b>Department of Fish &amp; Wildlife</b>									
State Operations	-	-	-	-	-	-	42,523	-	42,523
Local Assistance	-	-	-	-	-	-	20,000	-	20,000
Capital Outlay	-	-	-	-	-	-	-	-	615
<b>Totals, Department of Fish &amp; Wildlife</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>62,523</b>	<b>-</b>	<b>62,523</b>
<b>Wildlife Conservation Board</b>									
State Operations	-	-	-	-	-	-	-	-	-
Local Assistance	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-
<b>Totals, Wildlife Conservation Board</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Department of Boating &amp; Waterways</b>									
State Operations	-	-	-	-	-	-	-	-	-
Local Assistance	-	-	-	-	-	-	-	-	-
<b>Totals, Department of Boating &amp; Waterways</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Coastal Commission</b>									
State Operations	-	-	-	-	-	-	-	-	-
Local Assistance	-	-	-	-	-	-	-	-	-
<b>Totals, Coastal Commission</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>State Coastal Conservancy</b>									
State Operations	-	-	-	-	-	-	-	-	-
Local Assistance	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-
<b>Totals, State Coastal Conservancy</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Native American Heritage Commission</b>									
State Operations	-	-	-	-	-	-	-	-	-
<b>Department of Parks &amp; Recreation</b>									
State Operations	-	-	-	-	-	-	-	-	-
Local Assistance	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-
<b>Totals, Department of Parks &amp; Recreation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Santa Monica Mountains Conservancy</b>									
State Operations	-	-	-	-	-	-	-	-	-
Local Assistance	-	-	-	-	-	-	-	-	-
<b>Totals, Santa Monica Mountains Conservancy</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Budget Total</b>									
<b>Department of Conservation</b>									
State Operations	3,625	47,337	1,227						





**SCHEDULE 9 -- Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES**  
(Dollars In Thousands)

	Actual 2012-13			Estimated 2013-14			Proposed 2014-15		
	General Fund	Special Fund	Selected Bond Funds	General Fund	Special Fund	Selected Bond Funds	General Fund	Special Fund	Selected Bond Funds
State Operations	1,781	14,207	-	1,363	1,842	10,529	1,965	1,843	10,589
<b>Air Resources Board</b>									
State Operations	-	230,482	19,011	6,151	-	303,947	16,544	-	253,839
Local Assistance	-	69,815	-	-	-	79,111	-	-	276,377
<b>Totals, Air Resources Board</b>									
	-	\$300,297	\$19,011	\$6,151	-	\$383,058	\$16,544	-	\$530,216
<b>Department of Pesticide Regulation</b>									
State Operations	-	53,731	-	2,003	-	56,721	2,007	-	57,096
Local Assistance	-	22,438	-	-	-	23,044	-	-	23,612
<b>Totals, Department of Pesticide Regulation</b>									
	-	\$76,169	-	\$2,003	-	\$79,765	\$2,007	-	\$80,708
<b>State Water Resources Control Board</b>									
State Operations	14,540	356,231	2,692	26,974	15,008	417,152	54,351	22,647	402,216
Local Assistance	-	15,294	30,391	182,926	-	9,800	90,000	-	28,450
<b>Totals, State Water Resources Control Board</b>									
	\$14,540	\$371,525	\$33,083	\$209,900	\$15,008	\$426,952	\$144,351	\$22,647	\$430,666
<b>Department of Toxic Substances Control</b>									
State Operations	21,417	107,840	-	24,804	21,759	131,519	33,131	21,193	123,387
Local Assistance	-	-	-	807	-	1,000	3,899	-	2,500
<b>Totals, Department of Toxic Substances Control</b>									
	\$21,417	\$107,840	-	\$25,611	\$21,759	\$132,519	\$37,030	\$21,193	\$125,887
<b>Resources Recycling and Recovery</b>									
State Operations	-	1,433,232	-	-	-	223,789	-	-	219,523
Local Assistance	-	26,158	-	-	-	1,250,824	-	-	1,240,496
<b>Totals, Resources Recycling and Recovery</b>									
	-	\$1,459,390	-	-	-	\$1,474,613	-	-	\$1,460,019
<b>Environmental Health Hazard Assessment</b>									
State Operations	4,057	10,194	-	-	4,626	12,429	414	4,628	12,912
<b>General Obligation Bonds-Environmental</b>									
State Operations	3,934	-	-	-	4,139	-	-	3,283	-
<b>TOTALS, ENVIRONMENTAL PROTECTION</b>									
State Operations	45,729	2,205,917	21,703	61,295	47,374	1,156,086	108,412	53,594	1,079,562
Local Assistance	-	133,705	30,391	183,733	-	1,363,779	93,899	-	1,571,435
<b>HEALTH AND HUMAN SERVICES</b>									
<b>Health &amp; Human Services Agency, Secy</b>									
State Operations	2,568	9,230	-	1,665	3,142	23,756	4,333	3,115	12,564
<b>State Council-Developmental Disabilities</b>									
State Operations	-	-	-	6,812	-	-	6,882	-	-
<b>Emergency Medical Services Authority</b>									
State Operations	1,135	3,144	-	1,511	1,213	3,672	1,921	1,213	3,832
Local Assistance	5,557	205	-	-	5,558	300	704	5,558	300
<b>Totals, Emergency Medical Services Authority</b>									
	\$6,692	\$3,349	-	\$1,511	\$6,771	\$3,972	\$2,625	\$6,771	\$4,132
<b>Statewide Health Planning &amp; Development</b>									
State Operations	-	77,216	-	434	74	98,334	504	74	96,873
Local Assistance	-	17,841	-	1,000	-	43,926	1,000	-	22,248
<b>Totals, Statewide Health Planning &amp; Development</b>									
	-	\$95,057	-	\$1,434	\$74	\$142,260	\$1,504	\$74	\$119,121
<b>TOTALS, ENVIRONMENTAL PROTECTION</b>									
	\$45,729	\$2,339,622	\$52,094	\$245,028	\$47,374	\$2,519,865	\$202,311	\$53,594	\$2,650,997
<b>TOTALS, HEALTH AND HUMAN SERVICES</b>									
	\$45,729	\$2,205,917	\$21,703	\$183,733	\$47,374	\$1,156,086	\$108,412	\$53,594	\$1,079,562
<b>TOTALS, EMERGENCY MEDICAL SERVICES AUTHORITY</b>									
	\$6,692	\$3,349	-	\$1,511	\$6,771	\$3,972	\$2,625	\$6,771	\$4,132
<b>TOTALS, STATEWIDE HEALTH PLANNING &amp; DEVELOPMENT</b>									
	-	\$95,057	-	\$1,434	\$74	\$142,260	\$1,504	\$74	\$119,121
<b>TOTALS, BUDGET TOTAL</b>									
	\$12,432	\$1,432,260	\$119,121	\$1,434	\$142,260	\$1,474,613	\$1,460,019	\$142,260	\$1,460,019



**SCHEDULE 9 -- Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES**  
(Dollars in Thousands)

	Actual 2012-13			Estimated 2013-14			Proposed 2014-15					
	General Fund	Special Fund	Selected Bond Funds	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Federal Funds
State Operations	-	6,850	-	-	-	40,310	-	-	-	40,948	-	-
Dept of Community Services & Development	-	-	-	-	-	-	-	-	-	-	-	-
State Operations	-	-	-	11,246	-	-	-	24,861	-	5,000	-	24,348
Local Assistance	-	-	-	207,637	-	-	-	227,163	-	75,000	-	227,163
<b>Totals, Dept of Community Services &amp; Development</b>	-	-	-	<b>\$218,883</b>	-	-	-	<b>\$252,024</b>	-	<b>\$80,000</b>	-	<b>\$251,511</b>
<b>California Health Benefit Exchange</b>	-	-	-	-	-	-	-	-	-	-	-	-
State Operations	-	-	-	225,031	-	-	-	378,948	-	-	-	275,852
Department of Rehabilitation	55,266	1,060	-	299,076	56,972	946	-	331,529	57,007	1,002	-	342,113
Local Assistance	-	-	-	15,736	-	-	-	15,736	-	-	-	15,736
<b>Totals, Department of Rehabilitation</b>	<b>\$55,266</b>	<b>\$1,060</b>	-	<b>\$314,812</b>	<b>\$56,972</b>	<b>\$946</b>	-	<b>\$347,265</b>	<b>\$57,007</b>	<b>\$1,002</b>	-	<b>\$357,849</b>
State Independent Living Council	-	-	-	301	-	-	-	149	-	-	-	163
Department of Child Support Services	42,406	-	-	97,642	46,711	-	-	107,215	48,126	-	-	109,936
Local Assistance	256,459	-	-	348,070	266,253	-	-	387,679	264,766	-	-	384,671
<b>Totals, Department of Child Support Services</b>	<b>\$298,865</b>	-	-	<b>\$445,712</b>	<b>\$312,964</b>	-	-	<b>\$494,894</b>	<b>\$312,892</b>	-	-	<b>\$494,607</b>
Department of Social Services	93,456	27,171	-	323,122	111,842	31,606	-	373,498	127,000	32,395	-	371,164
Local Assistance	1,544,452	-	-	1,544,452	1,206,192	-	-	1,206,192	636,872	-	-	636,872
CallWorks	81,398	596	-	697,063	83,802	426	-	755,731	98,170	588	-	764,281
Other Assistance Payments	2,752,566	-	-	2,752,566	2,782,334	-	-	2,782,334	2,816,458	-	-	2,816,458
County Admin and Automation	617,016	-	-	944,605	763,233	-	-	1,103,013	798,693	-	-	1,140,383
Projects	1,705,884	-	-	1,705,884	1,910,046	-	-	1,910,046	1,994,098	-	-	1,994,098
IHSS	54,767	896	-	1,075,636	56,745	963	-	1,115,945	66,307	924	-	1,121,419
Children & Adult Services and Licensing	9,750	-	-	560,801	9,187	-	-	579,231	3,267	-	-	617,637
Other Programs	6,765,833	1,492	-	6,767,325	6,811,539	1,389	-	6,724,785	6,413,865	1,512	-	6,752,380
Totals, Local Assistance	<b>\$6,859,289</b>	<b>\$28,663</b>	-	<b>\$6,902,453</b>	<b>\$6,923,381</b>	<b>\$32,995</b>	-	<b>\$7,098,283</b>	<b>\$6,540,865</b>	<b>\$33,907</b>	-	<b>\$7,123,544</b>
Totals, Department of Social Services	<b>\$6,859,289</b>	<b>\$28,663</b>	-	<b>\$6,902,453</b>	<b>\$6,923,381</b>	<b>\$32,995</b>	-	<b>\$7,098,283</b>	<b>\$6,540,865</b>	<b>\$33,907</b>	-	<b>\$7,123,544</b>
State-Local Realignment	-	4,377,865	-	4,377,865	-	4,571,150	-	4,831,650	-	4,831,650	-	-
Local Assistance	-	3,940,278	-	3,940,278	-	4,109,279	-	4,512,558	-	4,512,558	-	-
State-Local Realignment, 2011	-	-	-	-	-	-	-	-	-	-	-	-
Local Assistance	-	-	-	-	-	-	-	-	-	-	-	-
General Obligation Bonds-H&HS	66,938	-	-	66,938	67,131	-	-	67,470	-	-	-	67,470
State Operations	<b>\$26,732,087</b>	<b>\$16,761,590</b>	<b>\$42,952</b>	<b>\$43,536,629</b>	<b>\$28,329,924</b>	<b>\$17,752,226</b>	<b>\$273,470</b>	<b>\$55,353,524</b>	<b>\$28,793,239</b>	<b>\$19,258,556</b>	<b>\$48,051,795</b>	<b>\$56,974,091</b>
<b>TOTALS - HEALTH AND HUMAN SERVICES</b>	<b>\$26,732,087</b>	<b>\$16,761,590</b>	<b>\$42,952</b>	<b>\$43,536,629</b>	<b>\$28,329,924</b>	<b>\$17,752,226</b>	<b>\$273,470</b>	<b>\$55,353,524</b>	<b>\$28,793,239</b>	<b>\$19,258,556</b>	<b>\$48,051,795</b>	<b>\$56,974,091</b>
State Operations	2,076,108	417,883	4,291	2,498,282	1,483,238	562,668	6,417	1,844,693	2,356,766	566,781	-	1,731,349
Local Assistance	24,640,890	16,343,707	38,661	41,023,258	38,760,547	25,955,332	17,169,558	53,508,831	26,419,228	18,691,775	-	55,242,742
Capital Outlay	15,089	-	-	15,089	-	29,266	-	17,245	-	-	-	-
CORRECTIONS AND REHABILITATION	-	-	-	-	-	-	-	-	-	-	-	-
Corrections and Rehabilitation	8,363,278	-	-	8,363,278	697	9,147,019	-81,109	9,352,105	72,811	-	-	352
State Operations	-	-	-	-	-	-	-	-	-	-	-	-
Local Assistance	-	-	-	-	-	-	-	-	-	-	-	-

**SCHEDULE 9 -- Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES**  
(Dollars In Thousands)

	Actual 2012-13			Estimated 2013-14			Proposed 2014-15					
	General Fund	Special Fund	Selected Bond Funds	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Federal Funds
Juvenile Operations & Offender Programs	-	-	-	-	78	-	-	78	-	-	-	78
Transportation of Prisoners	83	-	-	-	278	-	-	278	-	-	-	278
Returning of Fugitives from Justice	1,746	-	-	-	2,593	-	-	2,593	-	-	-	2,593
County Charges	15,147	-	-	-	15,147	-	-	15,147	-	-	-	28,356
Parolee Detention	31,937	-	-	-	13,870	-	-	13,870	-	-	-	-
Community Corrections Performance	138,905	-615	-	-	102,043	-1,000	-	101,043	-	-1,001	-	128,264
Totals, Local Assistance	187,818	-615	-	-	134,009	-1,000	-	133,009	-	-1,001	-	189,569
Capital Outlay	18,585	-	750	-	54,444	-	3,434	57,878	-	29,421	-	37,719
<b>Totals, Corrections and Rehabilitation</b>	<b>\$8,569,681</b>	<b>\$-615</b>	<b>\$750</b>	<b>\$8,569,816</b>	<b>\$9,335,472</b>	<b>\$-82,109</b>	<b>\$3,434</b>	<b>\$9,256,797</b>	<b>\$352</b>	<b>\$9,542,096</b>	<b>\$80,108</b>	<b>\$9,622,204</b>
<b>Board of State and Community Corrections</b>												
State Operations	6,115	2,626	-	8,741	8,158	2,964	-	11,122	2,644	8,679	3,612	12,291
Local Assistance	33,522	27,848	-	61,370	36,236	28,680	-	64,915	50,298	36,235	28,680	64,915
<b>Totals, Board of State and Community Corrections</b>	<b>\$39,637</b>	<b>\$30,474</b>	<b>-</b>	<b>\$70,111</b>	<b>\$44,393</b>	<b>\$31,644</b>	<b>-</b>	<b>\$76,037</b>	<b>\$52,942</b>	<b>\$44,914</b>	<b>\$32,292</b>	<b>\$77,206</b>
<b>Enhancing Law Enforcement Activities</b>												
Local Assistance	-	489,900	-	489,900	-	489,900	-	489,900	-	-	489,900	489,900
<b>Trial Court Security</b>												
Local Assistance	-	507,997	-	507,997	-	516,579	-	516,579	-	-	537,896	537,896
<b>Local Community Corrections</b>												
Local Assistance	-	929,657	-	929,657	-	1,063,262	-	1,063,262	-	-	1,093,989	1,093,989
<b>District Attorney &amp; Public Defender Svcs</b>												
Local Assistance	-	20,383	-	20,383	-	21,391	-	21,391	-	-	26,459	26,459
<b>Juvenile Justice Programs</b>												
Local Assistance	-	110,372	-	110,372	-	118,953	-	118,953	-	-	140,271	140,271
<b>Enhancing Law Enforcement Act Growth</b>												
Local Assistance	-	-	-	-	-	-	-	-	-	-	7,181	7,181
<b>Federal Immigration Funding-Incarceration</b>												
State Operations	-51,230	-	-	-51,230	-52,408	-	-	-52,408	52,408	-52,408	-	-52,408
<b>General Obligation Bonds-DCR</b>												
State Operations	54,596	-	-	54,596	33,430	-	-	33,430	-	25,814	-	25,814
<b>TOTALS, CORRECTIONS AND REHABILITATION</b>	<b>\$8,612,684</b>	<b>\$2,088,168</b>	<b>\$750</b>	<b>\$10,701,602</b>	<b>\$9,360,887</b>	<b>\$2,159,620</b>	<b>\$3,434</b>	<b>\$11,523,941</b>	<b>\$105,702</b>	<b>\$9,560,416</b>	<b>\$2,408,096</b>	<b>\$11,968,512</b>
State Operations	8,372,759	2,626	-	8,375,385	9,136,199	-78,145	-	9,058,054	55,404	9,334,190	76,423	9,410,613
Local Assistance	221,340	2,085,542	-	2,306,882	170,244	2,237,765	-	2,408,009	50,298	196,805	2,323,375	2,520,180
Capital Outlay	18,585	-	750	19,335	54,444	-	3,434	57,878	-	29,421	8,298	37,719
<b>EDUCATION</b>												
<b>K thru 12 Education</b>												
Scholarshare Investment Board	389	-	-	389	372	-	-	372	-	356	-	356
<b>Department of Education</b>												
<b>Department of Education</b>												
State Operations	126,725	2,680	2,282	131,687	141,672	2,871	2,786	147,329	170,672	142,074	2,964	147,827
<b>Local Assistance</b>												
Adult Education	634,805	-	-	634,805	45,896	-	-	45,896	94,346	-	-	84,846
Appointments - District and County	24,730,129	-	-	24,730,129	29,876,953	-	-	29,876,953	-	35,271,434	-	35,271,434
Child Development	1,811,477	-	-	1,811,477	1,796,313	-	-	1,796,313	717,056	1,809,605	-	1,809,605

**SCHEDULE 9 -- Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES**  
(Dollars in Thousands)

	Actual 2012-13				Estimated 2013-14				Proposed 2014-15						
	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds
Child Nutrition	157,641	-	-	157,641	2,230,595	158,749	-	-	158,749	2,798,381	156,440	-	-	156,440	2,798,381
Categorical Programs	8,123,036	108,360	-	8,231,396	2,585,405	2,152,055	50,624	-	2,202,679	2,533,162	493,383	77,891	-	571,274	2,473,741
Pupil Assessment	82,318	-	-	82,318	23,914	72,706	-	-	72,706	25,111	128,772	-	-	128,772	20,640
Special Education	3,208,139	-	-	3,208,139	1,235,036	3,293,925	-	-	3,293,925	1,225,964	3,296,385	-	-	3,296,385	1,218,187
State-Mandated Local Programs	143,749	-	-	143,749	-	216,650	-	-	216,650	-	216,653	-	-	216,653	-
Totals, Local Assistance	38,891,294	108,360	-	38,999,654	6,858,548	37,613,247	50,624	-	37,663,871	7,394,020	41,372,672	77,891	-	41,450,563	7,294,146
<b>Totals, Department of Education</b>	<b>\$39,018,019</b>	<b>\$111,030</b>	<b>\$2,282</b>	<b>\$39,131,331</b>	<b>\$6,990,257</b>	<b>\$37,754,919</b>	<b>\$53,495</b>	<b>\$2,786</b>	<b>\$37,811,200</b>	<b>\$7,564,692</b>	<b>\$41,514,746</b>	<b>\$80,855</b>	<b>\$2,789</b>	<b>\$41,598,390</b>	<b>\$7,452,212</b>
<b>State Library</b>															
State Operations	14,396	503	726	15,625	4,974	19,277	475	774	20,526	7,476	15,624	454	332	16,410	6,502
Local Assistance	4,700	552	-	5,252	9,027	4,700	552	1,395	6,647	12,518	7,950	552	-	8,502	11,266
<b>Totals, State Library</b>	<b>\$19,096</b>	<b>\$1,055</b>	<b>\$726</b>	<b>\$20,877</b>	<b>\$14,001</b>	<b>\$23,977</b>	<b>\$1,027</b>	<b>\$2,169</b>	<b>\$27,173</b>	<b>\$19,994</b>	<b>\$23,574</b>	<b>\$1,006</b>	<b>\$332</b>	<b>\$24,912</b>	<b>\$17,768</b>
<b>Education Audit Appeals Panel</b>															
State Operations	690	-	-	690	-	1,118	-	-	1,118	-	1,118	-	-	1,118	-
<b>Summer School for the Arts</b>															
State Operations	1,363	-	-	1,363	-	1,386	-	-	1,386	-	1,386	-	-	1,386	-
<b>Teachers Retirement System Contributions</b>															
Local Assistance	1,359,675	-	-	1,359,675	-	1,359,827	-	-	1,359,827	-	1,423,915	-	-	1,423,915	-
<b>Retirement Costs for Community Colleges</b>															
Local Assistance	-107,693	-	-	-107,693	-	-109,906	-	-	-109,906	-	-113,154	-	-	-113,154	-
<b>School Facilities Aid Program</b>															
Local Assistance	-	-2,475	869,338	866,863	-	866,863	-	5,411	1,055,400	-	83	-	404,912	404,995	-
<b>Commission on Teacher Credentialing</b>															
State Operations	-	17,874	-	17,874	-	-	19,498	-	19,498	-	-	20,137	-	20,137	-
Local Assistance	26,191	-	-	26,191	-	-	-	-	-	-	-	-	-	-	-
<b>Totals, Commission on Teacher Credentialing</b>	<b>\$26,191</b>	<b>\$17,874</b>	<b>-</b>	<b>\$44,065</b>	<b>-</b>	<b>-</b>	<b>\$19,498</b>	<b>-</b>	<b>\$19,498</b>	<b>-</b>	<b>-</b>	<b>\$20,137</b>	<b>-</b>	<b>\$20,137</b>	<b>-</b>
<b>General Obligation Bonds-K-12</b>															
State Operations	2,166,112	-	-	2,166,112	-	2,301,694	-	-	2,301,694	-	2,398,697	-	-	2,398,697	-
<b>Totals, K thru 12 Education</b>	<b>\$42,483,842</b>	<b>\$127,484</b>	<b>\$872,346</b>	<b>\$43,483,672</b>	<b>\$7,004,258</b>	<b>\$41,333,387</b>	<b>\$79,431</b>	<b>\$1,080,355</b>	<b>\$42,473,173</b>	<b>\$7,564,686</b>	<b>\$45,250,721</b>	<b>\$101,998</b>	<b>\$408,033</b>	<b>\$45,760,752</b>	<b>\$7,469,980</b>
<b>Higher Education-Community Colleges</b>															
State Operations	9,453	103	1,447	11,003	194	10,508	128	2,076	12,712	258	11,619	84	2,076	13,779	31
<b>Local Assistance</b>															
Appointments	3,441,627	12,278	-	3,453,905	-	3,326,825	12,278	-	3,339,103	-	3,340,242	12,278	-	3,352,520	-
Extended Opportunity Programs and Svcs	73,605	-	-	73,605	-	88,605	-	-	88,605	-	88,605	-	-	88,605	-
Disabled Students	69,223	-	-	69,223	-	84,223	-	-	84,223	-	84,223	-	-	84,223	-
Matriculation	49,183	-	-	49,183	-	99,183	-	-	99,183	-	301,683	-	-	301,683	-
Other Categorical Programs	269,458	-	-	269,458	2,569	401,655	-	-	401,655	221	580,885	-	-	580,885	-
Totals, Local Assistance	3,903,096	12,278	-	3,915,374	2,569	4,000,491	12,278	-	4,012,769	221	4,395,638	12,278	-	4,407,916	-
Capital Outlay	-	-	42,072	42,072	-	-	-	92,157	92,157	-	-	-	27,292	27,292	-
<b>Totals, Board of Governors of Community Collg</b>	<b>\$3,912,549</b>	<b>\$12,381</b>	<b>\$43,519</b>	<b>\$3,968,449</b>	<b>\$2,763</b>	<b>\$4,010,999</b>	<b>\$12,406</b>	<b>\$94,233</b>	<b>\$4,117,638</b>	<b>\$479</b>	<b>\$4,407,257</b>	<b>\$12,362</b>	<b>\$29,368</b>	<b>\$4,448,987</b>	<b>\$31</b>
<b>General Obligation Bonds-Hi Ed-CC</b>															
State Operations	249,136	-	-	249,136	-	268,995	-	-	268,995	-	259,794	-	-	259,794	-
<b>Retirement Costs-Hi Ed-CC</b>															
Local Assistance	107,693	-	-	107,693	-	109,906	-	-	109,906	-	113,154	-	-	113,154	-

