

State of California

***General Fund***

***Cash Basis Report***

For the Fiscal Year Ended June 30, 2008



**Controller *John Chiang***

***California State Controller's Office***



**JOHN CHIANG**  
*California State Controller*

September 30, 2008

**To the Citizens, Governor, and Members  
of the Legislature of the State of California:**

I am pleased to submit to you the *General Fund Cash Basis Report* for the fiscal year ended June 30, 2008. The General Fund ended the 2007-08 fiscal year with a total cash balance of \$926 million in the General Fund's Special Fund for Economic Uncertainties. This is \$3.2 billion lower than the \$4.1 billion combined General Fund and Special Fund for Economic Uncertainties cash balances at the beginning of the fiscal year.

The State manages General Fund cash shortages through a combination of internal and external borrowing. The State issued \$7.0 billion in Revenue Anticipation Notes (RANs) on November 1, 2007, to meet cash flow needs during the 2007-08 fiscal year. The RANs were repaid with interest on June 30, 2008.

This report is published to provide authoritative information, using the cash basis of accounting, concerning the financial status of the General Fund as close to the end of the fiscal year as possible. This report does not, however, provide a complete picture of the State's operations or financial position. After the State Auditor completes the audit of the State's finances, I will issue the *Comprehensive Annual Financial Report*, prepared in conformity with accounting principles generally accepted in the United States of America. I will also issue the *Budgetary/Legal Basis Annual Report*, which contains an accounting of all fund activity in compliance with state law, state accounting procedures, and the state budget.

This report is available on the Internet at the State Controller's homepage, <http://www.sco.ca.gov/ard/state/>, under the category "Publications - General Fund Cash Basis Report."

Sincerely,

Original Signed by

**JOHN CHIANG**  
California State Controller

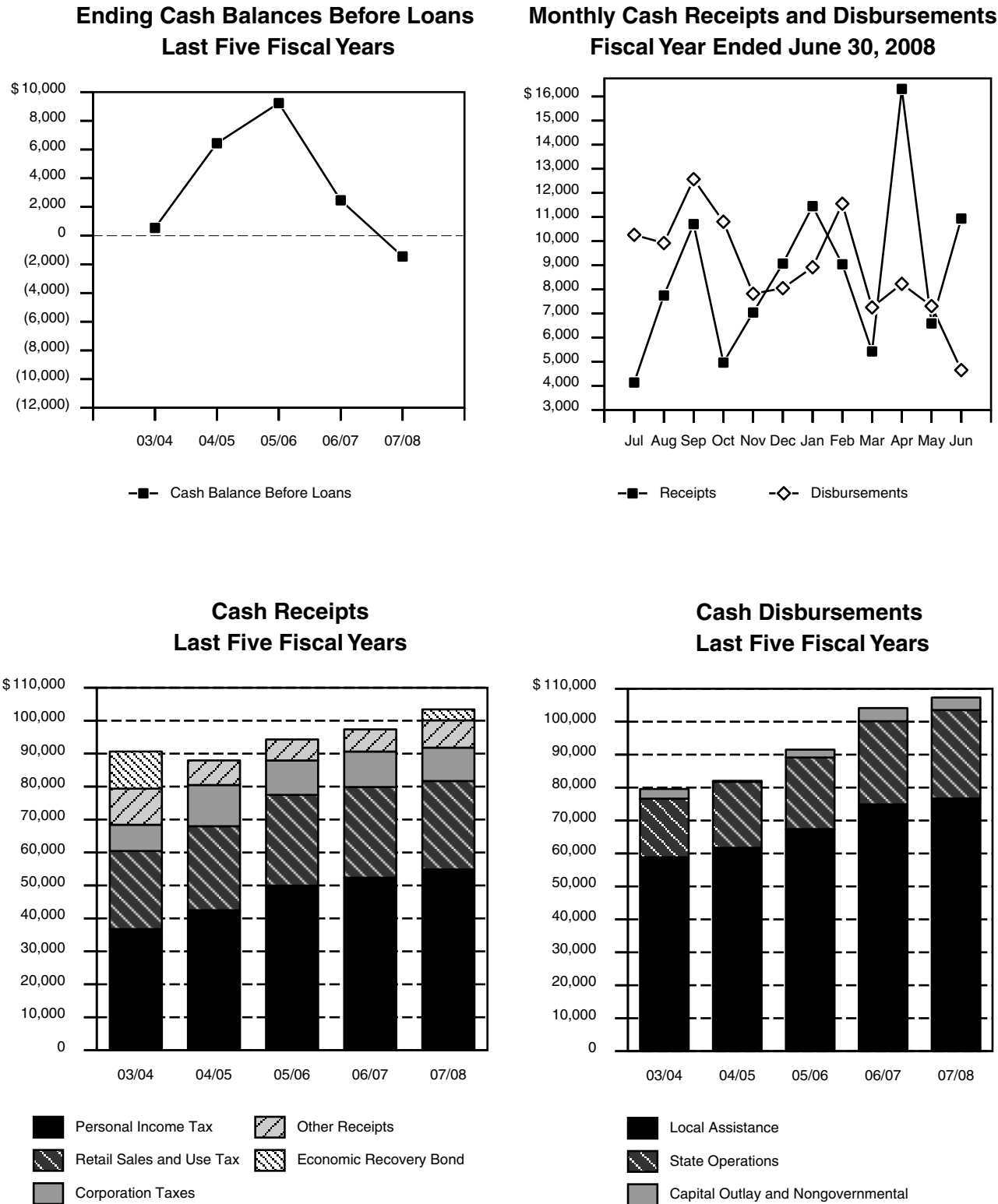
# Statement of Cash Receipts, Disbursements, and Balances