**SCHEDULE 9 -- Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES**  
(Dollars In Thousands)

	Actual 2012-13				Estimated 2013-14				Proposed 2014-15						
	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds
Totals, Higher Education-Community Colleges	\$4,269,378	\$12,381	\$43,519	\$4,325,278	\$2,763	\$4,389,900	\$12,406	\$94,233	\$4,496,539	\$479	\$4,780,205	\$12,362	\$29,368	\$4,821,935	\$31
Higher Education-UC, CSU and Other Postsecondary Education Commission															
State Operations	2	-	-	2	-	-	-	-	-	-	-	-	-	-	-
University of California															
State Operations	2,377,339	29,359	-	2,406,698	3,679,011	2,844,449	30,787	-	2,875,236	3,592,275	2,986,671	30,547	-	3,017,218	3,384,881
Capital Outlay	-	-	40,733	40,733	-	-	-	16,747	16,747	-	-	-	-	-	-
<b>Totals, University of California</b>	<b>\$2,377,339</b>	<b>\$29,359</b>	<b>\$40,733</b>	<b>\$2,447,431</b>	<b>\$3,679,011</b>	<b>\$2,844,449</b>	<b>\$30,787</b>	<b>\$16,747</b>	<b>\$2,891,983</b>	<b>\$3,592,275</b>	<b>\$2,986,671</b>	<b>\$30,547</b>	<b>-</b>	<b>\$3,017,218</b>	<b>\$3,384,881</b>
Institute for Regenerative Medicine															
State Operations	-	-	13,831	13,831	-	-	-	14,851	14,851	-	-	-	15,647	15,647	-
Local Assistance	-	-	199,102	199,102	-	-	-	242,342	242,342	-	-	-	277,465	277,465	-
<b>Totals, Institute for Regenerative Medicine</b>	<b>-</b>	<b>-</b>	<b>\$212,933</b>	<b>\$212,933</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$257,193</b>	<b>\$257,193</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$293,112</b>	<b>\$293,112</b>	<b>-</b>
Hastings College of the Law															
State Operations	7,849	-	-	7,849	-	8,360	-	-	8,360	-	9,628	-	-	9,628	-
California State University															
State Operations	2,063,476	-	2,063,476	1,171,687	2,345,893	-	-	2,345,893	1,167,942	2,696,153	-	-	-	2,696,153	1,167,942
Capital Outlay	-	-	5,549	5,549	-	-	-	4,547	4,547	-	-	-	15,705	15,705	-
<b>Totals, California State University</b>	<b>\$2,063,476</b>	<b>-</b>	<b>\$5,549</b>	<b>\$2,069,025</b>	<b>\$1,171,687</b>	<b>\$2,345,893</b>	<b>-</b>	<b>\$4,547</b>	<b>\$2,350,440</b>	<b>\$1,167,942</b>	<b>\$2,696,153</b>	<b>-</b>	<b>\$15,705</b>	<b>\$2,711,858</b>	<b>\$1,167,942</b>
CSU Health Benefits, Retired Annuitants															
State Operations	222,135	-	-	222,135	-	245,794	-	-	245,794	-	270,144	-	-	270,144	-
Awards for Innovation in Higher Ed															
Local Assistance	-	-	-	-	-	-	-	-	-	-	50,000	-	-	50,000	-
Student Aid Commission															
State Operations	10,529	-	10,529	256	11,544	-	-	11,544	258	11,442	-	-	-	11,442	258
Local Assistance	659,975	-	659,975	14,750	1,030,703	-	-	1,030,703	14,776	1,287,395	-	-	-	1,287,395	14,776
<b>Totals, Student Aid Commission</b>	<b>\$670,504</b>	<b>-</b>	<b>\$670,504</b>	<b>\$15,006</b>	<b>\$1,042,247</b>	<b>-</b>	<b>-</b>	<b>\$1,042,247</b>	<b>\$15,034</b>	<b>\$1,298,837</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$1,298,837</b>	<b>\$15,034</b>
General Obligation Bonds-Hi Ed															
State Operations	430,159	-	-	430,159	-	295,879	-	-	295,879	-	285,367	-	-	285,367	-
Totals, Higher Education-UC, CSU and Other	\$5,771,464	\$29,359	\$259,215	\$6,060,038	\$4,865,704	\$6,782,622	\$30,787	\$278,487	\$7,091,896	\$4,775,251	\$7,596,800	\$30,547	\$308,817	\$7,936,164	\$4,567,857
TOTALS, EDUCATION	\$52,524,684	\$169,224	\$1,175,080	\$53,868,988	\$11,872,725	\$52,505,909	\$122,624	\$1,433,075	\$54,061,608	\$12,360,416	\$57,627,726	\$144,907	\$746,218	\$58,518,851	\$12,037,868
State Operations	7,679,753	50,519	18,286	7,748,558	4,987,831	8,496,941	53,759	20,487	8,571,187	4,938,881	9,090,073	54,186	20,844	9,165,103	4,717,680
Local Assistance	44,844,931	118,705	1,068,440	46,032,076	6,884,894	44,008,968	68,865	1,299,137	45,376,970	7,421,535	48,537,653	90,721	682,377	49,310,751	7,320,188
Capital Outlay	-	-	88,354	88,354	-	-	-	113,451	113,451	-	-	-	42,997	42,997	-
LABOR AND WORKFORCE DEVELOPMENT															
Labor & Workforce Development, Secy															
State Operations	-	307	-	307	-	232	-	232	-	-	-	269	-	269	-
Employment Development Department															
State Operations	329,718	78,392	-	408,110	746,020	281,639	99,551	-	381,190	818,781	253,982	129,262	-	383,244	669,165
Local Assistance	-	-	-	-	-	-	-	-	-	9,347,122	-	-	-	-	6,452,536
<b>Totals, Employment Development Department</b>	<b>\$329,718</b>	<b>\$78,392</b>	<b>-</b>	<b>\$408,110</b>	<b>\$13,080,197</b>	<b>\$281,639</b>	<b>\$99,551</b>	<b>-</b>	<b>\$381,190</b>	<b>\$10,165,903</b>	<b>\$253,982</b>	<b>\$129,262</b>	<b>-</b>	<b>\$383,244</b>	<b>\$7,121,700</b>
Workforce Investment Board															
State Operations	-	-	-	-	2,170	-	2,500	-	2,500	3,034	-	3,500	-	3,500	2,955
Agricultural Labor Relations Board															

**SCHEDULE 9 -- Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES**  
(Dollars In Thousands)

	Actual 2012-13				Estimated 2013-14				Proposed 2014-15						
	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds	General Fund	Special Fund	Selected Bond Funds	Budget Total	Federal Funds
State Operations	4,783	490	-	5,273	-	5,079	1,013	-	6,092	-	5,082	1,063	-	6,145	-
<b>Public Employment Relations Board</b>															
State Operations	7,580	-	-	7,580	-	8,563	-	-	8,563	-	8,570	-	-	8,570	-
<b>Department of Industrial Relations</b>															
State Operations	2,067	294,896	-	296,963	34,064	2,512	347,633	-	36,778	-	478,275	-	-	478,275	36,980
<b>TOTALS, LABOR AND WORKFORCE DEVELOPMENT</b>	<b>\$344,148</b>	<b>\$374,085</b>	-	<b>\$718,233</b>	<b>\$13,116,431</b>	<b>\$297,793</b>	<b>\$450,929</b>	-	<b>\$748,722</b>	<b>\$10,205,715</b>	<b>\$267,634</b>	<b>\$612,369</b>	-	<b>\$880,003</b>	<b>\$7,161,635</b>
State Operations	344,148	374,085	-	718,233	782,254	297,793	450,929	-	748,722	858,593	267,634	612,369	-	880,003	709,100
Local Assistance	-	-	-	-	12,334,177	-	-	-	-	9,347,122	-	-	-	-	6,452,535
<b>GOVERNMENT OPERATIONS</b>															
<b>Department of Human Resources</b>															
State Operations	7,191	100	-	7,291	-	7,854	100	-	7,954	-	7,129	75	-	7,204	-
<b>Department of Technology</b>															
State Operations	3,953	1,691	-	5,644	-	4,298	-	-	4,298	-	4,378	-	-	4,378	-
Local Assistance	-	92,351	-	92,351	1,931	-	-	-	-	-	-	-	-	-	-
<b>Totals, Department of Technology</b>	<b>\$3,953</b>	<b>\$94,042</b>	-	<b>\$97,995</b>	<b>\$1,931</b>	<b>\$4,298</b>	-	-	<b>\$4,298</b>	-	<b>\$4,378</b>	-	-	<b>\$4,378</b>	-
<b>State Personnel Board</b>															
State Operations	880	-	-	880	-	1,133	-	-	1,133	-	1,115	-	-	1,115	-
<b>Government Operations, Secy</b>															
State Operations	-	-	-	-	-	1,346	-	-	1,346	-	1,225	-	-	1,225	-
<b>Franchise Tax Board</b>															
State Operations	624,650	16,146	-	640,796	-	729,511	20,555	-	750,066	-	658,606	20,055	-	678,661	-
<b>Department of General Services</b>															
State Operations	2,690	77,699	12,818	93,207	-	7,571	98,479	13,641	119,691	-	8,661	121,214	13,124	142,989	-
Capital Outlay	-	-	-	-	-	-	-	3,832	3,832	-	2,500	-	-	2,500	-
<b>Totals, Department of General Services</b>	<b>\$2,690</b>	<b>\$77,699</b>	<b>\$12,818</b>	<b>\$93,207</b>	-	<b>\$7,571</b>	<b>\$98,479</b>	<b>\$17,473</b>	<b>\$123,523</b>	-	<b>\$11,161</b>	<b>\$121,214</b>	<b>\$13,124</b>	<b>\$145,499</b>	-
<b>Victim Compensation/Government Claims Bd</b>															
State Operations	-	26,403	-	26,403	694	-	31,860	-	31,860	1,853	-	32,415	-	32,415	1,812
Local Assistance	-	53,445	-	53,445	30,000	-	62,671	-	62,671	30,000	-	62,671	-	62,671	30,000
<b>Totals, Victim Compensation/Government Claims</b>	<b>\$79,848</b>	<b>\$79,848</b>	-	<b>\$79,848</b>	<b>\$30,694</b>	-	<b>\$94,531</b>	-	<b>\$94,531</b>	<b>\$31,853</b>	-	<b>\$95,086</b>	-	<b>\$95,086</b>	<b>\$31,812</b>
<b>Office of Administrative Law</b>															
State Operations	1,386	-	-	1,386	-	1,714	-	-	1,714	-	1,685	-	-	1,685	-
<b>TOTALS, GOVERNMENT OPERATIONS</b>	<b>\$640,750</b>	<b>\$267,835</b>	<b>\$12,818</b>	<b>\$921,403</b>	<b>\$32,625</b>	<b>\$753,427</b>	<b>\$213,665</b>	<b>\$17,473</b>	<b>\$984,565</b>	<b>\$31,853</b>	<b>\$685,299</b>	<b>\$236,430</b>	<b>\$13,124</b>	<b>\$934,853</b>	<b>\$31,812</b>
State Operations	640,750	122,039	12,818	775,607	694	753,427	150,994	13,641	915,062	1,853	682,799	173,759	13,124	869,682	1,812
Local Assistance	-	145,796	-	145,796	31,931	-	62,671	-	62,671	30,000	-	62,671	-	62,671	30,000
Capital Outlay	-	-	-	-	-	-	-	3,832	3,832	-	2,500	-	-	2,500	-
<b>GENERAL GOVERNMENT</b>															
<b>General Administration</b>															
<b>Peace Officer Standards &amp; Training Comm</b>															
State Operations	-	34,772	-	34,772	-	-	38,851	-	38,851	-	-	37,763	-	37,763	-
Local Assistance	-	19,805	-	19,805	-	-	19,686	-	19,686	-	-	15,926	-	15,926	-
<b>Totals, Peace Officer Standards &amp; Training Com</b>	<b>\$54,577</b>	<b>\$54,577</b>	-	<b>\$54,577</b>	-	-	<b>\$58,537</b>	-	<b>\$58,537</b>	-	-	<b>\$53,689</b>	-	<b>\$53,689</b>	-
<b>State Public Defender</b>															
State Operations	10,102	-	-	10,102	-	10,825	-	-	10,825	-	10,870	-	-	10,870	-

**SCHEDULE 9 -- Continued  
COMPARATIVE STATEMENT OF EXPENDITURES  
(Dollars In Thousands)**

	Actual 2012-13			Estimated 2013-14			Proposed 2014-15		
	General Fund	Selected Bond Funds	Federal Funds	General Fund	Selected Bond Funds	Federal Funds	General Fund	Selected Bond Funds	Federal Funds
<b>Arts Council</b>									
State Operations	1,020	708	988	1,092	792	999	1,093	787	1,880
Local Assistance	-	2,075	100	-	2,075	100	-	2,075	2,075
<b>Totals, Arts Council</b>	<b>\$1,020</b>	<b>\$2,783</b>	<b>\$1,088</b>	<b>\$1,092</b>	<b>\$2,867</b>	<b>\$1,099</b>	<b>\$1,093</b>	<b>\$2,862</b>	<b>\$3,955</b>
<b>Citizens Compensation Commission</b>									
State Operations	2	-	-	10	-	-	10	-	10
<b>Board of Chiropractic Examiners</b>									
State Operations	-	3,214	-	-	-	-	-	-	-
<b>Department of Food &amp; Agriculture</b>									
State Operations	53,864	106,006	89,403	57,379	125,019	109,178	56,742	142,996	200,916
Local Assistance	6,405	35,409	41,814	6,405	33,597	40,002	6,405	33,597	40,002
<b>Totals, Department of Food &amp; Agriculture</b>	<b>\$60,269</b>	<b>\$141,415</b>	<b>\$89,403</b>	<b>\$63,784</b>	<b>\$158,616</b>	<b>\$109,178</b>	<b>\$63,147</b>	<b>\$176,593</b>	<b>\$240,918</b>
<b>Fair Political Practices Commission</b>									
State Operations	7,839	-	-	9,578	-	-	9,119	-	9,119
<b>Political Reform Act of 1974</b>									
State Operations	-	-	-	-	-	-	2,585	-	2,585
<b>Public Utilities Commission</b>									
State Operations	-	1,240,584	3,268	-	1,215,063	5,472	-	237,516	237,516
Local Assistance	-	-	-	-	-	-	-	1,024,577	1,024,577
<b>Totals, Public Utilities Commission</b>	<b>-</b>	<b>\$1,240,584</b>	<b>\$3,268</b>	<b>-</b>	<b>\$1,215,063</b>	<b>\$5,472</b>	<b>-</b>	<b>\$1,262,093</b>	<b>\$5,498</b>
<b>Milton Marks Little Hoover Commission</b>									
State Operations	832	-	-	922	-	-	922	-	922
<b>CA Commission on Disability Access</b>									
State Operations	401	-	-	417	-	-	511	-	511
<b>Comm on the Status of Women &amp; Girls</b>									
State Operations	121	-	-	500	-	-	-	-	-
<b>California State Auditor's Office</b>									
State Operations	12,592	-828	-	14,646	270	-	14,742	-	14,742
<b>Department of Finance</b>									
State Operations	27,091	-1,389	-	33,659	1,038	-	34,063	949	35,179
<b>Financial Information System for CA</b>									
State Operations	-	57,718	-	3,394	65,389	-	94,435	6,459	100,894
<b>Commission on State Mandates</b>									
State Operations	1,562	-	-	1,907	-	-	1,908	-	1,908
Local Assistance	37,004	2,495	-	48,359	2,637	-	33,567	2,637	36,204
<b>Totals, Commission on State Mandates</b>	<b>\$38,566</b>	<b>\$2,495</b>	<b>-</b>	<b>\$50,266</b>	<b>\$2,637</b>	<b>-</b>	<b>\$35,475</b>	<b>\$2,637</b>	<b>\$38,112</b>
<b>Military Department</b>									
State Operations	43,540	589	89,902	44,563	1,532	97,452	44,825	1,532	46,357
Local Assistance	30	-	-	60	-	-	60	-	60
Capital Outlay	125	-	-	125	-	-	125	-	125
<b>Totals, Military Department</b>	<b>\$43,695</b>	<b>\$589</b>	<b>\$89,902</b>	<b>\$44,748</b>	<b>\$1,532</b>	<b>\$97,452</b>	<b>\$45,010</b>	<b>\$1,532</b>	<b>\$46,542</b>
<b>Department of Veterans Affairs</b>									
State Operations	219,871	341	1,440	298,371	668	4,999	331,563	360	331,923
Local Assistance	2,600	1,164	-	5,600	1,020	-	2,600	1,020	3,620



**SCHEDULE 9 -- Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES**  
(Dollars In Thousands)

	Actual 2012-13				Estimated 2013-14				Proposed 2014-15			
	General Fund	Special Fund	Selected Bond	Federal Funds	General Fund	Special Fund	Selected Bond	Federal Funds	General Fund	Special Fund	Selected Bond	Federal Funds
	Budget Total	Budget Total	Budget Total	Budget Total	Budget Total	Budget Total	Budget Total	Budget Total	Budget Total	Budget Total	Budget Total	Budget Total
Capital Outlay	433	433	32,225	16,251	1,197	2,814	4,011	1,420	-	-	1,420	14,384
<b>Totals, Department of Veterans Affairs</b>	<b>\$569</b>	<b>\$224,545</b>	<b>\$33,665</b>	<b>\$21,250</b>	<b>\$2,885</b>	<b>\$2,814</b>	<b>\$309,670</b>	<b>\$2,800</b>	<b>\$334,163</b>	<b>\$2,800</b>	<b>\$336,963</b>	<b>\$16,488</b>
<b>Federal Per Diem for Veterans Housing</b>												
State Operations	-	-	39,065	43,567	-	-	-	-	-56,592	-	-	56,592
<b>General Obligation Bonds-Gen Govt</b>												
State Operations	42,888	42,888	-	24,869	-	-	24,869	-	20,931	-	-	-
<b>Totals, General Administration</b>	<b>\$428,824</b>	<b>\$1,932,313</b>	<b>\$256,391</b>	<b>\$278,018</b>	<b>\$519,114</b>	<b>\$4,173</b>	<b>\$2,032,121</b>	<b>\$1,345</b>	<b>\$610,484</b>	<b>\$1,509,614</b>	<b>\$2,121,443</b>	<b>\$287,147</b>
<b>Tax Relief</b>												
<b>Tax Relief</b>												
<b>Local Assistance</b>												
Homeowners' Property Tax Relief	427,284	427,284	-	425,255	-	-	425,255	-	427,381	-	-	427,381
Subventions for Open Space	1	1	-	1	-	-	1	-	1	-	-	1
Property Tax Postponement Loan Repayment	-6,500	-6,500	-	-7,900	-	-	-7,900	-	-7,200	-	-	-7,200
<b>Totals, Local Assistance</b>	<b>420,785</b>	<b>420,785</b>	<b>417,356</b>	<b>420,182</b>	<b>417,356</b>	<b>417,356</b>	<b>420,182</b>	<b>420,182</b>	<b>420,182</b>	<b>420,182</b>	<b>420,182</b>	<b>420,182</b>
<b>Totals, Tax Relief</b>	<b>\$420,785</b>	<b>\$420,785</b>	<b>\$417,356</b>	<b>\$420,182</b>	<b>\$417,356</b>	<b>\$417,356</b>	<b>\$420,182</b>	<b>\$420,182</b>	<b>\$420,182</b>	<b>\$420,182</b>	<b>\$420,182</b>	<b>\$420,182</b>
<b>Local Government Subventions</b>												
<b>Local Government Financing</b>												
Local Assistance	2,105,124	2,105,124	-	1,874	-	-	1,874	-	16,026	-	-	16,026
<b>Payment to Counties for Homicide Trials</b>												
Local Assistance	225	225	-	1	-	-	1	-	1	-	-	1
<b>Shared Revenues</b>												
<b>Apportionment of Off-Hwy License Fees</b>												
Local Assistance	2,106	2,106	-	2,405	-	-	2,405	-	2,405	-	-	2,405
<b>Apportionment of Fed Rcpts Fid Cntl Lnds</b>												
Local Assistance	-	-	181	380	-	-	380	-	-	-	-	380
<b>Apportionment of Fed Rcpts Forest Rsrvs</b>												
Local Assistance	-	-	35,777	66,141	-	-	66,141	-	-	-	-	66,141
<b>Apportionment of Fed Rcpts Grazing Land</b>												
Local Assistance	-	-	61	107	-	-	107	-	-	-	-	107
<b>Apportionment of Fed Potash Lease Rntls</b>												
Local Assistance	-	-	4,648	2,173	-	-	2,173	-	-	-	-	2,173
<b>Apportionment of Tideland Revenues</b>												
Local Assistance	850	850	-	740	-	-	740	-	740	-	-	740
<b>Apportionment of MV Fuel Tx County Rds</b>												
Local Assistance	-	327,875	-	308,827	-	-	308,827	-	-	-	-	339,205
<b>Apportionment of MV Fuel Tx City Streets</b>												
Local Assistance	-	235,380	-	199,562	-	-	199,562	-	-	-	-	219,191
<b>Apportionment of MV Fuel Tx Co Rd/City St</b>												
Local Assistance	-	697,237	-	1,035,848	-	-	1,035,848	-	-	-	-	854,425
<b>Apportionment of MV Fuel Co&amp;City/Sl&amp;Hwy</b>												
Local Assistance	-	280,741	-	314,137	-	-	314,137	-	-	-	-	345,038
<b>Apportionment of Geothermal Rsrvs Dvlp</b>												
Local Assistance	-	1,730	-	1,570	-	-	1,570	-	-	-	-	1,570
<b>Totals, Shared Revenues</b>	<b>\$850</b>	<b>\$1,545,069</b>	<b>\$40,667</b>	<b>\$68,801</b>	<b>\$740</b>	<b>\$1,862,349</b>	<b>\$1,862,089</b>	<b>\$68,801</b>	<b>\$740</b>	<b>\$1,761,834</b>	<b>\$1,762,574</b>	<b>\$68,801</b>
<b>Totals, Local Government Subventions</b>	<b>\$2,106,199</b>	<b>\$1,545,069</b>	<b>\$40,667</b>	<b>\$68,801</b>	<b>\$2,615</b>	<b>\$1,862,349</b>	<b>\$1,864,964</b>	<b>\$68,801</b>	<b>\$16,767</b>	<b>\$1,761,834</b>	<b>\$1,778,601</b>	<b>\$68,801</b>

**SCHEDULE 9 -- Continued**  
**COMPARATIVE STATEMENT OF EXPENDITURES**  
(Dollars In Thousands)

	Actual 2012-13			Estimated 2013-14			Proposed 2014-15		
	General Fund	Special Fund	Selected Bond Funds	General Fund	Special Fund	Selected Bond Funds	General Fund	Special Fund	Selected Bond Funds
<b>Debt Service</b>									
Enhanced Tobacco Asset-Backed Bonds	-	-	-	-	-	-	1	-	1
State Operations	-	-	-	-	-	-	-	-	-
<b>Economic Recovery Financing Committee</b>									
State Operations	-	14,544	-	-	15,260	-	-	16,158	-
Unclassified	-	1,312,796	-	-	1,538,598	-	-	3,232,367	-
<b>Totals, Economic Recovery Financing Committee</b>	-	<b>\$1,327,340</b>	-	-	<b>\$1,553,858</b>	-	-	<b>\$3,248,525</b>	-
<b>Cash Management and Budgetary Loans</b>									
State Operations	108,735	-	-	88,900	-	-	174,000	-	174,000
<b>Interest Payments to the Federal Govt</b>									
State Operations	202	33	-	2,000	1,001	-	10,000	1,001	-
<b>Totals, Debt Service</b>	<b>\$108,937</b>	<b>\$1,327,373</b>	-	<b>\$90,900</b>	<b>\$1,554,859</b>	-	<b>\$184,001</b>	<b>\$3,249,526</b>	-
<b>Statewide Expenditures</b>									
Health & Dental Benefits for Annuitants	1,337,089	-	-	1,416,242	-	-	1,553,336	-	1,553,336
<b>Pretfunding Hlth &amp; Dental Bens Annuitants</b>									
State Operations	-	-	-	-	22,879	220	-	31,910	307
<b>Budget Stabilization Account</b>									
Unclassified	-	-	-	-	-	-	1,591,412	-1,591,412	-
<b>Victim Compensation/Government Claims Bd</b>									
State Operations	17,404	59	-	22,009	228	-	-	3,000	3,000
<b>Contingencies/Emergencies Augmentation</b>									
State Operations	-	-	-	13,110	11,509	-	20,000	15,000	35,000
<b>Capital Outlay Planning &amp; Studies</b>									
Capital Outlay	-	-	-	-	-	-	1,000	-	1,000
<b>Reserve for Liquidation of Encumbrances</b>									
Unclassified	-336,522	-	-	-336,522	-	-	-	-	-
<b>Statewide Proposition 98 Reconciliation</b>									
State Operations	2,796	-	-	2,796	-	-	-	-	-
Local Assistance	77,242	-	-	-115,973	-	-	-114,972	-	-114,972
<b>Totals, Statewide Proposition 98 Reconciliation</b>	<b>\$80,038</b>	-	-	<b>-\$115,973</b>	-	-	<b>-\$114,972</b>	-	<b>-\$114,972</b>
<b>Section 3.60 Rate Adjustments</b>									
State Operations	-	-	-	-	-	-	9,486	10,323	19,809
<b>PERS General Fund Deferral Payment</b>									
State Operations	424,560	-	-	431,176	-	-	411,136	-	411,136
<b>Statewide General Admin Exp (Pro Rata)</b>									
State Operations	-592,832	519	-	-634,912	1,158	-	-598,552	3,520	-595,032
<b>Various Departments</b>									
State Operations	-	-	-	-	-	-	100,000	-	100,000
Local Assistance	-	83,265	-	-	71,983	-	-	71,982	-
<b>Totals, Various Departments</b>	<b>\$83,265</b>	<b>\$83,265</b>	-	<b>\$71,983</b>	<b>\$71,983</b>	-	<b>\$100,000</b>	<b>\$71,982</b>	<b>\$171,982</b>
<b>Totals, Statewide Expenditures</b>	<b>\$929,737</b>	<b>\$83,843</b>	-	<b>\$1,131,652</b>	<b>\$107,757</b>	-	<b>\$2,972,846</b>	<b>-\$1,455,677</b>	<b>\$307</b>
<b>Augmentation for Employee Compensation</b>									
State Operations	-	-	-	-	-	-	257,331	205,404	462,735



**SCHEDULE 10**  
**SUMMARY OF FUND CONDITION STATEMENTS**  
(Dollars in Thousands)

Fund	Reserves June 30, 2012	Actual Revenues 2012-13	Actual Expenditures 2012-13	Reserves June 30, 2013	Estimated Revenues 2013-14	Estimated Expenditures 2013-14	Reserves June 30, 2014	Estimated Revenues 2014-15	Estimated Expenditures 2014-15	Reserves June 30, 2015
<b>GENERAL FUND</b>	-825,570	99,915,162	96,562,078	2,527,514	100,147,233	98,462,710	4,212,037	104,502,705	106,793,167	1,921,575
<b>SPECIAL FUNDS</b>										
Abandoned Mine Reclamation & Minerals Fd	1,918	1,074	273	2,719	757	1,208	2,268	1,005	607	2,666
Abandoned Watercraft Abatement Fund	431	850	850	431	775	775	431	1,000	1,350	81
Accountancy Fund	14,457	10,066	9,401	15,122	10,168	11,611	13,679	9,799	13,423	10,055
Acupuncture Fund	1,404	2,636	1,952	2,088	2,604	2,767	1,925	2,914	3,258	1,581
Acute Orphan Well Account, Oil, Gas, Geo	827	2	10	819	2	4	817	2	801	18
Administration Acct, Child & Families	23,235	4,572	4,968	22,839	4,409	4,963	22,285	4,259	4,946	21,598
Advanced Services Fund, California	30,079	23,418	10,387	43,110	103,969	58,461	88,618	39,837	97,831	30,624
Aeronautics Account STF	1,674	5,265	5,284	1,655	5,298	6,221	732	9,262	9,784	210
Agricultural Export Promotion Acct, CA	57	6	6	57	10	10	57	10	10	57
Air Pollution Control Fund	32,239	152,580	144,234	40,585	114,575	128,097	27,063	110,709	116,454	21,318
Air Quality Improvement Fund	962	28,943	31,180	-1,275	53,178	51,305	598	28,628	26,084	3,142
Air Toxics Inventory and Assessment Acct	1,014	457	639	832	601	975	458	601	996	63
Alcohol Beverages Control Fund	32,756	52,694	53,468	31,982	53,746	57,138	28,590	54,819	57,171	26,238
Alcoholic Beverage Control Appeals Fund	1,531	1,254	858	1,927	1,773	1,038	2,662	1,292	1,028	2,926
Alternative & Renewable & Vehicle Tech	82,214	105,639	119,533	68,320	100,827	159,299	9,848	99,900	106,302	3,446
Analytical Laboratory Account, Food & Ag	1,093	1,150	399	1,844	351	500	1,695	351	533	1,513
Antiterrorism Fund	716	1,318	598	1,436	1,300	1,272	1,464	1,300	1,772	992
Appellate Court Trust Fund	4,746	5,960	6,463	4,243	5,951	6,601	3,593	5,951	6,791	2,753
Apprenticeship Training Contribution Fd	18,312	9,634	10,317	17,629	8,550	11,203	14,976	8,550	11,237	12,289
Architects Board Fund, California	4,067	2,791	2,797	4,061	4,113	3,835	4,339	2,746	3,904	3,181
Architectural Paint Stewardship Account	-	415	136	279	266	266	279	277	277	279
Army Discretionary Improvement Account	374	83	30	427	83	175	335	83	172	246
Asbestos Consultant Certification Acct	1,166	439	365	1,240	434	400	1,274	434	405	1,303
Asbestos Training Approval Account	602	179	135	646	181	142	685	181	144	722
Assembly and Senate, Operating Funds Of	23	-	-	23	-	-	23	-	-	23
Assembly Operating Fund	134	-	-	134	-	-	134	-	-	134
Assistance for Fire Equipment Acct, State	823	9	14	818	13	105	726	13	100	639
Athletic Commission Fund	39	1,589	1,311	317	1,743	1,157	903	1,889	1,402	1,390
Athlct Comm Neutrgcl Exmtn Acct, St	710	19	39	690	20	124	586	19	127	478
Attorney General Antitrust Account	1,077	1,400	2,316	161	3,000	2,463	698	2,300	2,404	594
Audit Fund, State	4,877	-	-828	5,705	-	-	5,705	-	-	5,705
AIDS Drug Assistance Program Rebate Fund	13,678	302,311	286,495	29,494	278,659	308,153	-	260,687	260,687	-
Barbering & Cosmetology Contingent Fund	10,524	22,100	18,791	13,833	22,858	21,388	15,303	23,527	20,985	17,845
Beach and Coastal Enhancement Acct, Calif	2,004	1,616	1,640	1,980	1,764	2,719	1,025	1,502	1,845	682
Behavioral Health Services Growth Spec	-	27,863	27,863	-	52,896	52,896	-	184,272	184,272	-
Behavioral Health Subaccount	-	959,396	959,396	-	987,259	987,259	-	1,040,155	1,040,155	-
Behavioral Science Examiners Fund	1,818	7,088	7,438	1,468	8,865	8,228	2,105	8,719	9,096	1,728
Beverage Container Recycling Fund, CA	221,767	1,103,936	1,218,616	107,087	1,224,985	1,198,802	133,270	1,199,985	1,143,284	189,971
Bicycle Transportation Account, STF	6,318	7,264	11,400	2,182	1,856	705	3,333	50	-	3,383
Bimetal Processing Fee Acct, Bev Cont Re	14,077	1,576	347	15,306	1,173	285	16,194	1,176	283	17,087
Bingo Fund, California	630	-	-	630	50	50	630	50	50	630
Birth Defects Monitoring Fund	5,851	3,510	4,001	5,360	3,363	4,207	4,516	3,476	4,389	3,603
Bldng Stnds Admin Special Revolving Fund	1,593	1,802	1,197	2,198	1,700	1,509	2,389	1,700	1,889	2,200

**SCHEDULE 10 -- Continued**  
**SUMMARY OF FUND CONDITION STATEMENTS**  
(Dollars in Thousands)

Fund	Reserves June 30, 2012	Actual Revenues 2012-13	Actual Expenditures 2012-13	Reserves June 30, 2013	Estimated Revenues 2013-14	Estimated Expenditures 2013-14	Reserves June 30, 2014	Estimated Revenues 2014-15	Estimated Expenditures 2014-15	Reserves June 30, 2015
Breast Cancer Control Account	7,731	10,380	8,310	9,801	10,348	11,870	8,279	9,848	11,667	6,460
Breast Cancer Fund	77	729	729	77	804	813	68	804	803	69
Breast Cancer Research Account	4,965	10,409	11,064	4,310	10,313	12,228	2,395	9,811	11,705	501
Budget Stabilization Account	-	-	-	-	-	-	-	-	-1,591,412	1,591,412
Business Fees Fund, Secty of State's	1,318	32,549	32,866	1,001	41,620	41,805	816	53,015	53,049	782
Business Programs Modernization Fund	-	-	-	-	709	-	709	1,418	500	1,627
Cal- OSHA Targeted Inspection & Consult	26,449	62	8,200	18,311	-18,311	-	-	-	-	-
California Memorial Scholarship Fund	27	-	-	27	-	4	23	-	-	23
CalWORKs Maintenance of Effort Subacct	-	708,671	708,671	-	737,883	737,883	-	769,686	769,686	-
Cannery Inspection Fund	1,912	2,205	2,099	2,018	2,177	2,432	1,763	2,177	2,446	1,494
Car Wash Worker Fund	3,016	492	198	3,310	440	202	3,548	440	209	3,779
Car Wash Worker Restitution Fund	2,171	360	50	2,481	316	80	2,717	316	80	2,953
Carpet Stewardship Account, IWMF	-	270	95	175	263	263	175	275	275	175
Caseload Subacct, Sales Tax Growth Acct	-	109,365	109,365	-	31,473	31,473	-	34,620	34,620	-
Cemetery Fund	2,374	2,205	1,971	2,608	2,161	2,524	2,245	2,268	2,486	2,027
Centrl Cst St Vet Cmtry Ft Ord Oper, CA	-	-	-	-	1,299	1,197	102	1,420	1,420	102
Certification Acct, Consumer Affairs Fd	1,048	1,127	1,075	1,100	1,200	1,180	1,120	1,200	1,203	1,117
Certification Fund	4,211	1,458	1,585	4,084	1,464	1,697	3,851	1,464	2,096	3,219
Certified Access Specialist Fund	828	379	262	945	475	275	1,145	475	277	1,343
Certified Unified Program Account, State	2,852	1,536	1,218	3,170	1,685	2,298	2,557	1,601	2,290	1,868
Charity Bingo Mitigation Fund	-	6	6	-	10	10	-	11	11	-
Child Abuse Fund, DOJ	1,697	368	235	1,830	368	392	1,806	368	386	1,788
Child Care Acct, Child & Families Trust	24,587	13,599	10,399	27,787	13,095	13,095	27,787	12,645	12,645	27,787
Child Health and Safety Fund	7,120	4,838	4,447	7,511	4,799	7,995	4,315	4,799	5,940	3,174
Child Performer Services Permit Fund	-	250	-	250	667	701	216	1,000	625	591
Child Poverty & Fam Support Support SA	-	-	-	-	11,436	-	11,436	34,100	45,536	-
Childhood Lead Poisoning Prevention Fund	65,753	24,533	21,263	69,023	21,213	24,549	65,687	21,213	24,685	62,215
Children & Families First Trust Fd, Cal	4	15,831	15,831	4	17,797	17,797	4	17,602	17,578	28
Children's Health & Human Services Sp Fd	77,143	21,434	109,993	-11,416	1,148,828	829,102	308,310	1,255,883	1,172,397	391,796
Children's Medical Services Rebate Fund	37,568	11,320	8,000	40,878	8,072	36,979	11,971	10,090	10,000	12,061
Chiropractic Examiners Fund	1,873	3,656	3,235	2,294	3,459	3,796	1,957	6,456	6,772	1,641
Cigarette & Tobacco Products Compliance	8,263	1,696	1,199	8,760	1,518	1,565	8,713	1,518	1,623	8,608
Cigarette & Tobacco Products Surtax Fund	1,342	7,706	9,058	-10	10,094	10,084	-	9,979	9,970	9
Clandestine Drug Lab Clean-Up Account	8	-8	-	-	-	-	-	-	-	-
Clean Energy Job Creation Fund	-	-	-	-	-28,000	-28,500	500	-	500	-
Clinical Laboratory Improvement Fund	12,688	10,262	7,406	15,544	11,022	10,997	15,569	11,247	10,745	16,071
Clinp Loans Environmtl Asst Neighood Act	3,525	-23	-	3,502	-40	1,000	2,462	465	2,500	427
Co Medical Svc Subacct, Sales Tax Growth	-	7,698	7,698	-	4,717	4,718	-1	8,226	8,226	-1
Coachella Valley Mountains Conservancy	18	-	-	18	5	5	18	30	30	18
Coastal Access Account, SCCF	2,186	531	233	2,484	531	1,432	1,583	531	500	1,614
Coastal Act Services Fund	2,742	1,387	669	3,460	1,269	682	4,047	1,269	677	4,639
Collegiate License Plate Fund, Calif	-	38	37	1	38	39	-	38	38	-
Collins-Dugan Calif Conserv Corps Reimb	11,079	30,253	33,170	8,162	35,594	33,684	10,072	37,691	30,245	17,518
Commnty Corrcctns Perfrmnc Incrntvs Fd, St.	419	-	119	300	-	300	-	-	-1	1
Community Corrections Growth Special Acc	-	86,757	86,757	-	64,362	64,362	-	159,889	159,889	-

**SCHEDULE 10 -- Continued**  
**SUMMARY OF FUND CONDITION STATEMENTS**  
(Dollars in Thousands)

Fund	Reserves June 30, 2012	Actual Revenues 2012-13	Actual Expenditures 2012-13	Reserves June 30, 2013	Estimated Revenues 2013-14	Estimated Expenditures 2013-14	Reserves June 30, 2014	Estimated Revenues 2014-15	Estimated Expenditures 2014-15	Reserves June 30, 2015
Community Corrections Subaccount	-	842,900	842,900	-	998,900	998,900	-	934,100	934,100	-
Community Revitalization Fee Fund	1	-1	-	-	-	-	-	-	-	-
Construction Management Education Acct	252	48	135	165	55	86	134	55	174	15
Contingent Fd of the Medical Board of CA	24,574	52,895	50,971	26,498	53,100	58,457	21,141	55,131	59,341	16,931
Continuing Care Provider Fee Fund	1,735	1,004	1,320	1,419	1,459	1,352	1,526	1,459	1,284	1,701
Contractors' License Fund	27,322	55,587	53,956	28,953	55,081	61,551	22,483	55,843	61,953	16,373
Corporations Fund, State	62,274	39,037	43,382	57,929	20,325	45,394	32,860	43,591	48,559	27,892
Corrections Training Fund	15,712	19,942	21,003	14,651	13,571	22,162	6,060	19,267	22,765	2,562
Cost of Implementation Account	-	-	-	-	41,883	40,175	1,708	42,105	41,999	1,814
Counties Children & Families Acct	31,368	360,454	391,821	1	346,858	346,858	1	334,858	334,858	1
County School Service Fd Contingency Ac	100	-	-	100	-	-	100	-	-	100
Court Collection Account	5,437	92,809	92,419	5,827	85,745	83,682	7,890	85,745	83,370	10,265
Court Facilities Trust Fund	5,886	96,957	96,266	6,577	102,084	104,955	3,706	105,338	101,756	7,288
Court Interpreters' Fund	263	235	164	334	202	168	368	202	164	406
Court Reporters' Fund	1,346	742	718	1,370	656	891	1,135	656	889	902
Credit Union Fund	1,730	7,229	7,276	1,683	8,876	7,644	2,915	8,876	7,650	4,141
CURES Fund	-	-	-	-	406	-	406	1,625	-	2,031
Dam Safety Fund	1,623	10,887	11,246	1,264	11,852	11,907	1,209	11,838	12,015	1,032
Davis-Dolwig Account	-	10,000	10,000	-	10,000	10,000	-	10,000	10,000	-
Deaf & Disabled Telecomm Prtg Admin Comm	25,927	34,512	50,602	9,837	43,619	52,480	976	72,499	63,471	10,004
Dealers' Record of Sale Special Account	12,549	22,551	23,211	11,889	28,507	31,109	9,287	22,807	30,782	1,312
Debt & Investment Advisory Comm Fund,Cal	4,866	1,989	2,323	4,532	2,077	2,917	3,692	2,077	2,865	2,904
Debt Limit Allocation Committee Fund,Cal	3,454	1,251	1,235	3,470	1,008	1,361	3,117	1,008	1,411	2,714
Deficit Recovery Bond Retirement Sinking	1,453	8,038	1,714	7,777	39,755	39,735	7,797	1,632,758	1,632,737	7,818
Dental Assistant Fund, State	2,434	1,758	1,468	2,724	1,717	1,821	2,620	1,735	1,887	2,468
Dental Hygiene Fund, State	868	960	1,240	588	1,350	1,514	424	1,755	1,583	596
Dentistry Fund, State	1,873	6	1	1,878	10	132	1,756	10	133	1,633
Department of Agriculture Account, Ag Fd	6,313	8,121	9,662	4,772	10,816	12,131	3,457	9,732	12,454	735
Developmental Disabilities Prog Dev Fund	55,705	123,687	127,130	52,262	152,396	146,187	58,471	133,443	143,133	48,781
Developmental Disabilities Services Acct	-110	5,468	5,358	-	6,209	6,209	-	6,209	6,129	80
Diesel Emission Reduction Fund	151	-	-	151	150	150	151	150	150	151
Disability Access & Education Revolv Fd	3,265	72	-	3,337	70	-	3,407	70	-	3,477
Disability Access Account	2,830	5,734	6,097	2,467	8,198	6,641	4,024	8,198	6,574	5,648
Disaster Relief Fund	1	-	-	1	-	-	1	-	-	1
Dispensing Opticians Fund	344	176	212	308	181	325	164	181	330	15
Dist Attorney & Public Defender Subacct	-	14,600	14,600	-	17,100	17,100	-	15,800	15,800	-
Dist. Attorney & Pub. Defender Growth SA	-	5,783	5,783	-	4,291	4,291	-	10,659	10,659	-
Domestic Violence Trng & Education Fund	106	572	664	14	596	602	8	596	572	32
Drinking Water Operator Cert Special Act	2,865	1,423	1,386	2,902	1,509	1,832	2,579	1,509	1,956	2,132
Drinking Water Treatment & Research Fund	2,604	-2,604	-	-	-	-	-	-	-	-
Driver Training Penalty Assessment Fund	4,672	1,607	1,514	4,765	1,669	1,679	4,755	1,673	1,674	4,754
Driving Under-the-Influence Prog Lic Trs	519	1,388	1,605	302	1,792	1,818	276	1,792	1,947	121
Drug and Device Safety Fund	6,934	4,159	4,926	6,167	4,235	6,339	4,063	4,233	6,378	1,918
DNA Identification Fund	32,788	65,518	75,259	23,047	67,237	75,761	14,523	65,224	77,337	2,410

**SCHEDULE 10 -- Continued**  
**SUMMARY OF FUND CONDITION STATEMENTS**  
(Dollars In Thousands)

Fund	Reserves June 30, 2012	Actual Revenues 2012-13	Actual Expenditures 2012-13	Reserves June 30, 2013	Estimated Revenues 2013-14	Estimated Expenditures 2013-14	Reserves June 30, 2014	Estimated Revenues 2014-15	Estimated Expenditures 2014-15	Reserves June 30, 2015
Earthquake Emergency Invest Acct-NDA Fd	47	-	-	47	-	-	47	-	-	47
Earthquake Risk Reduction Fund of 1996	685	1,000	1,000	685	1,000	1,000	685	1,000	1,000	685
Education Acct, Child & Families TrustFd	21,121	22,638	9,810	33,949	21,605	21,800	33,754	21,050	21,050	33,754
Educational Telecommunication Fund	643	-	26	617	-	263	354	-	263	91
Electric Program Investment Charge Fund	1	12,508	558	11,951	196,113	193,391	14,673	172,300	185,468	1,505
Electrician Certification Fund	6,079	2,452	1,538	6,993	2,530	2,607	6,916	2,530	2,681	6,765
Electronic and Appliance Repair Fund	1,935	2,373	2,157	2,151	2,394	2,675	1,870	2,389	2,843	1,416
Electronic Waste Recovery & Recycling	105,988	87,201	89,338	103,851	54,524	91,775	66,600	82,954	101,008	48,546
Elevator Safety Account	17,363	28,722	19,596	26,489	26,587	21,992	31,084	26,587	22,010	35,661
Emerg Medical Svcs Trng Prog Approvl Fd	152	229	327	54	371	381	44	371	390	25
Emergency Food Assistance Program Fund	603	434	602	435	596	432	599	625	594	630
Emergency Medical Air Transportation Act	13,801	8,921	5,539	17,183	10,297	11,537	15,943	10,297	9,133	17,107
Emergency Medical Services Personnel Fnd	1,214	2,227	1,544	1,897	2,103	1,963	2,037	1,968	1,994	2,011
Emergency Medical Technician Cert Fund	375	1,645	1,501	519	1,903	1,643	779	1,903	1,616	1,066
Emergency Telephone Number Acct, State	56,172	107,311	102,279	61,204	94,412	119,022	36,594	107,901	116,918	27,577
Employment Development Contingent Fund	6,679	56,843	63,522	-	83,919	83,919	-	117,653	117,653	-
Employment Developmnt Dept Benefit Audit	-1	15,389	15,388	-	16,080	16,080	-	11,690	11,690	-
Energy Conservation Assistance Ac, State	39,627	2,676	24,542	17,761	30,330	48,091	-	2,196	2,196	-
Energy Facility License and Compliance	5,235	2,855	2,493	5,597	3,184	3,532	5,249	3,829	3,416	5,662
Energy Resources Programs Account	-9,994	116,917	65,475	41,448	72,879	84,784	29,543	74,364	89,562	14,345
Energy Resources Surcharge Fund	45,209	-45,233	-	-24	24	-	-	-	-	-
Energy Tech Research, Dev, & Demo Acct	2,924	2	12	2,914	2	2,480	436	2	2	438
Enhanced Fleet Mod Subacct.HIPollRprRmvl	20,325	30,176	34,645	15,856	30,427	44,572	1,711	40,736	40,638	1,809
Enhancing Law Enforcement Act Growth SA	-	-	-	-	-	-	-	7,181	7,181	-
Enhancing Law Enforcement Activities Sub	-	489,900	489,900	-	489,900	489,900	-	489,900	489,900	-
Enterprise Zone Fund	2,168	2,602	1,184	3,586	1,567	1,492	3,661	985	1,375	3,271
Entertainment Work Permit Fund	24	292	13	303	38	72	269	38	307	-
Environmental Enhancement and Mitigation	9,690	10,103	3,547	16,246	7,048	11,200	12,094	12,185	18,097	6,182
Environmental Enhancement Fund	2,165	66	348	1,883	118	358	1,643	122	759	1,006
Environmental Laboratory Improvement Fnd	1,093	2,594	2,532	1,155	2,905	3,205	855	2,905	3,154	606
Environmental License Plate Fund, Calif	7,783	39,846	39,863	7,766	43,251	42,625	8,392	44,126	48,727	3,791
Environmental Protection Trust Fund	125	-	-	125	-	-	125	-	-	125
Environmental Quality Assessment Fund	222	1	36	187	1	7	181	1	1	182
Environmental Water Fund	77	-	-	77	-	-	77	-	-	77
Equality in Ptv & Svcs Domestic Abuse Fd	205	90	98	197	88	103	182	88	103	167
Expedited Site Remediation Trust Fund	2,276	562	-	2,838	2	64	2,776	2	2,775	3
Export Document Program Fund	1,940	392	204	2,128	377	506	1,999	377	534	1,842
Exposition Park Improvement Fund	3,767	6,697	7,569	2,895	6,537	8,002	1,430	6,537	7,896	71
Fair and Exposition Fund	8,173	1,609	3,979	5,803	1,004	1,369	5,438	1,004	1,277	5,165
False Claims Act Fund	6,467	7,739	9,803	4,403	48,709	12,364	40,748	-11,287	12,282	17,179
Family Law Trust Fund	1,834	2,012	1,458	2,388	2,013	2,818	1,583	2,013	2,775	821
Family Support Subaccount, Sales Tax Acc	-	-	-	-	300,000	300,000	-	900,000	900,000	-
Farm & Ranch Solid Waste Cleanup & Abate	2,116	962	547	2,531	2	1,145	1,388	2	1,180	210
Farmer Remedial Account	570	255	58	767	241	102	906	241	102	1,045
Film Promotion and Marketing Fund	7	7	3	11	10	10	11	10	10	11

**SCHEDULE 10 -- Continued**  
**SUMMARY OF FUND CONDITION STATEMENTS**  
(Dollars in Thousands)

Fund	Reserves June 30, 2012	Actual Revenues 2012-13	Actual Expenditures 2012-13	Reserves June 30, 2013	Estimated Revenues 2013-14	Estimated Expenditures 2013-14	Reserves June 30, 2014	Estimated Revenues 2014-15	Estimated Expenditures 2014-15	Reserves June 30, 2015
Financial Institutions Fund	11,577	24,862	25,880	10,559	25,645	26,496	9,708	25,645	26,572	8,781
Financial Responsibility Penalty Account	950	-139	-	811	-	-	811	-	-	811
Fingerprint Fees Account	18,088	65,432	62,807	20,713	65,696	71,199	15,210	65,696	70,296	10,610
Fire and Arson Training Fund, Calif	1,783	2,240	2,853	1,170	2,408	3,256	322	2,900	3,215	7
Fire Marshal Fireworks Enf & Disp Fd, St	266	-	163	103	-	1	102	1,200	617	685
Fire Marshal Licensing & Cert Fund, St	1,875	2,123	1,864	2,134	2,120	2,854	1,400	2,468	2,860	1,008
Firearm Safety Account	1,692	951	289	2,354	1,251	345	3,260	1,001	340	3,921
Firearms Safety and Enforcement Spec Fd	2,985	8,007	3,361	7,631	10,979	3,532	15,078	8,786	3,495	20,369
Fish Recovery Fund	537,024	1,445,674	1,325,626	657,072	1,516,000	1,514,123	658,949	1,618,000	1,615,788	661,161
Fish and Game Preservation Fund	92,947	93,523	92,984	93,486	94,322	116,371	71,437	95,012	113,357	53,092
Fish and Wildlife Pollution Account	315	1,032	1,201	146	905	995	56	878	885	49
Food Safety Fund	7,900	7,448	6,808	8,540	7,345	7,822	8,063	7,345	7,816	7,592
Foreclosure Consultant Regulation Fund	11	1	-	12	1	-	13	1	-	14
Foster and Small Family Insurance Fund	3,519	-	343	3,176	-2,300	-	876	-	-	876
Funeral Directors and Embalmers Fund, St	1,769	1,268	1,385	1,652	1,240	1,818	1,074	1,304	1,852	526
Gambling Addiction Program Fund	514	195	160	549	341	159	731	205	154	782
Gambling Control Fines & Penalties Acct	1,924	729	39	2,614	151	48	2,717	151	47	2,821
Gambling Control Fund	13,080	18,540	10,112	21,508	18,540	13,274	26,774	18,540	12,846	32,468
Garment Industry Regulations Fund	3,943	3,005	2,811	4,137	2,874	3,060	3,951	2,874	3,098	3,727
Garment Manufacturers Special Account	2,285	416	167	2,534	401	500	2,435	401	500	2,336
Gas Consumption Surcharge Fund	353,811	427,856	764,848	16,819	571,605	588,104	320	586,874	587,097	97
General Growth Subacct, Sales Tax Growth	7,025	74,094	74,094	-	69,525	69,525	-	161,428	161,428	-
Genetic Disease Testing Fund	1,060	108,267	110,833	4,459	105,115	108,989	585	121,537	116,912	5,210
Geology and Geophysics Account PELS Fund	-245	3,155	2,911	-1	2,800	2,770	29	2,800	2,770	59
Geothermal Resources Development Account	-2,053	65,463	58,812	4,598	65,178	59,903	9,873	57,715	59,726	7,862
Glass Processing Fee Account	2,181	2,162	2,787	1,556	2,413	2,880	1,089	2,778	2,863	1,004
Graphic Design License Plate Account	-	257,433	-	257,433	197	31,892	225,738	640,328	845,229	20,837
Greenhouse Gas Reduction Fund	163	149	189	123	149	200	72	149	204	17
Habitat Conservation Fund	18,015	6,147	7,426	16,736	9,432	11,557	14,611	8,840	8,345	15,106
Hatchery and Inland Fisheries Fund	11,506	20,567	21,955	10,118	20,513	22,791	7,840	20,696	20,426	8,110
Hazardous & Idle-Deserted Well Abate Fnd	587	171	178	580	279	125	734	277	225	786
Hazardous Liquid Pipeline Safety Calif	7,028	3,029	1,754	8,303	3,345	3,413	8,235	3,345	3,398	8,182
Hazardous Spill Prevention Acct, RAPRF	2	-	-	2	-	-	2	-	-	2
Hazardous Waste Control Account	27,260	46,876	45,297	28,839	49,634	52,651	25,822	47,752	56,080	17,494
Health Care Benefits Fund	786	1,997	1,997	786	2,000	2,000	786	2,000	2,000	786
Health Data & Planning Fund, CA	18,088	25,514	25,757	17,845	25,963	29,397	14,411	38,366	32,302	20,475
Health Ed Acct, Cig & Tob Pr Surtax	18,987	63,529	70,735	11,781	60,314	65,210	6,885	58,737	62,400	3,222
Health Information Technology & Exchange	-	7,119	7,119	-	21,000	21,000	-	9,798	9,798	-
Health Statistics Special Fund	3,265	20,974	21,349	2,890	22,515	23,936	1,469	24,579	23,962	2,086
Health Subaccount, Sales Tax Account	-	351,716	351,716	-	398,555	398,555	-	518,213	518,213	-
Heritage Enrichment Resource Fund	60	61	3	85	61	48	98	61	49	110
Heritage Fund, California	10,945	34,642	29,592	15,995	35,680	41,664	10,011	36,020	40,556	60
High Polluter Repair or Removal Account	-2,622	53,271	34,886	15,763	33,974	40,228	9,509	32,530	39,353	5,475
High-Cost Fund-A Admin Committee Fd, Cal	-	-	-	-	-	-	-	-	-	2,686



**SCHEDULE 10 -- Continued**  
**SUMMARY OF FUND CONDITION STATEMENTS**  
(Dollars in Thousands)

Fund	Reserves June 30, 2012	Actual Revenues 2012-13	Actual Expenditures 2012-13	Actual Expenditures 2012-13	Reserves June 30, 2013	Estimated Revenues 2013-14	Estimated Expenditures 2013-14	Reserves June 30, 2014	Estimated Revenues 2014-15	Estimated Expenditures 2014-15	Reserves June 30, 2015
High-Cost Fund-B Admin Committee Fd, Cal	16,688	51,502	25,316	42,884	106,119	29,488	119,515	59,422	22,242	156,695	
Highway Account, State, STF	510,294	3,158,691	3,086,231	3,783,260	3,783,260	3,533,853	832,161	3,796,636	3,286,900	1,341,897	
Highway Users Tax Account, TTF	-749	1,543,476	1,542,727	1,859,935	1,859,935	1,859,935	-	1,759,482	1,759,482	-	
Historic Property Maintenance Fund	-164	1,846	1,504	1,878	1,878	1,008	1,048	670	1,638	80	
Home Care Fund	-	-	-	-	-	-	-	-	1,472	1,472	-
Home Furnish & Thermal Insulation Fund	2,271	3,879	4,369	1,781	5,365	4,875	2,271	3,872	5,028	1,115	
Horse Racing Fund	1,715	11,594	11,551	1,758	11,743	11,822	1,679	11,922	12,411	1,190	
Hospital Building Fund	41,810	45,624	46,072	41,362	45,110	58,157	28,315	65,110	57,869	35,556	
Hospital Quality Assurance Revenue Fund	404,684	4,449,961	4,701,028	153,617	6,280,979	3,853,176	2,581,420	4,104,769	4,254,884	2,431,305	
Hospital Svc Acct, Cig & Tob Pr Surtax	21,112	60,240	51,425	29,927	54,678	58,946	25,659	50,589	72,435	3,813	
HICAP Fund, State	1,041	2,928	2,479	1,490	3,162	2,490	2,162	3,162	2,477	2,847	
Illegal Drug Lab Cleanup Account	3,776	13	833	2,956	9	883	2,082	9	819	1,272	
Immediate and Critical Needs Acct, SCFCF	92,702	282,686	266,912	108,476	83,009	159,180	32,305	283,835	237,482	78,658	
Indian Gaming Special Distribution Fund	60,514	9,434	39,452	30,496	18,291	40,181	8,606	21,841	30,366	81	
Industrial Development Fund	2	33	22	13	36	41	8	36	40	4	
Industrial Rel Construction Enforce Fd	1,177	662	62	1,777	-1,777	-	-	-	-	-	
Infant Botulism Treatment & Prevention	9,562	6,374	4,446	11,490	4,692	6,212	9,970	4,550	9,204	5,316	
Inland Wetlands Cons Fd, Wildlife Rest	1,129	3	-	1,132	3	-	1,135	3	-	1,138	
Insurance Fund	38,580	213,147	221,343	30,384	226,059	242,672	13,771	234,696	243,017	5,450	
Int Hlth Info Integrity Qual Imprvmt Acct	24	8	-	32	25	25	32	25	25	32	
Integrated Waste Management Account	23,244	35,908	36,833	22,319	37,232	42,156	17,395	35,924	42,588	10,731	
Internat Student Exch Visitor Plcmt Org	77	5	-	82	5	-	87	5	-	92	
Judicial Admin Efficiency & Modernztn	24,888	-24,888	-	-	-	-	-	-	-	-	
Juvenile Justice Growth Special Account	-	11,568	11,568	-	8,582	8,582	-	21,318	21,318	-	
Juvenile Reentry Grant Special Account	-	5,453	5,453	6,091	6,091	6,091	-	6,565	6,565	-	
Labor and Workforce Development Fund	9,045	4,529	4,285	9,289	4,600	5,311	8,578	4,600	5,608	7,570	
Labor Enforcement and Compliance Fund	21,576	40,149	38,532	23,193	43,290	43,859	22,624	42,341	43,310	21,655	
Lake Tahoe Conservancy Account	1,838	1,109	-1,583	4,530	1,109	4,684	955	1,109	1,144	920	
Landscape Architects Fd, CA Bd/Arch Exam	2,283	814	684	2,413	766	1,165	2,014	765	1,175	1,604	
Law Enforcement Services Growth Subacct	-	-	-	-	-	-	-	-	1	-	
Law Library Special Account, Calif. State	299	376	512	163	385	479	69	385	454	-	
Lead-Related Construction Fund	619	516	355	780	500	545	735	222	566	391	
Leaking Undergrnd Stor Tank Cost Recovery	101	101	-	101	-	-	101	-	-	101	
Licensed Midwifery Fund	185	36	-	221	36	-	257	36	13	280	
Licensing and Certification Prog Fd, PH	62,791	79,623	67,587	74,827	74,128	90,359	58,596	74,128	90,709	42,015	
Lifetime License Trust Acct, Fish & Game	8,438	569	-	9,007	333	-	9,340	420	-	9,760	
Loc Pub Prosecutors & Pub Defenders Trng	1,043	853	819	1,077	854	882	1,049	854	882	1,021	
Local Agency Deposit Security Fund	435	290	378	347	290	416	221	290	416	95	
Local Airport Loan Account	13,140	1,075	-2,238	16,453	1,195	-1,435	19,083	-2,840	-1,350	17,593	
Local Govt Geothermal Resource Subacct	7,102	1,178	594	7,686	1,204	5,725	3,165	1,204	4,008	361	
Local Jurisdiction Energy Assistance	1,310	1	-	1,311	1	-	1,312	1	-	1,313	
Local Revenue Fund	-	699	699	734	734	734	-	768	768	-	
Local Safety and Protection Account, TTF	444	-	-	444	-	-	444	-	-	444	
Local Transportation Loan Acct, SHA, STF	3,990	12	-	4,002	10	-	4,012	10	-	4,022	
Long-Term Care Quality Assurance Fund	-	-	-	-	769,436	439,445	329,991	544,223	470,374	403,840	

**SCHEDULE 10 -- Continued**  
**SUMMARY OF FUND CONDITION STATEMENTS**  
(Dollars in Thousands)

Fund	Reserves June 30, 2012	Actual Revenues 2012-13	Actual Expenditures 2012-13	Reserves June 30, 2013	Estimated Revenues 2013-14	Estimated Expenditures 2013-14	Reserves June 30, 2014	Estimated Revenues 2014-15	Estimated Expenditures 2014-15	Reserves June 30, 2015
Low Income Health MCE Out Network ECS	-	-	-	-	50,000	-	50,000	-	-	50,000
Major Risk Medical Insurance Fund	40,683	31,348	24,009	48,022	31,750	42,969	36,803	31,780	42,996	25,587
Managed Care Admin Fines & Penalties Fnd	1,025	-222	-	803	-75	-	728	-	-	728
Managed Care Fund	18,451	39,070	40,951	16,570	43,945	51,665	8,850	49,298	55,527	2,621
Marine Invasive Species Control Fund	3,692	4,526	4,611	3,607	4,590	4,787	3,410	4,590	4,698	3,302
Mass Media Comm Acct, Child & Fam Trust	19,745	27,809	27,334	20,220	26,079	26,010	20,289	25,179	25,179	20,289
Mass Transit Revolving Account STF	1,000	-	-	1,000	-	-	1,000	-	-	1,000
Medical Marijuana Program Fund	250	367	328	289	110	210	189	107	211	85
Medical Waste Management Fund	2,880	2,253	2,035	3,098	2,107	2,252	2,953	2,107	2,234	2,826
Mental Health Practitioner Education Fd	557	347	502	402	347	542	207	347	547	7
Mental Health Services Fund	674,886	1,477,758	1,632,471	520,173	1,375,664	1,483,973	411,864	1,587,664	1,443,447	556,081
Mental Health Subaccount, Sales Tax Acct	-	1,131,292	1,131,292	-	1,128,520	1,128,520	-	1,140,464	1,140,464	-
Mental Hlth Facility Licensing Fund	59	363	393	29	380	393	16	380	389	7
Mexican Amer Vet's Memrl Beautif/Enhance	126	-	10	116	200	316	-	-	-	-
Mine Reclamation Account	2,723	3,369	4,018	2,074	3,719	4,741	1,052	3,719	4,648	123
Missing Children Reward Fund	5	-	-	5	-	-	5	-	-	5
Missing Persons DNA Data Base Fund	933	3,131	2,995	1,069	4,183	3,488	1,764	3,183	3,443	1,504
Mobilehome Manufactured Home Revolv Fd	8,337	18,369	17,517	9,189	18,352	18,126	9,415	18,352	17,369	10,398
Mobilehome Parks & Spec. Occupancy RV Fd	3,993	6,461	6,847	3,607	6,654	6,946	3,315	6,654	6,784	3,185
Motor Carriers Safety Improvement Fund	3,038	1,604	2,067	2,575	1,601	2,214	1,962	1,601	2,224	1,339
Motor Vehicle Account, STF	498,719	2,608,956	2,732,176	375,499	2,991,653	3,050,977	316,175	3,108,642	3,104,071	320,746
Motor Vehicle Fuel Account, TTF	45,421	-18,212	27,209	-	32,346	32,346	-	32,430	32,430	-
Motor Vehicle Insurance Account, State	8,405	43,291	22,740	28,956	29,838	34,367	24,427	20,000	35,872	8,555
Motor Vehicle License Fee Account, TTF	-30,674	10,633	28,183	-48,224	71,988	23,763	1	24,941	24,941	1
Motor Vehicle Parking Facil Moneys Acct	1,012	3,030	2,059	1,983	3,030	3,354	1,659	3,030	3,354	1,335
Motor Vehicle Trans Tax Account, TTF	1,751	1	-	1,752	-1,751	-	1	-1	-	-
Narcotic Treatment Program Licensing Trt	943	1,484	1,220	1,207	1,613	1,393	1,427	1,641	1,425	1,643
Native Species Conserv & Enhancement Acc	371	68	-	439	69	-	508	69	-	577
Natural Gas Subaccount, PIRD&D Fund	21,478	24,228	23,522	22,184	24,230	41,922	4,492	24,230	24,020	4,702
Naturopathic Doctor's Fund	362	259	141	480	217	174	523	286	309	500
New Motor Vehicle Board Account	703	1,422	1,557	568	1,422	1,711	279	1,422	1,600	101
Non-designated Public Hospital Supplementl	453	2	-269	724	2	724	2	1	1	2
Nontoxic Dry Cleaning Incentive Trst Fd	710	150	13	847	180	403	624	180	414	390
Notes Expense Account, State	250	-	-	250	-	-	250	-	-	250
Nuclear Planning Assessment Special Acct	-	5,453	5,308	145	5,820	5,820	145	5,909	5,909	145
Nursing Home Admin St Lic Exam Fund	739	181	116	804	-	2	802	-	-	802
Occupancy Compliance Monitoring Account	17,940	4,888	3,528	19,300	5,055	3,862	20,493	5,055	4,118	21,430
Occupational Lead Poisoning Prev Account	2,913	3,207	3,861	2,259	3,100	4,135	1,224	4,478	4,230	1,472
Occupational Safety and Health Fund	24,350	39,923	39,390	24,883	54,173	52,865	26,191	62,554	59,191	29,554
Occupational Therapy Fund	611	1,784	1,241	1,154	1,050	1,423	781	3,084	1,295	2,570
Off Highway License Fee Fund	-	2,106	2,106	-	2,405	2,405	-	2,405	2,405	-
Off-Highway Vehicle Trust Fund	209,578	-33,247	83,591	92,740	74,636	124,112	43,264	74,210	115,518	1,956
Office of Patient Advocate Trust Fund	-	2,512	2,110	402	2,710	2,731	381	2,712	2,741	352
Oil Spill Prevention & Administration Fd	12,951	38,518	37,865	13,604	38,017	42,778	8,843	50,325	51,704	7,464
Oil Spill Response Trust Fund	12,642	628	2,221	11,049	442	2,009	9,482	433	2	9,913

**SCHEDULE 10 -- Continued**  
**SUMMARY OF FUND CONDITION STATEMENTS**  
(Dollars in Thousands)

Fund	Reserves June 30, 2012	Actual Revenues 2012-13	Actual Expenditures 2012-13	Reserves June 30, 2013	Estimated Revenues 2013-14	Estimated Expenditures 2013-14	Reserves June 30, 2014	Estimated Revenues 2014-15	Estimated Expenditures 2014-15	Reserves June 30, 2015
Oil, Gas and Geothermal Administrative	8,600	30,552	32,457	6,695	31,710	36,043	2,362	54,774	54,294	2,842
Olympic Training Account, California	4	-4	-	-	-	-	-	-	-	-
Optometry Fund, State	974	1,737	1,441	1,270	1,725	1,865	1,130	1,753	1,844	1,039
Osteopathic Medical Bd of Calif Conin Fd	2,889	1,569	1,382	3,076	1,596	1,866	2,806	1,639	1,844	2,601
Other - Unallocated Special Funds	-	-	13,035	-13,035	-	-16,971	3,936	-	224,087	-220,151
Outpatient Setting Fd of Medical Board	257	70	1	326	1	27	300	1	27	274
Parks and Recreation Fund, State	59,319	132,053	118,032	73,340	124,878	142,175	56,043	150,218	169,853	36,408
Payphone Service Providers Committee Fd	217	1	9	209	1	1	209	1	72	138
Peace Officers' Training Fund	31,163	45,194	54,577	21,780	48,447	58,537	11,690	44,252	53,189	2,753
Pedestrian Safety Account, STF	10	-	-	10	-	-	10	1,996	-	2,006
Penalty Acct, Ca Bev Container Recyc Fd	5,234	731	-	5,965	215	988	5,192	230	990	4,432
Perinatal Insurance Fund	21,173	47,387	48,907	19,653	48,346	53,254	14,745	48,639	57,836	5,548
Pesticide Regulation Fund, Dept of	15,366	77,485	74,846	18,005	78,233	82,722	13,516	80,043	83,442	10,117
Pharmacy Board Contingent Fund	13,597	13,933	13,935	13,595	12,004	16,021	9,578	12,992	19,388	3,182
Physical Therapy Fund	915	3,240	3,233	922	3,247	3,123	1,046	3,247	3,808	485
Physician Assistant Fund	997	1,423	1,180	1,240	1,485	1,467	1,258	1,544	1,486	1,316
Physician Svc Acct, Cig & Tob Pr Surtax	1,318	895	105	2,108	-1,216	105	787	-676	105	6
Pierce's Disease Management Account	14,525	3,534	3,751	14,308	2,679	3,239	13,748	2,679	3,362	13,065
Pilot Commissioners' Special Fd, Board	4,421	1,682	1,563	4,540	1,693	2,233	4,000	1,693	2,163	3,530
Pediatric Medicine Fund, Board of	863	895	865	893	896	1,125	664	895	1,438	121
Political Disclose, Accountability, Trans, Acs	-	389	-	389	372	81	680	438	76	1,042
Pressure Vessel Account	168	4,163	3,813	518	5,271	5,213	576	5,271	5,246	601
Private Hospital Supplemental Fund	37,424	-13,127	-28,394	52,691	-5,550	46,941	200	3,101	3,101	200
Private Investigator Fund	403	708	603	508	722	665	565	704	693	576
Private Postsecondary Education Admin Fd	8,350	9,928	7,731	10,547	10,516	9,816	11,247	10,713	11,119	10,841
Private Security Services Fund	6,553	10,965	10,515	7,003	10,751	11,852	5,902	10,797	12,405	4,294
Professional Engineer & Land Surveyor Fd	668	8,137	6,872	1,923	11,234	9,783	3,374	8,278	9,648	2,004
Professional Fiduciary Fund	234	479	365	348	578	442	484	593	596	481
Professional Forester Registration Fund	521	121	152	490	119	228	381	119	226	274
Property Acquisition Law Money Account	1,384	3,221	2,691	1,914	2,900	4,266	548	4,715	4,874	389
Protective Services Growth Special Acct	-	176,223	176,223	-	98,509	98,509	-	191,847	191,847	-
Protective Services Subaccount	-	1,640,400	1,640,400	-	1,836,991	1,836,991	-	1,950,833	1,950,833	-
Psychiatric Technicians Account	1,847	1,686	2,004	1,529	1,683	2,097	1,115	1,685	2,082	718
Psychology Fund	4,616	3,669	3,203	5,082	3,778	4,545	4,315	3,886	4,590	3,611
Pub Sch Png Desgn & Constr Rev Revlv Fd	14,841	33,790	42,362	6,269	45,948	46,947	5,270	50,948	47,070	9,148
Publ Utilities Comm Utilities Reimb Acct	24,328	103,394	88,034	39,688	117,777	89,243	68,222	92,369	94,317	66,274
Public Beach Restoration Fund	252	350	349	253	-	-	253	2,950	2,950	253
Public Hospital Invest Improve Incentive	-	561,219	561,219	-	797,824	797,824	-	946,155	946,155	-
Public Int Res, Dev & Demonstratn Progrm	79,246	-9,379	30,922	36,945	-9,800	7,552	21,593	-9,800	3,173	8,620
Public Res Acct, Cig & Tob Pr Surtax	2,605	13,516	12,234	3,887	9,632	11,217	2,302	9,625	11,254	673
Public Rights Law Enforcement Special Fd	4,460	28	4,124	364	7,201	5,819	1,746	5,003	5,963	786
Public Transportation Account, STF	227,793	684,516	626,491	285,818	746,680	673,267	359,231	589,470	643,497	305,204
Public Utili Comm Transport Reimb Acct	5,621	14,088	10,405	9,304	10,746	11,882	8,168	10,746	11,937	6,977
Public Works Enforcement Fund, State	2,367	908	913	2,362	6,005	3,652	4,715	6,755	11,394	76
PET Processing Fee Acct, Bev Cont Rec Fd	5,566	13,686	10,041	9,211	37,192	18,120	28,283	5,623	18,561	15,345

**SCHEDULE 10 -- Continued**  
**SUMMARY OF FUND CONDITION STATEMENTS**  
(Dollars in Thousands)

Fund	Reserves June 30, 2012	Actual Revenues 2012-13	Actual Expenditures 2012-13	Reserves June 30, 2013	Estimated Revenues 2013-14	Estimated Expenditures 2013-14	Reserves June 30, 2014	Estimated Revenues 2014-15	Estimated Expenditures 2014-15	Reserves June 30, 2015
PUC Ratepayer Advocate Account	5,079	23,521	22,655	5,945	25,076	25,146	5,875	25,218	25,200	5,893
Radiation Control Fund	7,944	20,125	21,545	6,524	21,226	22,878	4,872	21,226	24,091	2,007
Rail Accident Prevention & Response Fund	4,130	3,662	4,981	2,811	11,220	5,445	8,586	3,696	5,545	6,737
Real Estate Appraisers Regulation Fund	27,898	46,736	43,257	31,377	47,598	48,082	30,893	47,837	48,799	29,931
Real Estate Fund	-	-	-	-	-	-81,109	81,109	-	81,109	-
Recidivism Reduction Fund	437	81	1	517	-	-	517	-	-	517
Recreational Health Fund	10,397	1,285	2,458	9,204	1,121	6,643	3,682	3,421	3,740	3,363
Recycling Market Development Rev Loan	548	299	339	508	318	352	474	318	343	449
Reg Environmental Health Specialist Fd	2,691	1,873	2,220	2,344	1,922	2,193	2,073	1,922	2,189	1,806
Registered Nurse Education Fund	7,412	32,123	30,539	8,996	30,920	31,022	8,894	34,257	36,872	6,279
Registered Nursing Fund, Board of	2,347	3,476	2,561	3,262	3,445	3,169	3,538	3,416	3,137	3,817
Registry of Charitable Trusts Fund	6,211	1,107	1,685	5,633	2,860	3,353	5,140	1,950	3,313	3,777
Removal & Remedial Action Acct	11,475	1,107	1,920	10,569	-9,974	-	595	1	-	596
Renewable Energy Resources Dev Trust Fnd	86,422	71,723	35,828	122,317	30,813	62,068	91,062	600	72,467	19,195
Renewable Resource Trust Fund	12,366	13,563	8,558	17,371	13,051	13,051	17,371	12,601	12,601	17,371
Research & Devel Acct, Child & Fam Trust	2,299	15,855	15,734	2,420	15,060	15,866	1,614	14,666	15,533	747
Research Acct, Cig & Tob Pr Surtax	2,145	3,108	4,303	950	3,896	4,536	310	7,869	5,007	3,172
Residential & Outpatient Prog Lic Fund	761	38	-	799	38	-	837	-837	-	-
Resources License Plate Fund	2,412	2,688	2,504	2,596	2,812	3,263	2,145	2,967	3,425	1,687
Respiratory Care Fund	24,739	74,981	51,052	48,668	76,204	73,167	51,705	76,204	79,697	48,212
Responsibility Area Fire Prevention Fund	67,752	107,366	95,234	79,904	101,752	110,092	71,564	100,488	110,371	61,681
Restitution Fund	6	14	-	20	-	-	20	-	-	20
Retail Food Safety and Defense Fund	226	-	28	198	162	163	197	162	163	196
Rigid Container Account	4,226	-	-55	268	1,307	-	1,575	-	-	1,575
Rural CUPA Reimbursement Account	8,160	3,348	2,110	5,464	2,020	2,221	5,263	2,020	2,727	4,556
Safe Drinking Water and Toxic Enforcement	2,561	12,796	13,112	7,844	13,257	14,024	7,077	13,257	15,296	5,038
Safe Drinking Water Account	152	91	15	2,637	107	805	1,939	107	795	1,251
Sale of Tobacco to Minors Control Acct	1,128	300	114	1,314	300	123	1,491	300	130	1,661
Salmon & Steelhead Trout Restoration Acc	56	-	56	-	-	-	-	-	-	-
San Joaquin River Conservancy Fund	4,697	42	-	4,739	-	-	4,739	-	-	4,739
Satellite Wagering Account	2,936	-	-2,475	5,411	-	5,411	-	-	-	-
Schl Dist Acct, Udrgrd Strg Trk Clnp Fnd	124	-	-	124	-	-	124	-124	-	-
School Facilities Fee Assistance Fund	32,813	81,856	94,820	19,849	81,856	81,856	19,849	81,856	81,856	19,849
School Fund, State	1,725	5	474	1,256	8,010	1,018	8,248	10	1,087	7,171
School Land Bank Fund	-	1,624	-	1,624	720	1,133	1,211	720	500	1,431
Secondhand Dealer and Pawnbroker Fund	4,075	1,941	3,174	2,842	3,520	3,951	2,411	3,920	3,952	2,379
Self-Insurance Plans Fund	9	-	-	9	-	-	9	-	-	9
Senate Operating Fund	1,962	1,927	1,858	2,031	1,847	2,410	1,468	1,847	2,381	934
Sexual Habitual Offender, DOJ	466	84	89	461	84	185	360	84	183	261
Sexual Predator Public Information Acct	606	-190	331	85	426	412	99	411	412	98
Site Operation and Maintenance Account	16,153	10,742	12,379	14,516	10,742	25,109	149	10,207	10,338	18
Site Remediation Account	1,723	419	1,900	242	1,001	465	778	604	601	781
Skilled Nursing Facility Quality & Acct	-	1,673,640	1,673,639	1	1,488,746	1,488,746	1	820,219	820,218	2
Social Services Subaccount, Sales Tx Acc	-	-	-	-	-	-	-	-	-	-

**SCHEDULE 10 -- Continued**  
**SUMMARY OF FUND CONDITION STATEMENTS**  
(Dollars In Thousands)

Fund	Reserves June 30, 2012	Actual Revenues 2012-13	Actual Expenditures 2012-13	Reserves June 30, 2013	Estimated Revenues 2013-14	Estimated Expenditures 2013-14	Reserves June 30, 2014	Estimated Revenues 2014-15	Estimated Expenditures 2014-15	Reserves June 30, 2015
Soil Conservation Fund	1,696	2,546	1,180	3,062	2,546	1,848	3,760	2,743	2,783	3,720
Solid Waste Disposal Site Cleanup Tr Fd	5,835	5,155	6,757	4,233	5,047	6,630	2,650	5,047	5,724	1,973
Special Account for Capital Outlay	93	-93	-	-	-	-	-	-	-	-
Specialized License Plate Fund	-	-	-	-	477	477	-	477	477	-
Specized First Aid Training Pgrm Aprv Fd	-	-	-	-	-	-	-	135	135	-
Speech-Language Pathology Audio Hearing	860	1,590	1,670	780	1,879	1,894	765	1,978	1,938	805
State Court Facilities Construction Fund	78,627	61,788	59,690	80,725	109,502	68,963	121,264	239,502	132,608	228,158
State Parks Revenue Incentive Subaccount	-	18,419	11,835	6,584	23,340	11,003	18,921	5,500	4,340	20,081
State Trial Ct Improvement & Modern Fund	42,523	28,565	26,261	44,827	9,366	29,574	24,619	9,366	33,805	180
Strong-Motion Instrumnt & Seismic Mappng	6,524	7,275	6,209	7,590	7,990	9,433	6,147	9,667	10,893	4,921
Structural Pest Cntrl Educ&Enforcemnt Fd	575	372	384	563	340	395	508	340	391	457
Structural Pest Control Fund	1,168	3,759	3,564	1,363	3,901	4,494	770	3,901	4,448	223
Structural Pest Control Research Fund	181	135	3	313	120	3	430	120	3	547
Substance Abuse Treatment Trust Fund	259	-	-	259	-	-	259	-	-	259
Surface Mining and Reclamation Account	1,764	2,001	2,006	1,759	2,001	2,506	1,254	2,001	2,450	805
Tax Credit Allocation Fee Account	5,907	5,076	2,011	8,972	5,367	2,464	11,875	5,677	2,463	15,089
Teacher Credentials Fund	-614	14,794	13,891	289	15,428	15,339	378	16,228	15,931	675
Technical Assistance Fund	2,072	22,855	20,100	4,827	21,895	22,086	4,636	22,895	23,086	4,445
Teleconnect Fd Admin Comm Fd, Cal	-31,457	125,591	77,637	16,497	85,697	92,832	9,362	108,801	107,626	10,537
Telephone Medical Advice Services Fund	685	284	153	816	169	176	809	311	179	941
Test Development and Admin Acct, Tc Fd	2,342	4,066	4,094	2,314	4,108	4,245	2,177	4,108	4,221	2,064
Timber Regulation & Forest Restore Fund	-	13,545	9,612	3,933	27,000	27,806	3,127	27,000	27,955	2,172
Tire Recycling Management Fund, Calif	49,997	29,824	28,878	50,943	29,325	32,093	48,175	29,592	42,622	35,145
Tissue Bank License Fund	1,985	653	509	2,129	673	533	2,269	686	553	2,402
Tobacco Settlement Fund	2,271	-	-	2,271	-	-	2,271	-	-	2,271
Toxic Substances Control Account	37,807	41,469	44,325	34,951	47,476	44,503	37,924	45,364	46,043	37,245
Traffic Congestion Relief Fund	5,004	133,416	133,830	4,590	139,362	155,753	-11,801	133,012	119,367	1,844
Transcript Reimbursement Fund	281	251	213	319	301	314	306	301	315	292
Transportation Debt Service Fund	-1	677,725	677,724	-	945,668	945,668	-	1,122,115	1,122,115	-
Transportation Deferred Investment Fund	13,192	-83,416	-80,496	10,272	-68,416	-81,362	23,218	-56,012	-83,012	50,218
Transportation Investment Fund	8,544	35,000	38,753	4,791	65,000	41,745	28,046	40,000	10,249	57,797
Transportation Rate Fund	341	2,872	2,152	1,061	2,433	2,845	649	2,433	2,841	241
Trauma Care Fund	51	-	-	51	-	-	51	-	-	51
Traumatic Brain Injury Fund	392	849	1,066	175	818	951	42	1,292	1,002	332
Travel Seller Fund	1,977	684	782	1,879	674	1,439	1,114	672	1,419	367
Trial Court Security Growth Spec Account	-	11,568	11,568	-	8,582	8,582	-	21,318	21,318	-
Trial Court Security Subaccount	-	496,429	496,429	-	507,997	507,997	-	516,578	516,578	-
Trial Court Trust Fund	124,724	1,500,531	1,542,909	82,346	1,420,364	1,466,281	36,429	1,420,364	1,451,544	5,249
Umbilical Cord Blood Collection Program	4,366	2,308	2,308	4,366	2,308	2,500	4,174	2,308	2,500	3,982
Unallocated Acct, Cig & Tob Pr Surtax	16,630	50,529	48,714	18,445	44,707	48,192	14,960	42,911	54,992	2,879
Unallocated Acct, Child & Families Trust	10,617	9,046	6,321	13,342	8,706	8,706	13,342	8,406	8,406	13,342
Underground Storage Tank Cleanup Fund	142,781	315,484	239,136	219,129	247,903	287,483	179,549	210,903	237,825	152,627
Underground Storage Tank Fund	113	-	-	113	-	-	113	-	-	113
Underground Storage Tank Tester Account	116	23	36	103	24	64	63	20	64	19
Undergrmd Strg Tnk Prim Crnt Orphn St Crn	24,598	92	2,294	22,396	-	-	22,396	-	18,650	3,746

**SCHEDULE 10 -- Continued**  
**SUMMARY OF FUND CONDITION STATEMENTS**  
(Dollars in Thousands)

Fund	Reserves June 30, 2012	Actual Revenues 2012-13	Actual Expenditures 2012-13	Reserves June 30, 2013	Estimated Revenues 2013-14	Estimated Expenditures 2013-14	Reserves June 30, 2014	Estimated Revenues 2014-15	Estimated Expenditures 2014-15	Reserves June 30, 2015
Unfair Competition Law Fund	3,692	15,054	10,236	8,510	9,290	11,063	6,737	8,072	10,699	4,110
Unified Program Account	3,014	15,308	11,704	6,618	6,245	7,783	5,080	6,667	8,012	3,735
Universal Lifeline Telpe Svc Trst Admin	106,274	196,955	153,821	149,408	166,492	222,621	93,279	166,492	202,827	56,944
Unlawful Sales Reduction Fund	92	-	-	92	1	-	93	1	-	94
Upper Newport Bay Ecological Maint&Presv	15	-	-	15	-	15	-	-	-	-
Used Mattress Recycling Fund	-	-	-	-	-	-	-	1,600	595	1,005
Used Oil Recycling Fund, California	13,370	28,615	20,895	21,090	27,849	34,823	14,116	26,776	32,125	8,767
Vectorborne Disease Account	283	126	123	286	121	132	275	121	137	259
Vehicle Inspection and Repair Fund	66,179	117,040	110,003	73,216	107,749	130,829	50,136	129,439	129,651	49,924
Vehicle License Collection Acct, LRF	-	14,000	14,000	-	14,000	14,000	-	14,000	14,000	-
Vehicle License Fee Account	-	1,324,602	1,324,602	-	1,438,682	1,438,682	-	1,526,250	1,526,250	-
Vehicle License Fee Growth Account	-	114,080	114,080	-	87,568	87,568	-	33,356	33,356	-
Veterans Cemetery Master Devl Fund, NoCA	130	-	-	130	-	-	130	-	-	130
Veterans Cemetery Perpetual Maint Fd	187	78	53	212	78	60	230	85	71	244
Veterans Service Office Fund	707	899	949	657	1,157	806	1,008	1,157	805	1,360
Veterinary Medical Board Contingent Fund	2,319	3,397	2,630	3,086	3,405	3,041	3,450	3,446	4,484	2,412
Victim - Witness Assistance Fund	5,935	15,255	18,330	2,860	15,748	18,691	-83	24,615	18,686	5,846
Victims of Corporate Fraud Compensation	3,638	1,811	2,116	3,333	1,428	1,530	3,231	11,428	1,630	13,029
Vietnam Veterans Memorial Account	6	-	-	6	-	-	6	-	-	6
Vocational Nurse Education Fund	633	213	224	622	208	232	598	208	230	576
Vocational Nursing & Psychiatric Tech Fd	9,103	10,172	9,431	9,844	10,289	9,886	10,247	10,289	9,031	11,505
Waste Discharge Permit Fund	5,953	99,430	101,584	3,799	113,690	111,102	6,387	113,690	117,312	2,765
Wastewater Operator Certification Fund	817	1,432	663	1,586	1,510	1,293	1,803	1,510	1,283	2,030
Water Device Certification Special Acct	844	182	224	802	178	410	570	178	455	293
Water Fund, California	37	-	-	37	-	-	37	-	-	37
Water Rights Fund	6,816	14,301	16,619	4,498	16,180	17,484	3,194	16,180	17,599	1,775
Waterfowl Habitat Preservation Acct, Cal	2,366	7	18	2,355	6	245	2,116	5	245	1,876
Welcome Center Fund	47	101	80	68	100	104	64	100	110	54
Wildlife Restoration Fund	-11,837	1,000	-15,306	4,469	2,712	5,273	1,908	3,639	5,276	271
Wine Safety Fund	159	-	-	159	-	-	159	-	-	159
Winter Recreation Fund	385	198	262	321	215	347	189	215	347	57
Women & Children's Resi Treat Svcs Acct	-	5,104	5,104	-	5,104	5,104	-	5,104	5,104	-
Workers' Comp Administration Revolv Fund	140,469	212,500	162,869	190,100	202,680	193,007	199,773	383,171	308,629	274,315
Workers' Compensation Managed Care Fund	602	7	11	598	7	80	525	7	79	453
Workers' Occupational Sfty & Health Ed	383	908	705	586	901	1,146	341	901	1,141	101
Wr Pltn Cntrl Rvl Fnd Smll Crnty Crnt Fd	10,506	8,530	12,000	7,036	8,420	8,000	7,456	11,920	8,000	11,376
Yosemite Foundation Acct, CELPF	14	812	799	27	900	840	87	900	840	147
Youth Offender Block Grant Special Acct	-	93,351	93,351	-	104,280	104,280	-	112,388	112,388	-
Youthful Offender Block Grant Fund	641	-	-	641	-641	-	-	-	-	-
Totals, Special Funds	\$7,689,796	\$37,327,247	\$37,724,313	\$7,292,730	\$43,818,493	\$41,152,939	\$9,958,284	\$45,333,772	\$43,978,861	\$11,313,195
<b>GRAND TOTALS</b>	<b>\$6,864,226</b>	<b>\$137,242,409</b>	<b>\$134,286,391</b>	<b>\$9,820,244</b>	<b>\$143,965,726</b>	<b>\$139,615,649</b>	<b>\$14,170,321</b>	<b>\$149,836,477</b>	<b>\$150,772,028</b>	<b>\$13,234,770</b>

**SCHEDULE 11  
STATEMENT OF GENERAL OBLIGATION BOND & COMMERCIAL PAPER DEBT OF THE STATE OF CALIFORNIA**  
(Dollars in Thousands)

(This statement does not include bonds issued under authority of state instrumentalities that are not general obligations of the State of California)

Fund	Bond Act	Final Maturity	General Obligation Bonds				Proposed Sales		Commercial Paper	
			Authorized	Unissued	Outstanding	Redeemed	Jan-Jun 2013	Jul-Dec 2013	As of December 31, 2013 Finance Cmte. Authorization	Total Outstanding
6032	<b>LEGISLATIVE, JUDICIAL, EXECUTIVE</b> Voting Modernization (2002) Total, Legislative, Judicial, Executive	2018	\$200,000	\$64,495	\$52,035	\$83,470	\$0	\$0	\$64,495	\$0
0714	<b>BUSINESS, CONSUMER SERVICES &amp; HOUSING</b> Housing & Homeless (1990)	2023	150,000	\$0	1,755	148,245	\$0	\$0	\$0	\$0
6037	Housing and Emergency Shelter (2002)	2040	2,100,000	132,535	1,326,045	641,420	-	-	125,535	-
6066	Housing and Emergency Shelter (2006)	2040	2,850,000	1,258,990	1,528,620	62,390	-	-	1,189,790	-
	Total, Business, Consumer Services & Housing		\$5,100,000	\$1,391,525	\$2,856,420	\$852,055	\$0	\$0	\$1,315,325	\$0
0703	<b>TRANSPORTATION</b> Clean Air & Transp Improv (1990)	2040	\$1,990,000	\$17,570	\$857,385	\$1,115,045	\$0	\$3,454	\$17,570	\$0
6053	Highway Safe, Traffic Red, Air Qual, Port Sec (2006)	2042	19,925,000	7,023,035	12,223,465	678,500	\$1,171,756	\$1,552,462	7,272,140	\$457,630
0756	Passenger Rail & Clean Air (1990)	2022	1,000,000	-	59,560	940,440	-	-	-	-
6043	Safe, Reliable High-Speed Passenger Train Bond Act (2008)	2040	9,950,000	9,244,480	623,705	81,815	-	-	9,244,480	-
0653	Seismic Retrofit (1996)	2039	2,000,000	-	1,246,220	753,780	-	-	-	-
	Total, Transportation		\$34,865,000	\$16,285,085	\$15,010,335	\$3,569,580	\$1,171,756	\$1,555,916	\$16,534,190	\$457,630
0722	<b>NATURAL RESOURCES</b> Ca Park & Recreational Facil (1984)	2027	\$368,900	\$0	\$13,925	\$354,975	\$0	\$0	\$0	\$0
0721	Ca Parklands (1980)	2024	285,000	-	2,960	282,040	-	-	-	-
0707	Ca Safe Drinking Water (1976)	2027	172,500	-	3,315	169,185	-	-	-	-
0707	Ca Safe Drinking Water (1984)	2027	75,000	-	2,080	72,920	-	-	-	-
0707	Ca Safe Drinking Water (1986)	2030	100,000	-	25,555	74,445	-	-	-	-
0793	Ca Safe Drinking Water (1988)	2040	75,000	-	29,980	45,020	-	-	-	-
6001	Ca Safe Drinking Water (2000)	2040	1,970,000	129,346	1,492,635	346,019	-	-	129,346	-
6051	Ca Safe Drinking Water (2006)	2040	5,398,000	2,957,710	2,398,550	31,740	328,429	230,275	950,000	-
0786	Ca Wildlife, Coast, & Park Land Cons (1988)	2032	768,670	-	129,875	638,795	-	-	-	-
0740	Clean Water (1984)	2024	325,000	-	12,290	312,710	-	-	-	-
6029	Clean Water, Clean Air, and Parks (2002)	2040	2,600,000	259,240	2,210,865	129,895	10,003	19,561	240,133	-
0716	Community Parklands (1986)	2022	100,000	-	3,135	96,865	-	-	-	-
6052	Disaster Prep and Flood Prevent (2006)	2041	4,090,000	1,818,652	2,244,880	26,468	7,854	3,681	655,227	-
0748	Fish & Wildlife Habitat Enhance (1984)	2033	85,000	-	5,470	79,530	-	-	-	-
0720	Lake Tahoe Acquisitions (1982)	2017	85,000	-	300	84,700	-	-	-	-
0402	Safe, Clean, Reliable Water Supply (1996)	2040	995,000	89,070	640,425	265,505	-	-	89,070	-
0005	Safe Neighborhood Parks (2000)	2040	2,100,000	73,820	1,582,600	443,580	10,591	7,654	30,065	-
0742	State, Urban & Coastal Park (1976)	2029	280,000	-	4,430	275,570	-	-	-	-
0744	Water Conserv & Water Quality (1986)	2031	150,000	13,730	35,565	100,705	-	-	13,730	-
0790	Water Conserv (1988)	2036	60,000	5,235	24,415	30,350	-	-	5,235	-
	Total, Natural Resources		\$20,073,070	\$5,346,803	\$10,863,250	\$3,863,017	\$356,877	\$261,171	\$2,112,806	\$0
0737	<b>ENVIRONMENTAL PROTECTION</b> Clean Water & Water Conserv (1978)	2028	\$375,000	\$0	\$4,985	\$370,015	\$0	\$0	\$0	\$0
0764	Clean Water & Water Reclam (1986)	2029	65,000	-	22,630	42,170	-	-	-	-
6031	Water Security, Coastal & Beach Protection (2002)	2040	3,440,000	404,574	2,831,370	204,056	69,015	47,918	103,664	\$1,810
	Total, Environmental Protection		\$3,880,000	\$404,574	\$2,859,185	\$616,241	\$69,015	\$47,918	\$103,664	\$1,810
6046	<b>HEALTH AND HUMAN SERVICES</b> Children's Hospital Projects (2004)	2040	\$750,000	\$47,445	\$664,410	\$38,145	\$0	\$0	\$47,445	\$0
6079	Children's Hospital Projects (2008)	2040	980,000	433,740	528,865	17,395	-	-	86,930	\$27,500
	Total, Health and Human Services		\$1,730,000	\$481,185	\$1,193,275	\$55,540	\$0	\$0	\$134,375	\$27,500
0711	<b>YOUTH AND ADULT CORRECTIONAL</b> Co Corr Facil Cap Expend (1986)	2022	\$495,000	\$0	\$17,810	\$477,190	\$0	\$0	\$0	\$0
0796	Co Corr Facil Cap Expend & Youth Facil (1988)	2030	500,000	-	79,935	420,065	-	-	-	-
0746	New Prison Construction (1986)	2034	500,000	4,895	495,105	495,105	-	-	-	-
0747	New Prison Construction (1988)	2030	817,000	2,165	21,080	793,755	-	-	2,165	-
0751	New Prison Construction (1990)	2029	450,000	605	26,065	423,530	-	-	307	-
	Total, Youth and Adult Correctional		\$2,762,000	\$2,770	\$149,785	\$2,609,445	\$0	\$0	\$2,472	\$0

**SCHEDULE 11  
STATEMENT OF GENERAL OBLIGATION BOND & COMMERCIAL PAPER DEBT OF THE STATE OF CALIFORNIA**  
(Dollars in Thousands)

(This statement does not include bonds issued under authority of state instrumentalities that are not general obligations of the State of California)

Fund	Bond Act	Final Maturity	General Obligation Bonds				Proposed Sales		Commercial Paper	
			Authorized	Unissued	Outstanding	Redeemed	Jan-Jun 2013	Jul-Dec 2013	As of December 31, 2013 Finance Cmte. Authorization	Total Outstanding
<b>EDUCATION--K-12</b>										
0794	Ca Library Const & Renov (1988) <sup>1</sup>	2031	\$72,405	\$0	\$14,075	\$58,330	\$0	\$0	\$0	\$0
6000	Ca Library Const & Renov (2000)	2040	350,000	5,040	279,460	65,500	-	5,040	-	5,040
0119	Class Size Reduction K-U Pub. Ed. Facil (1998) K-12	2034	6,700,000	11,400	4,287,285	2,401,315	-	11,400	-	11,400
0657	Public Education Facil (1996) K-12 <sup>2</sup>	2035	2,012,035	-	1,010,360	1,001,675	-	-	-	-
6036	Public Education Facil (2002) K-12	2042	11,400,000	61,840	9,579,875	1,758,285	-	61,840	-	61,840
6044	Public Education Facil (2004) K-12	2042	10,000,000	207,880	9,007,090	785,030	-	111,627	-	184,590
6057	Public Education Facil (2006) K-12	2042	7,329,000	993,560	6,285,605	49,835	-	815,871	-	990,535
0739	School Bldg & Earthquake (1974)	2028	40,000	-	17,305	22,695	-	-	-	-
0708	School Facilities (1990)	2033	800,000	-	167,430	632,570	-	-	-	-
0745	School Facilities (1992)	2036	1,900,000	10,280	616,925	1,272,795	-	-	-	10,280
0776	1988 School Facil Bond Act (Nov) <sup>1</sup>	2036	797,745	-	44,270	753,475	-	-	-	-
0774	1990 School Facil Bond Act (Jun) <sup>1</sup>	2033	797,875	-	105,155	692,720	-	-	-	-
0765	1992 School Facil Bond Act (Nov) <sup>1</sup>	2035	898,211	-	294,055	604,156	-	-	-	-
	<b>Total, Education--K-12</b>		<b>\$43,097,271</b>	<b>\$1,290,000</b>	<b>\$31,708,890</b>	<b>\$10,098,381</b>	<b>\$86,500</b>	<b>\$985,311</b>	<b>\$1,263,685</b>	<b>\$35,685</b>
<b>HIGHER EDUCATION</b>										
0574	Class Size Reduction K-U Pub. Ed. Facil (1998) HI-Ed	2039	\$2,500,000	\$0	\$1,825,665	\$674,335	\$0	\$0	\$0	\$0
0785	Higher Education Facil (1988)	2033	600,000	-	26,740	573,260	-	-	-	-
0791	Higher Education Facil (Jun 1990)	2040	450,000	540	53,270	396,190	-	-	540	-
0705	Higher Education Facil (Jun 1992)	2040	900,000	-	354,145	545,855	-	-	-	-
0658	Public Education Facil (1996) HI-Ed	2033	975,000	11,780	543,460	419,760	-	873	-	10,880
6028	Public Education Facil (2002) HI-Ed	2039	1,650,000	-	1,460,610	189,390	-	-	-	-
6041	Public Education Facil (2004) HI-Ed	2040	2,300,000	62,869	2,094,390	142,741	-	-	-	62,869
6048	Public Education Facil (2006) HI-Ed	2042	3,087,000	112,205	2,936,350	38,445	-	33,837	-	112,205
6047	Stem Cell Research and Cures (2004)	2039	3,000,000	1,560,475	1,292,415	147,110	-	169,000	-	464,000
	<b>Total, Higher Education</b>		<b>\$15,462,000</b>	<b>\$1,747,869</b>	<b>\$10,587,045</b>	<b>\$3,127,086</b>	<b>\$194,668</b>	<b>\$202,837</b>	<b>\$650,494</b>	<b>\$119,465</b>
<b>GENERAL GOVERNMENT</b>										
0768	Earthquake Safety & Public Bldg, Rehab (1990)	2029	\$300,000	\$9,765	\$96,650	\$193,585	\$0	\$0	\$9,765	\$0
0701	Veterans' Homes (2000)	2039	50,000	975	35,205	13,820	-	-	975	-
	<b>Total, General Government</b>		<b>\$350,000</b>	<b>\$10,740</b>	<b>\$131,855</b>	<b>\$207,405</b>	<b>\$0</b>	<b>\$0</b>	<b>\$10,740</b>	<b>\$0</b>
	<b>Total, All Agencies</b>		<b>\$127,519,341</b>	<b>\$27,025,046</b>	<b>\$75,412,075</b>	<b>\$25,082,220</b>	<b>\$2,120,173</b>	<b>\$2,785,796</b>	<b>\$22,192,246</b>	<b>\$642,090</b>
<b>SELF-LIQUIDATING BONDS<sup>2</sup></b>										
0768	Ca Water Resources Dev (1959)	2024	\$1,750,000	\$167,600	\$266,535	\$1,315,865	\$0	\$0	\$0	\$0
0701	The Economic Recovery Bond Act	2023	15,000,000	-	4,581,745	10,418,255	-	-	-	-
0701	Veterans Bonds	2042	3,560,000	1,138,610	484,390	1,937,000	-	-	1,138,610	-
	<b>Total, Self-Liquidating Bonds</b>		<b>\$20,310,000</b>	<b>\$1,306,210</b>	<b>\$5,332,670</b>	<b>\$13,671,120</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,138,610</b>	<b>\$0</b>
	<b>Total</b>		<b>\$147,829,341</b>	<b>\$28,331,256</b>	<b>\$80,744,745</b>	<b>\$38,753,340</b>	<b>\$2,120,173</b>	<b>\$2,785,796</b>	<b>\$23,330,856</b>	<b>\$642,090</b>

<sup>1</sup> SB 1018 (06/27/2012) reduced the voter authorized amount

<sup>2</sup> The California Water Resource Development Bond Act, The Economic Recovery Bond Act, and the Veterans Bond Acts are public service enterprises that have dedicated revenues to finance the respective debt service expenditures.

Source: State Treasurer's Office



**SCHEDULE 12A**  
**STATE APPROPRIATIONS LIMIT SUMMARY**  
(Dollars in Millions)

	2012-13		2013-14		2014-15	
	General Fund	Special Funds Total	General Fund	Special Funds Total	General Fund	Special Funds Total
<b>Schedule 8</b>						
Revenues and Transfers	\$99,915	\$37,327	\$100,147	\$43,819	\$104,503	\$45,333
Less/Add: Transfers	-1,813	1,375	-346	516	2,356	-2,288
		\$137,242		\$143,966		\$149,836
		-438		170		68
<b>Schedule 12B</b>						
Less: Revenues to Excluded Funds	-	-15,160	-	-18,558	-	-16,506
		-15,160		-18,558		-16,506
<b>Schedule 12C</b>						
Less: Non-Tax Revenues to Included Funds	-2,091	-576	-1,985	-600	-1,537	-619
		-2,667		-2,585		-2,156
<b>Schedule 12D</b>						
Add: Transfers from Other Funds to Included Funds	335	-205	247	-228	222	-208
<b>TOTAL, SAL REVENUES AND TRANSFERS</b>	<b>\$96,346</b>	<b>\$22,761</b>	<b>\$98,063</b>	<b>\$24,949</b>	<b>\$105,544</b>	<b>\$25,712</b>
		<b>\$119,107</b>		<b>\$123,012</b>		<b>\$131,256</b>
<b>Schedule 12E</b>						
Less: Exclusions	-39,476	-6,214	-41,004	-6,929	-44,048	-7,529
<b>TOTAL, SAL APPROPRIATIONS</b>		<b>\$73,417</b>		<b>\$75,079</b>		<b>\$79,679</b>
		-45,690		-47,933		-51,577
<b>CALCULATION OF LIMIT ROOM</b>						
Appropriations Limit (Sec. 12.00)		\$84,221		\$89,716		\$90,466
Less: Total SAL Appropriations		73,417		75,079		79,679
Appropriation Limit Room/(Surplus)		<b>\$10,804</b>		<b>\$14,637</b>		<b>\$10,787</b>

**SCHEDULE 12B**  
**REVENUES TO EXCLUDED FUNDS**  
(Dollars In Thousands)

Source Code	Source	Actual 2012-13	Estimated 2013-14	Proposed 2014-15
<b>MAJOR REVENUES:</b>				
110500	Cigarette Tax	\$760,695	\$731,518	\$708,518
110900	Horse Racing Fees-Licenses	12,983	12,734	12,912
114300	Other Motor Vehicle Fees	121,484	121,887	122,191
114400	Identification Card Fees	366	366	366
115400	Mobilehome In-Lieu Tax	2,388	1,888	1,888
<b>TOTAL, MAJOR TAXES AND LICENSES</b>		<b>\$897,916</b>	<b>\$868,393</b>	<b>\$845,875</b>
<b>MINOR REVENUES:</b>				
<b>REGULATORY TAXES AND LICENSES:</b>				
120200	General Fish and Game Taxes	895	1,024	1,025
120300	Energy Resource Surcharge	535,871	864,106	856,923
120600	Quarterly Public Utility Commission Fees	141,125	128,943	128,943
120700	Penalties on Pub Util Comm Qtrly Fees	1	-	-
120900	Off-Highway Vehicle Fees	17,393	17,000	17,000
121000	Liquor License Fees	52,587	53,639	54,712
121100	Genetic Disease Testing Fees	111,715	108,416	124,951
121200	Other Regulatory Taxes	88,978	94,651	119,408
121300	New Motor Vehicle Dealer License Fee	1,410	1,410	1,410
121500	General Fish and Game Lic Tags Permits	101,178	100,918	101,801
121600	Duck Stamps	-	5	-
122400	Elevator and Boiler Inspection Fees	28,955	28,700	28,700
122700	Employment Agency License Fees	4,656	4,474	4,474
122900	Teacher Credential Fees	14,716	15,300	15,300
123000	Teacher Examination Fees	4,058	4,104	4,104
123100	Insurance Co License Fees & Penalties	35,841	43,950	47,132
123200	Insurance Company Examination Fees	20,471	19,246	20,599
123400	Real Estate Examination Fees	3,384	3,392	3,526
123500	Real Estate License Fees	38,930	39,115	39,476
123600	Subdivision Filing Fees	5,796	6,050	6,352
123800	Building Construction Filing Fees	5,732	8,196	8,196
124100	Domestic Corporation Fees	8,491	6,505	6,505
124200	Foreign Corporation Fees	1,071	862	862
124300	Notary Public License Fees	1,052	655	655
124400	Filing Financing Statements	2,245	2,516	2,516
125100	Beverage Container Redemption Fees	1,175,473	1,145,032	1,169,411
125200	Explosive Permit Fees	1	18	18
125300	Processing Fees	304	377	377
125600	Other Regulatory Fees	6,470,116	8,950,258	6,754,901
125700	Other Regulatory Licenses and Permits	458,532	463,070	477,666
125800	Renewal Fees	247,632	247,507	255,540
125900	Delinquent Fees	6,978	6,875	6,950
127100	Insurance Department Fees, Prop 103	27,296	28,017	28,879
127200	Insurance Department Fees, General	23,140	25,961	27,208
127300	Insurance Fraud Assessment, Workers Comp	50,010	49,631	52,554
127400	Insurance Fraud Assessment, Auto	48,066	48,479	49,130
127500	Insurance Fraud Assessment, General	8,146	12,321	12,564
127600	Refinery Fees	-	5,412	5,412
<b>TOTAL, REGULATORY TAXES AND LICENSES</b>		<b>\$9,742,245</b>	<b>\$12,536,135</b>	<b>\$10,435,180</b>
<b>REVENUE FROM LOCAL AGENCIES:</b>				
130600	Architecture Public Building Fees	28,092	29,508	29,508
130700	Penalties on Traffic Violations	74,904	72,160	69,914
130800	Penalties on Felony Convictions	51,888	50,002	50,002
130900	Fines-Crimes of Public Offense	12,065	10,000	10,000
131000	Fish and Game Violation Fines	1,132	814	818
131100	Penalty Assessments on Fish & Game Fines	559	655	642
131300	Add'l Assmnts on Fish & Game Fines	65	64	65
131600	Fingerprint ID Card Fees	65,503	65,767	65,767
131700	Misc Revenue From Local Agencies	1,176,031	1,460,726	1,561,589
<b>TOTAL, REVENUE FROM LOCAL AGENCIES</b>		<b>\$1,410,239</b>	<b>\$1,689,696</b>	<b>\$1,788,305</b>
<b>SERVICES TO THE PUBLIC:</b>				
140600	State Beach and Park Service Fees	92,723	104,000	111,500
140900	Parking Lot Revenues	9,223	8,170	8,170
141100	Emergency Telephone Users Surcharge	79,150	94,251	107,740
141200	Sales of Documents	1,067	982	881

**SCHEDULE 12B -- Continued**  
**REVENUES TO EXCLUDED FUNDS**  
(Dollars In Thousands)

Source Code	Source	Actual 2012-13	Estimated 2013-14	Proposed 2014-15
142000	General Fees--Secretary of State	28,976	27,908	27,999
142200	Parental Fees	5,465	6,207	6,207
142500	Miscellaneous Services to the Public	93,168	108,897	98,448
143000	Personalized License Plates	53,748	57,884	57,986
<b>TOTAL, SERVICES TO THE PUBLIC</b>		<b>\$363,520</b>	<b>\$408,299</b>	<b>\$418,931</b>
<b>USE OF PROPERTY AND MONEY:</b>				
150200	Income From Pooled Money Investments	184	274	244
150300	Income From Surplus Money Investments	16,026	15,300	15,536
150400	Interest Income From Loans	3,927	3,538	4,517
150500	Interest Income From Interfund Loans	17,811	19,997	15,576
150600	Income From Other Investments	218	-	-
151800	Federal Lands Royalties	83,856	83,856	83,856
152100	Geothermal Resource Well Fees	4,283	3,950	3,950
152200	Rentals of State Property	7,445	8,962	11,447
152300	Misc Revenue Frm Use of Property & Money	18,816	18,420	17,427
152400	School Lands Royalties	46	50	50
<b>TOTAL, USE OF PROPERTY AND MONEY</b>		<b>\$152,612</b>	<b>\$154,347</b>	<b>\$152,603</b>
<b>MISCELLANEOUS:</b>				
160100	Attorney General Proceeds of Anti-Trust	1,400	3,000	2,300
160200	Penalties & Interest on UI & DI Contrib	104,080	106,806	101,940
160400	Sale of Fixed Assets	9,495	39,810	42,745
160500	Sale of Confiscated Property	9	24	24
160600	Sale of State's Public Lands	-	8,000	-
161000	Escheat of Unclaimed Checks & Warrants	4,678	3,573	3,571
161400	Miscellaneous Revenue	422,018	393,170	378,982
161800	Penalties & Intrst on Personal Income Tx	14,445	15,670	17,565
161900	Other Revenue - Cost Recoveries	111,416	108,560	108,478
162000	Tribal Gaming Revenues	42,590	46,026	46,376
162100	Delinquent Receivables-Cost Recoveries	142	1	1
163000	Settlements/Judgments(not Anti-trust)	4,085	7,791	5,591
164100	Traffic Violations	29,681	29,886	29,446
164200	Parking Violations	1,340	1,562	1,562
164300	Penalty Assessments	247,680	235,009	230,203
164400	Civil & Criminal Violation Assessment	172,471	207,447	171,747
164600	Fines and Forfeitures	205,496	204,378	204,378
164700	Court Filing Fees and Surcharges	626,674	598,869	598,869
164800	Penalty Assessments on Criminal Fines	252,253	252,242	252,242
164900	Donations	890	1,314	1,125
165000	Auction Proceeds for Carbon Allowances	257,264	500,000	550,000
180200	Cash Adjustment for Transportation Funds	85,000	138,000	117,000
169900	Miscellaneous Tax Revenue	-	-	1,200
<b>TOTAL, MISCELLANEOUS</b>		<b>\$2,593,107</b>	<b>\$2,901,138</b>	<b>\$2,865,345</b>
<b>TOTAL, MINOR REVENUES</b>		<b>\$14,261,723</b>	<b>\$17,689,615</b>	<b>\$15,660,364</b>
<b>TOTALS, Revenue to Excluded Funds</b> <b>(MAJOR and MINOR)</b>		<b>\$15,159,639</b>	<b>\$18,558,008</b>	<b>\$16,506,239</b>

**SCHEDULE 12C**  
**NON-TAX REVENUES IN FUNDS SUBJECT TO LIMIT**  
(Dollars In Thousands)

Source Code	Source	Actual 2012-13		Estimated 2013-14		Proposed 2014-15	
		General Fund	Special Fund	General Fund	Special Fund	General Fund	Special Fund
<b>MAJOR REVENUES:</b>							
110900	Horse Racing Fees-Licenses	\$958	-	\$1,044	\$750	\$1,044	\$750
111100	Horse Racing Fines and Penalties	141	-	146	-	146	-
111300	Horse Racing Miscellaneous	6	-	10	-	10	-
114200	Driver's License Fees	-	253,870	-	266,500	-	284,500
114300	Other Motor Vehicle Fees	-	50,553	-	45,536	-	46,536
114400	Identification Card Fees	-	30,925	-	31,500	-	32,000
114500	Lien Sale Application Fees	-	920	-	929	-	938
<b>Total, MAJOR TAXES AND LICENSES</b>		<b>\$1,105</b>	<b>\$336,268</b>	<b>\$1,200</b>	<b>\$345,215</b>	<b>\$1,200</b>	<b>\$364,724</b>
<b>MINOR REVENUES:</b>							
<b>REGULATORY TAXES AND LICENSES:</b>							
120800	Hwy Carrier Uniform Business License Tax	-	-	153	-	153	-
120900	Off-Highway Vehicle Fees	-	6,029	-	6,000	-	6,000
121000	Liquor License Fees	-	421	-	390	-	394
122700	Employment Agency License Fees	737	-	737	-	737	-
122800	Employment Agency Filing Fees	98	-	98	-	98	-
124500	Candidate Filing Fee	45	-	1,100	-	150	-
125600	Other Regulatory Fees	357,427	23,453	939	37,007	939	37,107
125700	Other Regulatory Licenses and Permits	4,798	37,582	5,262	35,980	5,362	36,408
125900	Delinquent Fees	2	-	-	-	-	-
<b>Total, REGULATORY TAXES AND LICENSES</b>		<b>\$363,107</b>	<b>\$67,485</b>	<b>\$8,289</b>	<b>\$79,377</b>	<b>\$7,439</b>	<b>\$79,909</b>
<b>REVENUE FROM LOCAL AGENCIES:</b>							
130800	Penalties on Felony Convictions	-	-	3	-	3	-
130900	Fines-Crimes of Public Offense	58	-	57	-	57	-
131500	Narcotic Fines	1,112	-	1,000	-	1,000	-
131700	Misc Revenue From Local Agencies	222,176	402	198,200	411	198,200	411
131900	Rev Local Govt Agencies-Cost Recoveries	13,590	7,963	16,166	8,042	16,166	8,123
<b>Total, REVENUE FROM LOCAL AGENCIES</b>		<b>\$236,936</b>	<b>\$8,365</b>	<b>\$215,426</b>	<b>\$8,453</b>	<b>\$215,426</b>	<b>\$8,534</b>
<b>SERVICES TO THE PUBLIC:</b>							
140100	Pay Patients Board Charges	14,902	-	10,977	-	9,440	-
140900	Parking Lot Revenues	-	495	-	500	-	505
141200	Sales of Documents	114	3,141	115	3,572	115	3,586
142000	General Fees--Secretary of State	161	-	110	-	187	-
142500	Miscellaneous Services to the Public	2,292	65,689	1,952	66,500	1,952	67,000
142700	Medicare Receipts Frm Federal Government	16,205	-	13,428	-	12,310	-
143000	Personalized License Plates	-	6	-	6	-	6
<b>Total, SERVICES TO THE PUBLIC</b>		<b>\$33,674</b>	<b>\$69,331</b>	<b>\$26,582</b>	<b>\$70,578</b>	<b>\$24,004</b>	<b>\$71,097</b>
<b>USE OF PROPERTY AND MONEY:</b>							
152000	Oil & Gas Lease-1% Revenue City/County	921	-	800	-	700	-
152200	Rentals of State Property	16,561	47,123	18,227	43,348	18,589	43,884
152300	Misc Revenue Frm Use of Property & Money	3,078	688	154	927	154	1,106
152500	State Lands Royalties	381,701	-	324,699	-	279,825	-
<b>Total, USE OF PROPERTY AND MONEY</b>		<b>\$402,261</b>	<b>\$47,811</b>	<b>\$343,880</b>	<b>\$44,275</b>	<b>\$299,268</b>	<b>\$44,990</b>
<b>MISCELLANEOUS:</b>							
160400	Sale of Fixed Assets	3	-	1	-	1	-
160500	Sale of Confiscated Property	6,243	-	5,419	-	5,200	-
160600	Sale of State's Public Lands	-	8,572	-	8,439	-	8,227
160700	Proceeds From Estates of Deceased Person	176	-	643	-	643	-
160900	Revenue-Abandoned Property	473,114	-	421,330	-	446,190	-
161000	Escheat of Unclaimed Checks & Warrants	37,591	4,610	33,012	4,252	33,012	4,416
161400	Miscellaneous Revenue	157,106	6,224	158,728	7,320	158,730	8,340
161900	Other Revenue - Cost Recoveries	37,904	6,177	33,666	10,879	39,121	7,653
162000	Tribal Gaming Revenues	239,531	-	237,000	-	237,000	-
162100	Delinquent Receivables-Cost Recoveries	12,254	35	12,254	14	12,254	14
163000	Settlements/Judgments(not Anti-trust)	23,132	-	425,698	-	3,004	-
164000	Uninsured Motorist Fees	1,120	263	1,115	265	1,000	268
164100	Traffic Violations	-	9,738	-	9,835	-	9,933
164200	Parking Violations	20,658	-	21,165	-	22,000	-
164300	Penalty Assessments	41,814	2,427	36,333	2,211	28,173	2,211
164400	Civil & Criminal Violation Assessment	390	8,787	225	8,787	200	8,787
164600	Fines and Forfeitures	2,649	-	2,659	-	2,659	-
164900	Donations	173	-	222	-	-	-

**SCHEDULE 12C -- Continued**  
**NON-TAX REVENUES IN FUNDS SUBJECT TO LIMIT**  
(Dollars In Thousands)

Source Code	Source	Actual 2012-13		Estimated 2013-14		Proposed 2014-15	
		General Fund	Special Fund	General Fund	Special Fund	General Fund	Special Fund
	Total, MISCELLANEOUS	\$1,053,858	\$46,833	\$1,389,470	\$52,002	\$989,187	\$49,849
	TOTAL, MINOR REVENUES	\$2,089,836	\$239,825	\$1,983,647	\$254,685	\$1,535,324	\$254,379
	TOTALS, Non-Tax Revenue (MAJOR and MINOR)	\$2,090,941	\$576,093	\$1,984,847	\$599,900	\$1,536,524	\$619,103

**SCHEDULE 12D  
STATE APPROPRIATIONS LIMIT  
TRANSFER FROM OTHER FUNDS TO INCLUDED FUNDS  
(Dollars In Thousands)**

	Actual 2012-13		Estimated 2013-14		Proposed 2014-15	
	General Fund	Special Fund	General Fund	Special Fund	General Fund	Special Fund
From Corporations Fund, State (0067) to General Fund (0001) per Item 1701-011-0067, Budget Act of 2013)	-	-	15,000	-	-	-
From Business Fees Fund, Secty of State's (0228) to General Fund (0001) (per Government Code Section 12176)	14,643	-	2,336	-	11,799	-
From Off-Highway Vehicle Trust Fund (0263) to General Fund (0001) (per Chapters 22 & 32, Statutes of 2012)	109,549	-	-	-	-	-
From Olympic Training Account, California (0442) to General Fund (0001) Transfer per Government Code Section 7592)	82	-	78	-	78	-
From Drinking Water Treatment & Research Fund (0622) to General Fund (0001) (per Government Code Section 16346)	3,829	-	-	-	-	-
From Environmental License Plate Fund, Calif (0140) to Motor Vehicle Account, STF (0044) (per Public Resources Code Section 21191)	-	1,772	-	1,802	-	1,802
From Site Operation and Maintenance Account (0458) to Toxic Substances Control Account (0557) (per Item 3960-011-0458, Budget Acts)	-	79	-	20	-	100
From Motor Vehicle Account, STF (0044) to General Fund (0001) per Government Code Section 16475	7	-7	8	-8	8	-8
From Motor Vehicle Fuel Account, TTF (0061) to General Fund (0001) per Revenue and Taxation Code Section 8352.6(a)(3)	10,829	-10,829	9,996	-9,996	9,996	-9,996
From Motor Vehicle Account, STF (0044) to General Fund (0001) per Item 2740-011-0044, Budget Acts	65,800	-65,800	65,800	-65,800	70,894	-70,894
From Motor Vehicle Fuel Account, TTF (0061) to General Fund (0001) per Revenue and Taxation Code Section 8352.4(b)	26,468	-26,468	31,561	-31,561	26,622	-26,622
From Motor Vehicle Fuel Account, TTF (0061) to General Fund (0001) per Revenue and Taxation Code Section 8352.6(a)(2)	65,295	-65,295	75,747	-75,747	63,893	-63,893
From Motor Vehicle Fuel Account, TTF (0061) to General Fund (0001) per Revenue and Taxation Code Section 8352.5(b)	38,653	-38,653	46,413	-46,413	39,150	-39,150
<b>TOTAL TRANSFERS:</b>	<b>\$335,155</b>	<b>-\$205,201</b>	<b>\$246,939</b>	<b>-\$227,703</b>	<b>\$222,440</b>	<b>-\$208,661</b>

**SCHEDULE 12E  
STATE APPROPRIATIONS LIMIT  
EXCLUDED APPROPRIATIONS  
(Dollars in Millions)**

	<b>Fund</b>	<b>Actual 2012-13</b>	<b>Estimated 2013-14</b>	<b>Proposed 2014-15</b>
<b>DEBT SERVICE:</b>				
9600 Bond Interest and Redemption				
(9600-510-0001)	General	\$3,997	\$4,916	\$5,298
(9600-511-3107)	Special	678	946	1,122
(9600-511-8071)	Special	92	94	-
9658 Early Retirement of Economic Recovery Bonds	General	-	-	1,591
9618 Economic Recovery Bond Debt Service	Special	1,313	1,539	1,641
<b>TOTAL -- DEBT SERVICE</b>		<b>\$6,080</b>	<b>\$7,495</b>	<b>\$9,652</b>
<b>QUALIFIED CAPITAL OUTLAY:</b>				
Various (Ch. 3 Except DOT)	General	\$34	\$111	\$74
Various (Ch. 3 Except DOT)	Special	16	120	430
Various Qualified Capital Outlay	General	154	159	156
Various Qualified Capital Outlay	Special	75	119	127
Lease-Revenue Bonds (Capital Outlay)	General	733	639	674
Lease-Revenue Bonds (Capital Outlay)	Special	23	26	73
<b>TOTAL -- CAPITAL OUTLAY</b>		<b>\$1,035</b>	<b>\$1,174</b>	<b>\$1,534</b>
<b>SUBVENTIONS:</b>				
6110 K-12 / LCFF (6110-601/608/643/670/672-0001)	General	\$18,125	\$23,233	\$28,398
6110 K-12 Apportionments (6110-601-0001/3207) EPA	Special	6,509	6,263	6,451
6110 K-12 Supplemental Instruction (6110-104/664/657-0001)	General	336	90	-
6110 K-12 Class Size Reduction (6110-234/629/630-0001)	General	1,270	541	-
6110 K-12 ROCP (6110-105/618/659-0001)	General	385	40	-
6110 K-12 Apprenticeships (6110-103/635/613-0001)	General	16	-	-
6110 Charter Sch Block Grant (6110-211/621/616-0001)	General	292	6	-
6110 County Offices (6110-608/671/673-0001)	General	69	412	425
State Subventions Not Counted in Schools' Limit	General	-3,649	-6,436	-10,645
6870 Community Colleges (6870-101/103/615/680-0001)	Special	3,069	3,143	3,527
6870 Community Colleges (6870-610-0001/3207)	General	805	774	797
<b>SUBVENTIONS -- EDUCATION</b>		<b>\$27,227</b>	<b>\$28,066</b>	<b>\$28,953</b>
<b>SUBVENTIONS -- OTHER:</b>				
5195 1991 State-Local Realignment				
Vehicle License Collection Account	Special	\$14	\$14	\$14
Vehicle License Fees	Special	1,489	1,524	1,557
5196 2011 State-Local Realignment				
Vehicle License Fees	Special	492	511	522
9100 Tax Relief (9100-101-0001)	General	430	425	425
9350 Shared Revenues				
(9430-640-0064)	Special	-	-	-
(9430-601-0001) Trailer VLF GF backfill (Shared Rev.)	General	-	-	-
<b>SUBVENTIONS -- OTHER</b>		<b>\$2,425</b>	<b>\$2,474</b>	<b>\$2,518</b>
<b>COURT AND FEDERAL MANDATES:</b>				
Various Court and Federal Mandates (HHS)	General	\$3,482	\$3,907	\$4,056
Various Court and Federal Mandates	General	3,419	2,781	2,821
Various Court and Federal Mandates	Special	205	222	229
<b>TOTAL -- MANDATES</b>		<b>\$7,106</b>	<b>\$6,910</b>	<b>\$7,106</b>
<b>PROPOSITION 111:</b>				
Motor Vehicle Fuel Tax: Gasoline	Special	\$1,245	\$1,237	\$1,228
Motor Vehicle Fuel Tax: Diesel	Special	262	263	268
Weight Fee Revenue	Special	310	314	318
<b>TOTAL -- PROPOSITION 111</b>		<b>\$1,817</b>	<b>\$1,814</b>	<b>\$1,814</b>
<b>TOTAL EXCLUSIONS:</b>				
<i>General Fund</i>		<b>\$45,690</b>	<b>\$47,933</b>	<b>\$51,577</b>
<i>Special Funds</i>		<b>\$39,476</b>	<b>\$41,004</b>	<b>\$44,048</b>
		<b>\$6,214</b>	<b>\$6,929</b>	<b>\$7,529</b>

# Finance Glossary of Accounting and Budgeting Terms

The following terms are used frequently throughout the Governor's Budget, the Governor's Budget Summary, the annual Budget (Appropriations) Bill, and other documents. Definitions are provided for terms that are common to many of these publications. For definitions of terms unique to a specific program area, please refer to the individual budget presentation. Certain terms may be interpreted or used differently depending on the context, the audience, or the purpose.

## **Abatement**

A reduction to an expenditure that has already been made. In state accounting, only specific types of receipts are accounted for as abatements, including refund of overpayment of salaries, rebates from vendors or third parties for defective or returned merchandise, jury duty and witness fees, and property damage or loss recoveries. (See *SAM 10220* for more detail.)

## **Abolishment of Fund**

The closure of a fund pursuant to the operation of law. Funds may also be administratively abolished by the Department of Finance with the concurrence of the State Controller's Office. When a special fund is abolished, all of its assets and liabilities are transferred by the State Controller's Office to successor fund, or if no successor fund is specified, then to the General Fund. (*GC 13306, 16346.*)

## **Accruals**

Revenues or expenditures that have been recognized for that fiscal year but not received or disbursed until a subsequent fiscal year. Annually, accruals are included in the revenue and expenditure amounts reported in departments' budget documents and year-end financial statements. For budgetary purposes, departments' expenditure accruals also include payables and outstanding encumbrances at the end of the fiscal year for obligations attributable to that fiscal year.

## **Accrual Basis of Accounting**

The basis of accounting in which transactions are recognized in the fiscal year when they occur, regardless of when cash is received or disbursed. Revenue is recognized in the fiscal year when earned, and expenditures are recognized in the fiscal year when obligations are created (generally when goods/services are ordered or when contracts are signed). Also referred to as the full accrual basis of accounting.

## **Administration**

Refers to the Governor's Office and those individuals, departments, and offices reporting to it (e.g., the Department of Finance).

## **Administration Program Costs**

The indirect cost of a program, typically a share of the costs of the administrative units serving the entire department (e.g., the Director's Office, Legal, Personnel, Accounting, and Business Services). "Distributed Administration" costs represent the distribution of the indirect costs to the various program activities of a department. In most departments, all administrative costs are distributed. (See also "Indirect Costs" and "Statewide Cost Allocation Plan.")

## **Administratively Established Positions**

Positions authorized by the Department of Finance during a fiscal year that were not included in the Budget and are necessary for workload or administrative reasons. Such positions terminate at the end of the fiscal year, or in order to continue, must meet certain criteria under Budget Act Control Section 31.00. (*SAM 6406, CS 31.00.*)

## **Agency**

A legal or official reference to a government organization at any level in the state organizational hierarchy. (See the *UCM* for the hierarchy of State Government Organizations.)



Or:

A government organization belonging to the highest level of the state organizational hierarchy as defined in the UCM. An organization whose head (Agency Secretary) is designated by Governor's order as a cabinet member.

**Allocation**

A distribution of funds or costs from one account or appropriation to one or more accounts or appropriations (e.g., the allocation of employee compensation funding from the statewide 9800 Budget Act items to departmental Budget Act items).

**Allotment**

The approved division of an amount (usually of an appropriation) to be expended for a particular purpose during a specified time period. An allotment is generally authorized on a line item expenditure basis by program or organization. (*SAM 8300 et seq.*)

**Amendment**

A proposed or accepted change to a bill in the Legislature, the California Constitution, statutes enacted by the Legislature, or ballot initiative.

**A-Pages**

A common reference to the Governor's Budget Summary. Budget highlights now contained in the Governor's Budget Summary were once contained in front of the Governor's Budget on pages A-1, A-2, etc., and were, therefore, called the A-Pages.

**Appropriated Revenue**

Revenue which, as it is earned, is reserved and appropriated for a specific purpose. An example is student fees received by state colleges that are by law appropriated for the support of the colleges. The revenue does not become available for expenditure until it is earned.

**Appropriation**

Authorization for a specific agency to make expenditures or create obligations from a specific fund for a specific purpose. It is usually limited in amount and period of time during which the expenditure is to be recognized. For example, appropriations made by the Budget Act are available for encumbrance for one year, unless otherwise specified. Appropriations made by other legislation are available for encumbrance for three years, unless otherwise specified, and appropriations stating "without regard to fiscal year" shall be available from year to year until fully expended. Legislation or the California Constitution can provide continuous appropriations, and voters can also make appropriations by approving ballot measures. An appropriation shall be available for encumbrance during the period specified therein, or if not specified, for a period of three years after the date upon which it first became available for encumbrance. Except for federal funds, liquidation of encumbrances must be within two years of the expiration date of the period of availability for encumbrance, at which time the undisbursed (i.e., unliquidated) balance of the appropriation is reverted back into the fund. Federal funds have four years to liquidate. (*GC 16304, 16304.1.*)

**Appropriation Without Regard To Fiscal Year (AWRTFY)**

An appropriation for a specified amount that is available from year to year until fully expended.

**Appropriations Limit, State (SAL)**

The constitutional limit on the growth of certain appropriations from tax proceeds, generally set to the level of the prior year's appropriation limit as adjusted for changes in cost of living and population. Other adjustments may be made for such reasons as the transfer of services from one government entity to another. (*Article XIII B, § 8; GC 7900 et seq; CS 12.00.*)

**Appropriation Schedule**

The detail of an appropriation (e.g., in the Budget Act), showing the distribution of the appropriation to each of the categories, programs, or projects thereof.

**Assembly**

California's lower house of the Legislature composed of 80 members. As a result of Proposition 140 (passed in 1990) and Proposition 28 (passed in 2012), members elected in or after 2012 may serve 12 years in the Legislature in any combination of four-year state Senate or two-year state Assembly terms. Prior to Proposition 28, Assembly members could serve two-year terms and a maximum of three terms. (*Article IV, § 2 (a).*)

**Audit**

Typically a review of financial statements or performance activity (such as of an agency or program) to determine conformity or compliance with applicable laws, regulations, and/or standards. The state has three central organizations that perform audits of state agencies: the State Controller's Office, the Department of Finance, and the California State Auditor's Office. Many state departments also have internal audit units to review their internal functions and program activities. (*SAM 20000, etc.*)

**Augmentation**

An increase to a previously authorized appropriation or allotment. This increase can be authorized by Budget Act provisional language, control sections, or other legislation. Usually a Budget Revision or an Executive Order is processed to implement the increase.

**Authorized**

Given the force of law (e.g., by statute). For some action or quantity to be authorized, it must be possible to identify the enabling source and date of authorization.

**Authorized Positions**

As reflected in the Governor's Budget (Expenditures by Category and Changes in Authorized Positions), corresponds with the "Total, Authorized Positions" shown in the Salaries and Wages Supplement (Schedule 7A).

In these documents, for past year, authorized positions represent the number of actual positions filled for that year. For current year, authorized positions include all regular ongoing positions approved in the Budget Act for that year, less positions abolished by the State Controller per Government Code section 12439, adjustments to limited term positions, and positions authorized in enacted legislation. For budget year, the number of authorized positions is the same as current year except for adjustments to remove expiring positions. (*GC 19818; SAM 6406.*)

**Availability Period**

The time period during which an appropriation may be encumbered (i.e., committed for expenditure), usually specified by the law creating the appropriation. If no specific time is provided in legislation, the period of availability is three years. Unless otherwise provided, Budget Act appropriations are available for one year. However, based on project phase, capital outlay projects may have up to three years to encumber. An appropriation with the term "without regard to fiscal year" has an unlimited period of availability and may be encumbered at any time until the funding is exhausted. (See also "Encumbrances.")

**Balance Available**

In regards to a fund, it is the excess of resources over uses. For budgeting purposes, the balance available in a fund condition is the carry-in balance, net of any prior year adjustments, plus revenues and transfers, less expenditures. For accounting purposes, the balance available in a fund is the net of assets over liabilities and reserves that are available for expenditure.

For appropriations, it is the unobligated, or unencumbered, balance still available.

**Baseline Adjustment**

Also referred as Workload Budget Adjustment. (See "Workload Budget Adjustment.")

**Baseline Budget**

Also referred as Workload Budget. (See "Workload Budget.")

**Bill**

A draft of a proposed law presented to the Legislature for enactment. (A bill has greater legal formality and standing than a resolution.)

Or:

An invoice, or itemized statement, of an amount owing for goods and services received.

**Bond Funds**

For legal basis budgeting purposes, funds used to account for the receipt and disbursement of non-self-liquidating general obligation bond proceeds. These funds do not account for the debt retirement since the liability created by the sale of bonds is not a liability of bond funds. Depending on the provisions of the bond act, either the General Fund or a sinking fund pays the principal and interest on the general obligation bonds. The proceeds and debt of bonds related to self-liquidating bonds are included in nongovernmental cost funds. (SAM 14400.)

**Budget**

A plan of operation expressed in terms of financial or other resource requirements for a specific period of time. (GC 13320, 13335; SAM 6120.)

**Budget Act (BA)**

An annual statute authorizing state departments to expend appropriated funds for the purposes stated in the Governor's Budget and amended by the Legislature. (SAM 6333.)

**Budget Bill**

Legislation presenting the Governor's proposal for spending authorization for the next fiscal year. The Budget Bill is prepared by the Department of Finance and submitted to each house of the Legislature in January (accompanying the Governor's Budget). The Budget Bill's authors are typically the budget committee chairpersons.

The California Constitution requires the Legislature to pass the Budget Bill and send it by June 15 each year to the Governor for signature. The Budget Bill becomes the Budget Act upon signature by the Governor, after any line-item vetoes. (Art. IV, § 12(c); GC 13338; SAM 6325, 6333.)

**Budget Change Proposal (BCP)**

A proposal to change the level of service or funding sources for activities authorized by the Legislature, propose new program activities not currently authorized, or to delete existing programs. The Department of Finance annually issues a Budget Letter with specific instructions for preparing BCPs. (SAM 6120.)

**Budget Cycle**

The period of time required to prepare a state financial plan and enact that portion of it applying to the budget year. Significant events in the cycle include:

- Preparation of the Governor's proposed budget (most activities occur between July 1 and January 10).
- Submission of the Governor's Budget and Budget Bill to the Legislature (by January 10).
- Submission to the Legislature of proposed adjustments to the Governor's Budget
  - April 1—adjustments other than Capital Outlay and May Revision.
  - May 1—Capital Outlay appropriation adjustments.
  - May 14—May Revision adjustments for changes in General Fund revenues, necessary expenditure reductions to reflect updated revenue, and funding for Proposition 98, caseload, and population.
- Review and revision of the Governor's Budget by the Legislature.
- Return of the revised budget to the Governor by June 15, as required by the California Constitution, for signature after any line-item vetoes.
- Signing of the budget by the Governor. (Art. IV, § 10, GC 13308, SAM 6150.)

**Budget—Program or Traditional**

A program budget expresses the operating plan in terms of the costs of activities (programs) to be undertaken to achieve specific goals and objectives. A traditional (or object of expenditure) budget expresses the plan in terms of categories of costs of the goods or services to be used to perform specific functions.

The Governor's Budget is primarily a program budget but also includes detailed categorization of proposed expenditures for goods and services (Expenditures by Category) for state operations for each department. (*GC 13336; SAM 6210, 6220.*)

**Budget Revision (BR)**

A document, usually approved by the Department of Finance, that cites a legal authority to authorize a change in an appropriation. Typically, BRs either increase the appropriation or make adjustments to the categories or programs within the appropriation as scheduled. (*SAM 6533, 6542, 6545.*)

**Budget Year (BY)**

The next state fiscal year, beginning July 1 and ending June 30, for which the Governor's Budget is submitted (i.e., the year following the current fiscal year). (See also "Fiscal Year.")

**CALSTARS**

The acronym for the California State Accounting and Reporting System, the state's primary accounting system. Most departments currently use CALSTARS. (*GC 13300.*)

**Capital Outlay (CO)**

A character of expenditure of funds to acquire land, plan and construct new buildings, expand or modify existing buildings, and/or purchase equipment related to such construction. (*CS 3.00.*)

**Carryover**

The unencumbered balance of an appropriation that continues to be available for expenditure in years subsequent to the year of enactment. For example, if a three-year appropriation is not fully encumbered in the first year, the remaining amount is carried over to the next fiscal year.

**Cash Basis of Accounting**

The basis of accounting in which revenues and expenditures are recognized when cash is received or disbursed.

**Cash Flow Statement**

A statement of cash receipts and disbursements for a specified period of time.

**Category**

A grouping of related types of expenditures, such as personal services, operating expenses and equipment, reimbursements, special items of expense, unclassified, local costs, capital costs, and internal cost recovery. (*UCM.*)

**Category Transfer**

An allowed transfer between categories or functions within the same schedule of an appropriation. Such transfers are presently authorized by Control Section 26.00 of the Budget Act (and prior to 1996-97, by Section 6.50 of the Budget Act). The control section specifies the amounts of the allowable transfers and requirements for reporting to the Legislature.

**Change Book System**

The system the Department of Finance uses to record all the legislative changes (including changes proposed by the Administration and approved by the Legislature) made to the Governor's Budget and the final actions on the budget taken by the Legislature and Governor. A "Final Change Book" is

published after enactment of the Budget Act. It includes detailed fiscal information on the changes made by the Legislature and by the Governor's vetoes. (SAM 6355.)

**Changes in Authorized Positions (“Schedule 2”)**

A schedule in the Governor’s Budget that reflects staffing changes made subsequent to the adoption of the current year budget and enacted legislation. This schedule documents changes in positions due to various reasons. Some examples are: transfers, positions established, and selected reclassifications, as well as proposed new positions included in BCPs, for the current or budget year. (SAM 6406.)

**Chapter**

The reference assigned by the Secretary of State to an enacted bill, numbered sequentially in order of enactment each calendar year. The enacted bill is then referred to by this "chapter" number and the year in which it became law. For example, *Chapter 1, Statutes of 1997*, would refer to the first bill enacted in 1997.

**Character of Expenditure**

A classification identifying the major purpose of an expenditure, such as state operations, local assistance, capital outlay, or unclassified. (UCM.)

**Claim Schedule**

A request from a state department to the State Controller's Office to disburse payment from a legal appropriation or account for a lawful state obligation. The claim schedule identifies the appropriation or account to be charged, the payee(s), the amount(s) to be paid, and an affidavit attesting to the validity of the request.

**COBCP**

Capital outlay budgets are zero-based each year, therefore, the department must submit a written capital outlay budget change proposal for each new project, or subsequent phase of an existing project, for which the department requests funding. (SAM 6818.)

**Conference Committee**

A committee of three members (two from the majority party, one from the minority party) from each house, appointed to meet and resolve differences between versions of a bill (e.g., when one house of the Legislature does not concur with bill amendments made by the other house). If resolution cannot be reached, another conference committee can be selected, but no more than three different conference committees can be appointed on any one bill. Budget staff commonly refer to the conference committee on the annual budget bill as the "Conference Committee." (SAM 6340.)

**Continuing Appropriation**

An appropriation for a set amount that is available for more than one year. (SAM 8382.)

**Continuous Appropriation**

Constitutional or statutory expenditure authorization which is renewed each year without further legislative action. The amount available may be a specific, recurring sum each year; all or a specified portion of the proceeds of specified revenues which have been dedicated permanently to a certain purpose; or whatever amount is designated for the purpose as determined by formula, e.g., school apportionments. Note: Government Code section 13340 sunsets statutory continuous appropriations on June 30 with exceptions specified in the section and other statutes. Control Section 30.00 of the annual Budget Act traditionally extends the continuous appropriations for one additional fiscal year. (GC 13340.)

**Continuously Vacant Positions**

On July 1, positions which were continuously vacant for six consecutive monthly pay periods during the preceding fiscal year are abolished by the State Controller's Office. The six consecutive monthly pay periods may occur entirely within one fiscal year or between two consecutive fiscal years. The exceptions to this rule are positions exempt from civil service and instructional positions authorized for the California State University. The Department of Finance may authorize the reestablishment of positions in cases where the vacancies were (1) due to a hiring freeze, (2) the department has diligently attempted to fill the position but was unable to complete all steps to fill the position within six months, (3) the position is determined to be hard-to-fill, (4) the position has been designated as a management position for the purposes of collective bargaining and has been held vacant pending the appointment of the director or other chief executive officer of the department as part of the transition from one Governor to the succeeding Governor, or (5) late enactment of the budget causes the department to delay filling the position, and the Department of Finance approves an agency's written appeal to continue the position. In addition, departments may self-certify reestablishments by August 15 for positions that meet specified conditions during the vacancy period.

By October 15 of each year, the State Controller's Office is required to notify the Joint Legislative Budget Committee and the Department of Finance of the continuously vacant positions identified for the preceding fiscal year. (GC 12439.)

**Control Sections**

Sections of the Budget Act (i.e., 1.00 to the end) providing specific controls on the appropriations itemized in Section 2.00 of the Budget Act. (See more detail under "Sections.")

**Cost-of-Living Adjustments (COLA)**

Increases provided in state-funded programs that include periodic adjustments predetermined in state law (statutory, such as K-12 education apportionments), or established at optional levels (discretionary) by the Administration and the Legislature each year through the budget process.

**Current Year (CY)**

A term used in budgeting and accounting to designate the operations of the present fiscal year in contrast to past or future periods. (See also "Fiscal Year.")

**Debt Service**

The amount of money required to pay interest on outstanding bonds and the principal of maturing bonds.

**Department**

A governmental organization, usually belonging to the third level of the state organizational hierarchy, as defined in the Uniform Codes Manual. (UCM.)

**Department of Finance (Finance)**

The Department is a fiscal control agency. The Director of Finance is appointed by the Governor and serves as the chief fiscal policy advisor. The Director sits as a member of the Governor's cabinet and senior staff.

Principal functions are as follows:

- Establish appropriate fiscal policies to carry out the state's programs.
- Prepare, explain, and administer the state's annual financial plan (budget), which the Governor is required under the State Constitution to present by January 10 of each year.
- Analyze legislation which has a fiscal impact.
- Develop and maintain the California State Accounting and Reporting System (CALSTARS).
- Monitor/audit expenditures by state departments to ensure compliance with law, approved standards, and policies.
- Develop economic forecasts and revenue estimates.
- Develop population and enrollment estimates and projections.
- Review expenditures for information technology activities of the departments.

(GC 13000 et seq.)

### **Detailed Budget Adjustments**

Department Detailed Budget Adjustments are included in department budget displays to provide the reader a snapshot of proposed expenditure and position adjustments in the department, why those changes are being proposed, and their dollar and position impact.

The Detailed Budget Adjustments include two adjustment categories: workload and policy. Within the workload section, issues are further differentiated between budget change proposals and other workload budget adjustments. Below are the standard categories or headings including definitions. Additional categories or headings may be used as needed in any particular year.

- **Workload Budget Adjustments**—See “Workload Budget Adjustment.”
- **Policy Adjustments**—See “Policy Adjustments.”
- **Employee Compensation Adjustments**—See “Employee Compensation/Retirement.”
- **Retirement Rate Adjustment**—See “Employee Compensation/Retirement.”
- **Limited Term Positions/Expiring Programs**—Reduction of the budget-year funding and positions for expiring programs or positions.
- **Abolished Vacant Positions**—Positions abolished that are vacant for six consecutive monthly pay periods, irrespective of fiscal years, per Government Code section 12439.
- **One-Time Cost Reductions**—Reductions of the budget-year funding and positions to account for one-time costs budgeted in the current year.
- **Full-Year Cost of New/Expanded Programs**—Increases to the budget year funding and positions to reflect the full-year costs of programs authorized to begin after July 1 of the current fiscal year (does not include the full-year effect of employee compensation adjustments that are displayed separately).
- **Carryover/Reappropriation**—See “Carryover” and “Reappropriation.”
- **Legislation with an Appropriation**—New legislation with funding to carry out its purpose.
- **Expenditure Transfers**—Transfers of expenditures between two departments, but within the same fund.
- **Lease Revenue Debt Service Adjustment**—Expenditures related to changes in lease revenue costs.
- **Miscellaneous Adjustments**—This category includes all workload budget adjustments not included in one of the aforementioned categories. This category may include Pro Rata and Statewide Costs Allocation Plan (SWCAP) adjustments. See “Pro Rata” and “Statewide Cost Allocation Plan.”

### **Detail of Appropriations and Adjustments**

A budget display for each organization that reflects appropriations and adjustments by fund source for each character of expenditure (i.e., state operations, local assistance, and capital outlay). (SAM 6478.)

### **Element**

A subdivision of a budgetary program and the second level of the program structure in the Uniform Codes Manual.

### **Employee Compensation/Retirement**

Salary, benefit, employer retirement rate contribution adjustments, and any other related statewide compensation adjustments for state employees. Various 9800 Items of the Budget Act appropriate funds for compensation increases for most state employees (excluding Higher Education and some others), that is, they appropriate the incremental adjustment proposed for the salary and benefit adjustments for the budget year. The base salary and benefit levels are included in individual agency/departmental budgets.

**Encumbrance**

The commitment of all or part of an appropriation for future expenditures. Encumbrances represent valid obligations related to unfilled purchase orders or unfulfilled contracts. Outstanding encumbrances are recognized as budgetary expenditures in the individual department's budget documents and their individual annual financial reports. For the General Fund budgetary purposes, the Department of Finance makes a statewide adjustment to remove the total outstanding encumbrances from overall General Fund expenditures and show the amount as a reserve in the fund balance, in accordance with Government Code section 13307. For other funds, such encumbrance adjustments are not made in the budget totals, and encumbrances are treated as budgetary expenditures which decrease the fund balance of these funds.

**Enrolled Bill Report (EBR)**

An analysis prepared on legislative measures passed by both houses and referred to the Governor, to provide the Governor's Office with information concerning the measure with a recommendation for action by the Governor. While approved bill analyses become public information, EBRs do not. Note that EBRs are not prepared for Constitutional Amendments, or for Concurrent, Joint, or single house resolutions, since these are not acted upon by the Governor. (SAM 6965.)

**Enrollment, Caseload, and Population Adjustments**

These adjustments are generally formula or population driven.

**Executive Branch**

One of the three branches of state government, responsible for implementing and administering the state's laws and programs. The Governor's Office and those individuals, departments, and offices reporting to it (the Administration), are part of the Executive Branch.

**Executive Order (EO)**

A budget document issued by the Department of Finance requesting the State Controller's Office to make an adjustment in their accounts. The adjustments are typically authorized by Budget Act provision language, Budget Act control sections, and other statutes. An EO is used when the adjustment makes increases or decreases on a state-wide basis, involves two or more appropriations, or makes certain transfers or loans between funds.

**Exempt Employees**

State employees exempt from civil service pursuant to subdivision (e), (f), or (g), of Section 4 of Article VII of the California Constitution. Examples include department directors and other gubernatorial appointees. (SAM 0400.)

**Expenditure**

Expenditures reported on a department's year-end financial statements and "past year" budget documents consist of amounts paid and accruals (including outstanding encumbrances and payables) for obligations created for the last fiscal year. "Current year" and "budget year" expenditures in budget documents are estimates for the respective fiscal year. (See "Encumbrance," also referred to as "budgetary expenditures.")

**Expenditure Authority**  
The authorization to make an expenditure (usually by a budget act appropriation, provisional language, or other legislation).

**Expenditures by Category**

A budget display for each department that reflects actual past year, estimated current year, and proposed budget year expenditures presented by character of expenditure (e.g., state operations and/or local assistance) and category of expenditure (e.g., personal services, operating expenses and equipment).

**3-year Expenditures and Positions**

A display at the start of each departmental budget that presents the various departmental programs by title, dollar totals, positions, and source of funds for the past, current, and budget years.



**Feasibility Study Report (FSR)**

A document proposing an information technology project that contains analyses of options, cost estimates, and other information. (SAM 4920-4930.)

**Federal Fiscal Year**

The 12-month accounting period of the federal government, beginning on October 1 and ending the following September 30. For example, a reference to federal fiscal year 2014 means the period beginning October 1, 2013 and ending September 30, 2014.

**Federal Funds**

For legal basis budgeting purposes, classification of funds into which money received in trust from an agency of the federal government will be deposited and expended by a state department in accordance with state and/or federal rules and regulations. State departments must deposit federal grant funds in the Federal Trust Fund, or other appropriate federal fund in the State Treasury. (GC 13326 (Finance approval), 13338 approp. of FF, CS 8.50.)

**Feeder Funds**

For legal basis accounting purposes, funds into which certain taxes or fees are deposited upon collection. In some cases administrative costs, collection expenses, and refunds are paid. The balance of these funds is transferable at any time by the State Controller's Office to the receiving fund, in most cases, the General Fund.

**Final Budget**

Generally refers to the Governor's Budget as amended by actions taken on the Budget Bill (e.g. legislative changes, Governor's vetoes). Note: subsequent legislation (law enacted after the Budget Bill is chaptered) may add, delete, or change appropriations, or require other actions that affect a budget appropriation.

**Final Budget Summary**

A document produced by the Department of Finance after enactment of the Budget Act, which reflects the Budget Act, any vetoes to language and/or appropriations, technical corrections to the Budget Act, and summary budget information. (See also "Budget Act" and "Change Book System.") (SAM 6130, 6350.)

**Finance Conversion Code (FCC) Listing**

A listing distributed by the State Controller's Office to departments each spring, which based upon departmental coding updates, will dictate how the salaries and wages detail will be displayed in the Salaries and Wages publication. (SAM 6430.)

**Finance Letter (FL)**

Proposals made by the Director of Finance to the chairpersons of the budget committees in each house to amend the Budget Bill and the Governor's Budget from that submitted on January 10 to reflect a revised plan of expenditure for the budget year and/or current year. Specifically, the Department of Finance is required to provide the Legislature with updated expenditure and revenue information for all policy adjustments by April 1, capital outlay technical changes by May 1, and changes for caseload, population, enrollment, updated revenues, and Proposition 98 by May 14. (GC 13308.)

**Fiscal Committees**

Committees of members in each house of the Legislature that review the fiscal impact of proposed legislation, including the Budget Bill. Currently, the fiscal committees include the Senate Budget and Fiscal Review Committee, Senate Appropriations Committee, Assembly Appropriations Committee, and the Assembly Budget Committee. The Senate Budget and Fiscal Review Committee and the Assembly Budget Committee are broken into subcommittees responsible for specific state departments or subject areas. Both houses also have Revenue and Taxation Committees that are often considered fiscal committees.

**Fiscal Impact Analysis**

Typically refers to a section of an analysis (e.g., bill analysis) that identifies the costs and revenue impact of a proposal, and to the extent possible, a specific numeric estimate for applicable fiscal years.

**Fiscal Year (FY)**

A 12-month period during which revenue is earned and received, obligations are incurred, encumbrances are made, appropriations are expended, and for which other fiscal transactions are recognized. In California state government, the fiscal year begins July 1 and ends the following June 30. If reference is made to the state's FY 2014-15, this is the time period beginning July 1, 2014 and ending June 30, 2015. (GC 13290.)

**Floor**

The Assembly or Senate chambers or the term used to describe the location of a bill or the type of session. Matters may be referred to as "on the floor."

**Form 9**

A request by a department for space planning services (e.g., new or additional space lease extensions, or renewals in non-institutional) and also reviewed by the Department of Finance. (SAM 6453.)

**Form 22**

A department's request to transfer money to the Architectural Revolving Fund (e.g., for building improvements), reviewed by the Department of Finance. (GC 14957; SAM 1321.1.)

**Fund**

A legal budgeting and accounting entity that provides for the segregation of moneys or other resources in the State Treasury for obligations in accordance with specific restrictions or limitations. A separate set of accounts must be maintained for each fund to show its assets, liabilities, reserves, and balance, as well as its revenue and expenditures.

**Fund Balance**

For accounting purposes, the excess of a fund's assets over its liabilities. For budgeting purposes, the excess of a fund's resources over its expenditures.

**Fund Condition Statement**

A budget display, included in the Governor's Budget, summarizing the operations of a fund for the past, current, and budget years. The display includes the beginning balance, prior year adjustments, revenue, transfers, loans, expenditures, the ending balance, and any reserves. Fund Condition Statements are required for all special funds. The Fund Condition Statement for the General Fund is Summary Schedule 1. Other funds are displayed at the discretion of the Department of Finance.

**General Fund (GF)**

For legal basis accounting and budgeting purposes, the predominant fund for financing state government programs, used to account for revenues which are not specifically designated to be accounted for by any other fund. The primary sources of revenue for the General Fund are personal income tax, sales and use tax, and corporation taxes. The major uses of the General Fund are education (K-12 and higher education), health and human service programs, and correctional programs.

**Generally Accepted Accounting Principles (GAAP)**

The accounting principles, rules, conventions, and procedures that are used for accounting and financial reporting. GAAP for governments are set by the Governmental Accounting Standards Board (GASB), the accounting and financial reporting standards setting body for state and local governments.

**Governmental Cost Funds**

For legal basis accounting and budgeting purposes, funds that derive revenue from taxes, licenses, and fees.

**Governor's Budget**

The publication the Governor presents to the Legislature by January 10 each year. It contains recommendations and estimates for the state's financial operations for the budget year. It also displays the actual revenues and expenditures of the state for the prior fiscal year and updates estimates for the current year revenues and expenditures. This publication is also produced in a web format known as the Proposed Budget Detail on the Department of Finance website. (*Article IV, § 12; SAM 6120, et seq.*)

**Governor's Budget Summary (or A-Pages)**

A companion publication to the Governor's Budget that outlines the Governor's policies, goals, and objectives for the budget year. It provides a perspective on significant fiscal and/or structural proposals. This publication is also produced in a web format known as the Proposed Budget Summary on the Department of Finance website.

**Grants**

Typically used to describe amounts of money received by an organization for a specific purpose but with no obligation to repay (in contrast to a loan, although the award may stipulate repayment of funds under certain circumstances). For example, the state receives some federal grants for the implementation of health and community development programs, and the state also awards various grants to local governments, private organizations, and individuals according to criteria applicable to the program.

**Indirect Costs**

Costs which by their nature cannot be readily associated with a specific organization unit or program. Like general administrative expenses, indirect costs are distributed to the organizational unit(s) or program(s) which benefit from their incurrence.

**Initiative**

The power of the electors to propose statutes or Constitutional amendments and to adopt or reject them. An initiative must be limited to a single subject and be filed with the Secretary of State with the appropriate number of voter signatures in order to be placed on the ballot. (*Article II, § 8.*)

**Item**

Another word for appropriation (See "Appropriation.")

**Judgments**

Usually refers to decisions made by courts against the state. Payment of judgments is subject to a variety of controls and procedures.

**Language Sheets**

Copies of the current Budget Act appropriation items provided to the Department of Finance and departmental staff each fall to update for the proposed Governor's Budget. These updated language sheets become the proposed Budget Bill. In the spring, language sheets for the Budget Bill are updated to reflect revisions to the proposed appropriation amounts, Item schedule(s) and provisions, and become the Budget Act.

**Legislative Analyst's Office (LAO)**

A non-partisan organization that provides advice to the Legislature on fiscal and policy matters. For example, the LAO annually publishes a detailed analysis of the Governor's Budget and this document becomes the initial basis for legislative hearings on the Budget Bill. (*SAM 7360.*)

**Legislative Counsel Bureau**

A staff of attorneys who draft legislation (bills) and proposed amendments, and review, analyze, and render opinions on legal matters for the legislative members.

**Legislative Counsel Digest**

A summary of what a legislative measure does contrasting existing law and the proposed change. This summary appears on the first page of a bill.

**Legislature, California**

A two-house body of elected representatives vested with the responsibility and power to make laws affecting the state (except as limited by the veto power of the Governor). (See also "Assembly" and "Senate.")

**Limited-Term Position (LT)**

Any position that has been authorized only for a specific length of time with a set termination date. Limited-term positions may be authorized during the budget process or in transactions approved by the Department of Finance. (SAM 6515.)

**Line Item**

See "Object of Expenditure."

**Local Assistance (LA)**

The character of expenditures made for the support of local government or other locally administered activities.

**Major Regulation**

Any proposed regulation subject to review by the Office of Administrative Law (OAL) that will have an economic impact on California business enterprises and individuals in an amount exceeding fifty million dollars in any 12-month period between the date the major regulation is estimated to be filed with the Secretary of State through 12 months after the major regulation is estimated to be fully implemented (as estimated by the agency), computed without regard to any offsetting benefits or costs that might result directly or indirectly from that adoption, amendment or repeal. An agency proposing a major regulation must submit a Standardized Regulatory Impact Assessment to the Department of Finance for review, and the agency must include Finance's comments and the agency's response when transmitting the proposed major regulation to OAL. (GC Chapter 3.5 [commencing with section 11340], Part 1, Division 3, Title 2; SAM 6601-6616; California Code of Regulation, title 1, sections 2000-2004.)

**Mandates**

See "State-Mandated Local Program." (UCM.)

**May Revision**

An annual update to the Governor's Budget containing a revised estimate of General Fund revenues for the current and ensuing fiscal years, any proposals to adjust expenditures to reflect updated revenue estimates, and all proposed adjustments to Proposition 98, presented by the Department of Finance to the Legislature by May 14 of each year. (See also "Finance Letter.") (SAM 6130; GC 13308.)

**Merit Salary Adjustment (MSA)**

A cost factor resulting from the periodic increase in salaries paid to personnel occupying authorized positions. Personnel generally receive a salary increase of five percent per year up to the upper salary limit of the classification, contingent upon the employing agency certifying that the employee's job performance meets the level of quality and quantity expected by the agency, considering the employee's experience in the position.

Merit salary adjustments for employees of the University of California and the California State University are determined in accordance with rules established by the regents and the trustees, respectively.

Funding typically is not provided for MSAs in the budget; any net additional costs incurred by a department usually must be absorbed from within existing resources. (GC 19832.)

**Minor Capital Outlay**

Construction projects, or equipment acquired to complete a construction project, estimated to cost less than \$600,000 plus any escalation per Public Contract Code section 10108.

**Modified Accrual Basis**

The basis of accounting in which revenues are recognized if the underlying transaction has occurred as of the last day of the fiscal year and the amount is measurable and available to finance expenditures of the current period (i.e., the actual collection will occur either during the current period, or after the end of the current period, to be used to pay current year-end liabilities). Expenditures are recognized when the obligations are created, except for amounts payable from future fiscal year appropriations. This basis is generally used for the General Fund and special funds.

**Non-add**

Refers to a numerical value that is displayed in parentheses for informational purposes, but is not included in computing totals, usually because the amounts are already accounted for in the budget system or display.

**Nongovernmental Cost Funds**

For legal basis purposes, used to budget and account for revenues other than general and special taxes, licenses, and fees, or certain other state revenues. Generally, expenditures of these funds do not represent a cost of government.

**Object of Expenditure (Objects)**

A classification of expenditures based on the type of goods or services received. For example, the budget category of Personal Services includes the objects of Salaries and Wages and Staff Benefits. The Governor's Budget includes an "Expenditures by Category" for each department at this level. These objects may be further subdivided into line items such as State Employees' Retirement and Workers' Compensation. (*UCM.*)

**Obligations**

Amounts that a governmental unit may legally be required to pay out of its resources. Budgetary authority must be available before obligations can be created. For budgetary purposes, obligations include payables for goods or services received, but not yet paid for, and outstanding encumbrances (i.e., commitments for goods and services not yet received nor paid for).

**One-Time Cost**

A proposed or actual expenditure that is non-recurring (usually only in one annual budget) and not permanently included in baseline expenditures. Departments make baseline adjustments to remove prior year one-time costs and appropriately reduce their expenditure authority in subsequent years' budgets.

**Operating Expenses and Equipment (OE&E)**

A category of a support appropriation which includes objects of expenditure such as general expenses, printing, communication, travel, data processing, equipment, and accessories for the equipment. (*SAM 6451.*)

**Organization Code**

The four-digit code assigned to each state governmental entity (and sometimes to unique budgetary programs) for fiscal system purposes. The organization code is the first segment of the budget item/appropriation number. (*UCM.*)

**Out-of-State Travel (OST) blanket**

A request by a state agency for Governor's Office approval of the proposed out-of-state trips to be taken by that agency's personnel during the fiscal year. (*SAM 0760-0765.*)

**Overhead**

Those elements of cost necessary in the production of an article or the performance of a service that are of such a nature that the amount applicable to the product or service cannot be determined directly. Usually they relate to those costs that do not become an integral part of the finished product or service, such as rent, heat, light, supplies, management, or supervision. (See also "Indirect Costs.")

**Overhead Unit**

An organizational unit that benefits the production of an article or a service but that cannot be directly associated with an article or service to distribute all of its expenditures to elements and/or work authorizations. The cost of overhead units are distributed to operating units or programs within the department. (See "Administration Program Costs.")

**Past Year**

The most recently completed fiscal year. (See also "Fiscal Year.")

**Performance Budget**

A budget wherein proposed expenditures are organized and tracked primarily by measurable performance objectives for activities or work programs. A performance budget may also incorporate other bases of expenditure classification, such as character and object, but these are given a subordinate status to activity performance.

**Personal Services**

A category of expenditure which includes such objects of expenditures as the payment of salaries and wages of state employees and employee benefits, including the state's contribution to the Public Employees' Retirement Fund, insurance premiums for workers' compensation, and the state's share of employees' health insurance. (See also "Object of Expenditure.") (SAM 6403, 6506.)

**Plan of Financial Adjustment (PFA)**

A plan proposed by a department, approved by the Department of Finance, and accepted by the State Controller's Office (SCO), to permit the SCO to allocate costs paid from one item to one or more items within a department's appropriations. A PFA might be used, for example, to allow the department to pay all administrative costs out of its main item and then to transfer the appropriate costs to the correct items for their share of the costs paid. The SCO transfers the funds upon receipt of a letter (transaction request) from the department stating the amount to be transferred based on the criteria for cost distribution in the approved PFA. (SAM 8715.)

**Planning Estimate (PE)**

A document used to record and monitor those current and budget year expenditure adjustments including budget change proposals approved for inclusion in the Governor's Budget. PEs are broken down by department, fund type, character, Budget Bill/Act appropriation number, and "lines" (i.e., expenditure groupings such as employee compensation, price increases, one-time costs). PEs are primarily used to record the incremental decisions made about changes to each base budget, are updated at frequent intervals, and can be used for quick planning or "what if" analyses. PEs identify all proposed expenditure changes (baseline and policy) to the previous year's Budget Act, and once budget preparation is complete, PEs will tie to all other fiscal characterizations of the proposed Governor's Budget. (The term is sometimes used synonymously with Planning Estimate Line, which is one specific expenditure grouping.)

**Planning Estimate Line**

A separate planning estimate adjustment or entry for a particular expenditure or type. (See "Planning Estimate.")

**Policy Adjustments**

Changes to existing law or Administration policies. These adjustments require action by the Governor and/or Legislature and modify the workload budget.

**Pooled Money Investment Account (PMIA)**

A State Treasurer's Office accountability account maintained by the State Controller's Office to account for short-term investments purchased by the State Treasurer's Office as designated by the Pooled Money Investment Board on behalf of various funds.

**Pooled Money Investment Board (PMIB)**

A board comprised of the Director of Finance, State Treasurer, and the State Controller, the purpose of which is to design an effective cash management and investment program, using all monies flowing through the Treasurer's bank accounts and keeping all available monies invested consistent with the goals of safety, liquidity, and yield. (SAM 7350.)

**Positions**

See "Authorized Positions."

**Price Increase**

A budget adjustment to reflect the inflation factors for specified operating expenses consistent with the budget instructions from the Department of Finance.

**Prior Year Adjustment**

In a Fund Condition Statement in the Governor's Budget, an adjustment for the difference between previously estimated accruals used in the development of the last Governor's Budget and actual expenditures or revenues. The adjustment amount is generally included to realign the beginning fund balance to ensure accurate fund balances.

**Pro Rata**

The amount of state administrative costs, paid from the General Fund and the Central Service Cost Recovery Fund (e.g., amounts expended by central service departments such as the State Treasurer's Office, State Personnel Board, State Controller's Office, and Department Finance for the general administration of state government), that are chargeable to and recovered from special funds (other than the General Fund, Central Service Cost Recovery Fund, and federal funds) as determined by the Department of Finance. (GC 11270-11277, 13332.03; 22828.5; SAM 8753, 8754.)

**Program Budget**

See "Budget—Program or Traditional."

**Program Cost Accounting**

A level of accounting that identifies costs by activities performed in achievement of a purpose in contrast to the traditional line-item format. The purpose of accounting at this level is to produce cost data sufficiently accurate for allocating and managing its program resources. (SAM 7261.)

**Programs**

Activities of an organization grouped on the basis of common objectives. Programs are comprised of elements which can be further divided into components and tasks.

**Proposed New Positions**

A request for an authorization to expend funds to employ additional people to perform work. Proposed new positions may be for limited time periods (limited term) and for full or less than full time. Proposed new positions may be for an authorization sufficient to employ one person, or for a sum of funds (blanket) from which several people may be employed. (See also "Changes in Authorized Positions.")

**Proposition 98**

An initiative passed in November 1988, and amended in the June 1990 election, that provides a minimum funding guarantee for school districts, community college districts, and other state agencies that provide direct elementary and secondary instructional programs for kindergarten through grade 14 (K-14), beginning with fiscal year 1988-89. The term is also used to refer to any expenditures which fulfill the guarantee. (Article XVI, § 8.)

**Provision**

Language in a bill or act that imposes requirements or constraints upon actions or expenditures of the state. Provisions are often used to constrain the expenditure of appropriations but may also be used to provide additional or exceptional authority. (Exceptional authority usually begins with the phrase "Notwithstanding...".)

**Public Service Enterprise Funds**

For legal basis accounting purposes, the fund classification that identifies funds used to account for the transactions of self-supporting enterprises that render goods or services for a direct charge to the user (primarily the general public). Self-supporting enterprises that render goods or services for a direct charge to other state departments or governmental entities, account for their transactions in a Working Capital and Revolving Fund. (*UCM, Fund Codes—Structure.*)

**Reappropriation**

The extension of an appropriation's availability for encumbrance and/or expenditure beyond its set termination date and/or for a new purpose. Reappropriations are typically authorized by statute for one year at a time, but may be for some greater or lesser period.

**Recall**

The power of the electors to remove an elected officer. (*Article II, § 13.*)

**Redemption**

The act of redeeming a bond or other security by the issuing agency.

**Reference Code**

A three-digit code identifying whether the item is from the Budget Act or some other source (e.g., legislation), and its character (e.g., state operations). This is the middle segment of the budget item/appropriation number.

**Referendum**

The power of the electors to approve or reject statutes or parts of statutes, with specified exceptions and meeting specified deadlines and number of voters' signatures. (*Article II, § 9.*)

**Refund to Reverted Appropriations**

A receipt account to record the return of monies (e.g., abatements and reimbursements) to appropriations that have reverted.

**Reimbursement Warrant (or Revenue Anticipation Warrant)**

A warrant that has been sold by the State Controller's Office as a result of a cash shortage in the General Fund, the proceeds of which will be used to reimburse the General Cash Revolving Fund. The Reimbursement Warrant may or may not be registered by the State Treasurer's Office. The registering does not affect the terms of repayment or other aspects of the Reimbursement Warrant.

**Reimbursements**

An amount received as a payment for the cost of services performed, or of other expenditures made for, or on behalf of, another entity (e.g., one department reimbursing another for administrative work performed on its behalf). Reimbursements represent the recovery of an expenditure. Reimbursements are available for expenditure up to the budgeted amount (scheduled in an appropriation), and a budget revision must be prepared and approved by the Department of Finance before any reimbursements in excess of the budgeted amount can be expended. (*SAM 6463.*)

**Reserve**

An amount of a fund balance set aside to provide for expenditures from the unencumbered balance for continuing appropriations, economic uncertainties, future apportionments, pending salary or price increase appropriations, and appropriations for capital outlay projects.



**Revenue**

Any addition to cash or other current assets (e.g., accounts receivables) that does not increase any liability or reserve and does not represent the reduction or recovery of an expenditure (e.g., reimbursements/abatements). Revenues are a type of receipt generally derived from taxes, licenses, fees, or investment earnings. Revenues are deposited into a fund for future appropriation, and are not available for expenditure until appropriated. (*UCM.*)

**Revenue Anticipation Notes (RANs)**

A cash management tool generally used to eliminate cash flow imbalances in the General Fund within a given fiscal year. RANs are not a budget deficit-financing tool.

**Revenue Anticipation Warrant (RAW)**

See "Reimbursement Warrant."

**Reversion**

The return of the unused portion of an appropriation to the fund from which the appropriation was made, normally two years (four years for federal funds) after the last day of an appropriation's availability period. The Budget Act often provides for the reversion of unused portions of appropriations when such reversion is to be made prior to the statutory limit.

**Reverted Appropriation**

An appropriation that is reverted to its fund source after the date its liquidation period has expired.

**Revolving Fund**

Generally refers to a cash account known as an office revolving fund (ORF). It is not a fund but an advance from an appropriation. Agencies may use the cash advance to disburse ORF checks for immediate needs, as specified in SAM. The cash account is subsequently replenished by a State Controller's Office warrant. The size of departmental revolving funds is subject to Department of Finance approval within statutory limits. (*SAM 8100, et seq.*)

**SAL**

See "Appropriations Limit, State."

**Salaries and Wages Supplement**

An annual publication, issued shortly after the Governor's Budget, containing a summary of all positions by department, unit, and classification for the past, current, and budget years, as of July 1 of the current year. This publication is also displayed on the Department of Finance website. (See "Schedule 7A.")

**Schedule**

The detail of an appropriation in the Budget Bill or Act, showing its distribution to each of the categories, programs, or projects thereof.

Or:

A supplemental schedule submitted by departments to detail certain expenditures.

Or:

A summary listing in the Governor's Budget.

**Schedule 2**

See "Changes in Authorized Positions."

**Schedule 7A**

A summary version of the State Controller's Office detailed Schedule 8 position listing for each department. The information reflected in this schedule is the basis for the "Salaries and Wages Supplement" displayed on the Department of Finance website. (See "Salaries and Wages Supplement") (SAM 6415-6419.)

**Schedule 8**

A detailed listing generated from the State Controller's Office payroll records for a department of its past, current, and budget year positions as of June 30 and updated for July 1. This listing must be reconciled with each department's personnel records and becomes the basis for centralized payroll and position control. The reconciled data should coincide with the level of authorized positions for the department per the final Budget. (SAM 6424-6429, 6448.)

**Schedule 10 (Supplementary Schedule of Appropriations)**

A Department of Finance control document listing all appropriations and allocations of funds available for expenditure during the past, current, and budget years. These documents are sorted by state operations, local assistance, and capital outlay. The Schedule 10s reconcile expenditures by appropriation (fund source) and the adjustments made to appropriations, including allocation of new funds. These documents also show savings and carryovers by item. The information provided in this document is summarized in the Detail of Appropriations and Adjustments in the Governor's Budget. (SAM 6484.)

**Schedule 10R (Supplementary Schedule of Revenues and Transfers)**

A Department of Finance control document reflecting information for revenues, transfers, and inter-fund loans for the past, current, and budget years. Schedule 10Rs are required for the General Fund and all special funds. Schedule 10R information for special funds is displayed in the Fund Condition Statement for that fund in the Governor's Budget.

**Schedule 11**

Outdated term for "Supplementary Schedule of Operating Expenses and Equipment."

**Schedule of Federal Funds and Reimbursements, Supplementary**

A supplemental schedule submitted by departments during budget preparation which displays the federal receipts and reimbursements by source. (SAM 6460.)

**Schedule of Operating Expenses and Equipment, Supplementary**

A supplemental schedule submitted by departments during budget preparation which details by object the expenses included in the Operating Expenses and Equipment category. (SAM 6454, 6457.)

**Section 1.50**

Section of the Budget Act that (1) specifies a certain format and style for the codes used in the Budget Act, (2) authorizes the Department of Finance to revise codes used in the Budget Act in order to provide compatibility with the Governor's Budget and records of the State Controller's Office, and (3) authorizes the Department of Finance to revise the schedule of an appropriation in the Budget Act for technical changes that are consistent with legislative intent. Examples of such technical changes to the schedule of an appropriation include the elimination of amounts payable, the distribution of administration costs, the distribution of unscheduled amounts to programs or categories, and the augmentation of reimbursement amounts when the Legislature has approved the budget for the department providing the reimbursement.

**Section 1.80**

Section of the Budget Act that includes periods of availability for Budget Act appropriations.

**Section 8.50**

A Control Section of the Budget Act that provides the authority to increase federal funds spending authority.

**Section 26.00**

A Control Section of the Budget Act that provides the authority for the transfer of funds from one category, program or function within a schedule to another category, program or function within the same schedule, subject to specified limitations and reporting requirements to the Legislature. (Prior to 1996-97, this authority was contained in Section 6.50 of the Budget Act.) (SAM 6548.)

**Section 28.00**

A Control Section of the Budget Act that authorizes the Director of Finance to approve the augmentation or reduction of items of expenditure for the receipt of unanticipated federal funds or other non-state funds, and that specifies the related reporting requirements to the Legislature. Appropriation authority for unanticipated federal funds is contained in Section 8.50. (SAM 6551-6557.)

**Section 28.50**

A Control Section of the Budget Act that authorizes the Department of Finance to augment or reduce the reimbursement line of an appropriation schedule for reimbursements received from other state agencies. It also contains specific reporting requirements to the Legislature. (SAM 6551-6557.)

**Section 30.00**

A Control Section of the Budget Act that amends Government Code section 13340 to sunset continuous appropriations.

**Section 31.00**

A Control Section of the Budget Act that specifies certain administrative procedures. For example, the section subjects the Budget Act appropriations to various sections of the Government Code, limits the new positions a department may establish to those authorized in the Budget, requires Finance approval and legislative notification of certain position transactions, requires all administratively established positions to terminate on June 30 and allows for such positions to continue if they were established after the Governor's Budget was submitted to the Legislature, and prohibits increases in salary ranges and other employee compensation which require funding not authorized by the budget unless the Legislature is informed.

**Senate**

The upper house of California's Legislature consisting of 40 members. As a result of Proposition 140 (1990, term limits) and Proposition 28 (2012, limits on Legislators' terms in office), members elected in or after 2012 may serve 12 years in the Legislature in any combination of four-year state Senate or two-year state Assembly terms. Prior to Proposition 28, Senate members could serve a maximum of two four-year terms. Twenty members are elected every two years. (Article IV, § 2 (a).)

**Service Revolving Fund**

A fund used to account for and finance many of the client services rendered by the Department of General Services. Amounts expended by the fund are reimbursed by sales and services priced at rates sufficient to keep the fund solvent. (SAM 8471.)

**Settlements**

Refers to any proposed or final settlement of a legal claim (usually a suit) against the state. Approval of settlements and payments for settlements are subject to numerous controls. (See also "Judgments.") (GC 965.)

**Shared Revenue**

A state-imposed tax, such as the gasoline tax, which is shared with local governments in proportion, or substantially in proportion, to the amount of tax collected or produced in each local unit. The tax may be collected either by the state and shared with the localities, or collected locally and shared with the state.

**Sinking Fund**

A fund or account in which money is deposited at regular intervals to provide for the retirement of bonded debt.

**Special Fund for Economic Uncertainties**

A fund in the General Fund (a similar reserve is included in each special fund), authorized by statute and Budget Act Control Section 12.30, to provide for emergency situations. (*GC 16418, 16418.5.*)

**Special Funds**

For legal basis budgeting purposes, funds created by statute, or administratively per Government Code section 13306, used to budget and account for taxes, licenses, and fees that are restricted by law for particular activities of the government.

**Special Items of Expense**

An expenditure category that covers nonrecurring large expenditures or special purpose expenditures that generally require a separate appropriation (or otherwise require separation for clarity). (*SAM 6469; UCM.*)

**Sponsor**

An individual, group, or organization that initiates or brings to a Legislator's attention a proposed law change.

**Spot Bill**

An introduced bill that makes non-substantive changes in a law, usually with the intent to amend the bill at a later date to include substantive law changes. This procedure provides a means for circumventing the deadline for the introduction of bills.

**Staff Benefits**

An object of expenditure representing the state costs of contributions for employees' retirement, OASDI, health benefits, and nonindustrial disability leave benefits. (*SAM 6412; UCM.*)

**State-Mandated Local Program**

State reimbursements to local governments for the cost of activities required by legislative and executive acts. This reimbursement requirement was established by Chapter 1406, Statutes of 1972 (SB 90) and further ratified by the adoption of Proposition 4 (a constitutional amendment) at the 1979 general election. (*Article XIII B, § 6; SAM 6601.*)

**State Operations (SO)**

A character of expenditure representing expenditures for the support of state government, exclusive of capital investments and expenditures for local assistance activities.

**Statewide Cost Allocation Plan (SWCAP)**

The amount of state administrative, General Fund costs (e.g., amounts expended by central service departments such as the State Treasurer's Office, State Personnel Board, State Controller's Office, and the Department of Finance for the general administration of state government) chargeable to and recovered from federal funds, as determined by the Department of Finance. These statewide administrative costs are for administering federal programs, which the federal government allows reimbursement. (*GC 13332.01-13332.02; SAM 8753, 8755-8756 et seq.*)

**Statute**

A written law enacted by the Legislature and signed by the Governor (or a vetoed bill overridden by a two-thirds vote of both houses), usually referred to by its chapter number and the year in which it is enacted. Statutes that modify a state code are "codified" into the respective Code (e.g., Government Code, Health and Safety Code). (See also "Bill" and "Chapter.") (*Article IV, § 9.*)

**Subcommittee**

The smaller groupings into which Senate or Assembly committees are often divided. For example, the fiscal committees that hear the Budget Bill are divided into subcommittees generally by departments/subject area (e.g., Education, Resources, General Government).

**Subventions**

Typically used to describe amounts of money expended as local assistance based on a formula, in contrast to grants that are provided selectively and often on a competitive basis. For the purposes of Article XIII B, state subventions include only money received by a local agency from the state, the use of which is unrestricted by the statutes providing the subvention. (*GC 7903.*)

**Summary Schedules**

Various schedules in the Governor's Budget Summary which summarize state revenues, expenditures, and other fiscal and personnel data for the past, current, and budget years.

**Sunset Clause**

Language contained in a law that states the expiration date for that statute.

**Tax Expenditures**

Subsidies provided through the taxation systems by creating deductions, credits, and exclusions of certain types of income or expenditures that would otherwise be taxable.

**Technical**

In the budget systems, refers to an amendment that clarifies, corrects, or otherwise does not materially affect the intent of a bill.

**Tort**

A civil wrong, other than a breach of contract, for which the court awards damages. Traditional torts include negligence, malpractice, assault and battery. Recently, torts have been broadly expanded such that interference with a contract and civil rights claims can be torts. Torts result in either settlements or judgments. (*GC 948, 965-965.9; SAM 6472, 8712; Budget Act Items 9670.*)

**Traditional Budget**

See "Budget—Program or Traditional."

**Transfers**

As used in Schedule 10Rs and fund condition statements, transfers reflect the movement of resources from one fund to another based on statutory authorization or specific legislative transfer appropriation authority. (See also "Category Transfer.")

**Trigger**

An event that causes an action or actions. Triggers can be active (such as pressing the update key to validate input to a database) or passive (such as a tickler file to remind of an activity). For example, budget "trigger" mechanisms have been enacted in statute under which various budgeted programs are automatically reduced if revenues fall below expenditures by a specific amount.

**Unanticipated Cost/Funding Shortage**

A lack or shortage of (1) cash in a fund, (2) expenditure authority due to an insufficient appropriation, or (3) expenditure authority due to a cash problem (e.g., reimbursements not received on a timely basis). (See Budget Act Items 9840 and 9850.)

**Unappropriated Surplus**

An outdated term for that portion of the fund balance not reserved for specific purposes. (See "Fund Balance" and "Reserve.")

**Unencumbered Balance**

The balance of an appropriation not yet committed for specific purposes. (See "Encumbrance.")

**Uniform Codes Manual (UCM)**

A document maintained by the Department of Finance which sets standards for codes and various other information used in state fiscal reporting systems. These codes identify, for example, organizations, programs, funds, receipts, line items, and objects of expenditure.

**Unscheduled Reimbursements**

Reimbursements collected by an agency that were not budgeted and are accounted for by a separate reimbursement category of an appropriation. To expend unscheduled reimbursements, a budget revision must be approved by the Department of Finance, subject to any applicable legislative reporting requirements (e.g., CS 28.50).

**Urgency Statute/Legislation**

A measure that contains an “urgency clause” requiring it to take effect immediately upon the signing of the measure by the Governor and the filing of the signed bill with the Secretary of State. Urgency statutes are generally those considered necessary for immediate preservation of the public peace, health or safety, and such measures require approval by a two-thirds vote of the Legislature, rather than a majority. (*Article IV, § 8 (d)*). However, the Budget Bill and other bills providing for appropriations related to the Budget Bill may be passed by a majority vote to take effect immediately upon being signed by the Governor or upon a date specified in the legislation. (*Article IV § 12 (e) (1)*.)

**Veto**

The Governor's Constitutional authority to reduce or eliminate one or more items of appropriation while approving other portions of a bill. (*Article IV, §10 (e); SAM 6345.*)

**Victim Compensation and Government Claims Board, California**

An administrative body in state government exercising quasi-judicial powers (power to make rules and regulations) to establish an orderly procedure by which the Legislature will be advised of claims against the state when no provision has been made for payment. This board was known as the Board of Control prior to January 2001. The rules and regulations adopted by the former Board of Control are in the California Code of Regulations, Title 2, Division 2, Chapter 1.

**Warrant**

An order drawn by the State Controller directing the State Treasurer to pay a specified amount, from a specified fund, to the person or entity named. A warrant generally corresponds to a bank check but is not necessarily payable on demand and may not be negotiable. (*SAM 8400 et seq.*)

**Without Regard To Fiscal Year (WRTFY)**

Where an appropriation has no period of limitation on its availability.

**Working Capital and Revolving Fund**

For legal basis accounting purposes, fund classification for funds used to account for the transactions of self-supporting enterprises that render goods or services for a direct charge to the user, which is usually another state department/entity. Self-supporting enterprises that render goods or services for a direct charge to the public account for their transactions in a Public Service Enterprise Fund.

**Workload**

The measurement of increases and decreases of inputs or demands for work, and a common basis for projecting related budget needs for both established and new programs. This approach to BCPs is often viewed as an alternative to outcome or performance based budgeting where resources are allocated based on pledges of measurable performance.

**Workload Budget**

Workload Budget means the budget year cost of currently authorized services, adjusted for changes in enrollment, caseload, population, statutory cost-of-living adjustments, chaptered legislation, one-time expenditures, full-year costs of partial-year programs, costs incurred pursuant to Constitutional requirements, federal mandates, court-ordered mandates, state employee merit salary adjustments, and state agency operating expense and equipment cost adjustments to reflect inflation. The compacts with Higher Education and the Courts are commitments by this Administration and therefore are included in the workload budget and considered workload adjustments. A workload budget is also referred to as a baseline budget. (*GC 13308.05.*)

**Workload Budget Adjustment**

Any adjustment to the currently authorized budget necessary to maintain the level of service required to fund a Workload Budget, as defined in Government Code section 13308.05. A workload budget adjustment is also referred to as a baseline adjustment.

**Year of Appropriation (YOA)**

Refers to the first fiscal year of enactment or availability, whichever is later. (This may not apply to Proposition 98 funding.)

**Year of Budget (YOB)**

The fiscal year revenues and expenditures are recognized. For revenues, this is generally the fiscal year when revenues are earned, measurable, and "available." For expenditures, this is generally the fiscal year when obligations, including encumbrances, have been created during the availability period of the appropriation. When the availability period of encumbrance of an appropriation is one year (e.g., most Budget Act items), YOB is the same as year of appropriation (YOA) and year of completion (YOC). However, when the availability period is more than one year, YOB may be any fiscal year during the availability period, including YOA or YOC, as appropriate. For example, an appropriation created in 2010-11 and is available for three years, the YOA is 2010 and the YOC is 2012. If an obligation is created in 2011-12, the YOB for this obligation is 2011. In CALSTARS, YOB is referred to as funding fiscal year. The rules of recognition are not the same for all funds depending on the appropriate basis of accounting for the fund types or other factors.

**Year of Completion (YOC)**

The last fiscal year for which the appropriation is available for expenditure or encumbrance.

\* *Abbreviations used in the references cited:*

<i>Article</i>	<i>Article of California Constitution</i>
<i>BA</i>	<i>Budget Act</i>
<i>CS</i>	<i>Control Section of Budget Act</i>
<i>GC</i>	<i>Government Code</i>
<i>SAM</i>	<i>State Administrative Manual</i>
<i>UCM</i>	<i>Uniform Codes Manual</i>