(Amounts in thousands)

	Year Ended June 30,	
	2008	2007
<b>General Fund Beginning Cash Balance Before Loans, July 1 .....</b>	<b>\$ 2,462,023</b>	<b>\$ 9,232,801</b>
<b>Receipts</b>		
Revenues .....	96,378,795	95,665,223
Nonrevenues (Note 1) .....	7,037,376	1,692,029
<b>Total Receipts .....</b>	<b>103,416,171</b>	<b>97,357,252</b>
<b>Disbursements</b>		
State Operations .....	26,834,224	25,243,407
Local Assistance .....	76,697,574	74,905,875
Capital Outlay .....	1,274,339	2,889,634
Nongovernmental (Note 1) .....	2,523,816	1,089,114
<b>Total Disbursements .....</b>	<b>107,329,953</b>	<b>104,128,030</b>
<b>Receipts Over(Under) Disbursements .....</b>	<b>(3,913,782)</b>	<b>(6,770,778)</b>
<b>General Fund Ending Cash Balance before June 30 .....</b>	<b>(1,451,759)</b>	<b>2,462,023</b>
<b>Loans (Note 2)</b>		
From Special Fund for Economic Uncertainties .....	1,451,759	—
<b>Total Loans .....</b>	<b>1,451,759</b>	<b>—</b>
<b>General Fund Ending Cash Balance After Loans, June 30 .....</b>	<b>—</b>	<b>2,462,023</b>
<b>Special Fund for Economic Uncertainties, June 30 (Note 3) .....</b>	<b>925,715</b>	<b>1,621,516</b>
<b>Total Cash, June 30 (Note 1) .....</b>	<b>\$ 925,715</b>	<b>\$ 4,083,539</b>
<hr/>		
<b>Borrowable Resources (Note 2)</b>		
<b>Available Resources</b>		
From Special Fund for Economic Uncertainties .....	\$ 2,377,474	\$ 1,621,516
From Special Funds and Accounts .....	11,831,921	13,267,076
<b>Total Available Resources .....</b>	<b>14,209,395</b>	<b>14,888,592</b>
<b>Total Loans .....</b>	<b>1,451,759</b>	<b>—</b>
<b>Unused Resources .....</b>	<b>\$ 12,757,636</b>	<b>\$ 14,888,592</b>

# Charts of Cash Receipts, Disbursements, and Balances

(Amounts in millions)



# Schedule of Cash Receipts

(Amounts in thousands)

	Year Ended June 30,	
	2008	2007
<b>RECEIPTS</b>		
<b>REVENUES</b>		
<b>Major Taxes and Licenses</b>		
Personal Income Tax .....	\$ 54,849,291	\$ 52,353,056
Retail Sales and Use Taxes .....	26,836,793	27,515,361
Corporation (Income) Taxes .....	10,124,367	10,767,189
Insurance Gross Premiums Tax .....	2,195,628	2,175,294
Tobacco Securitization Bond Refinancing (Note 4) .....	—	—
Excise Tax on Distilled Spirits .....	167,425	159,543
Excise Tax on Beer and Wine .....	159,266	169,864
Estate, Inheritance, and Gift Tax .....	14,431	26,686
Cigarette Tax .....	111,394	111,369
<b>Total Major Taxes and Licenses .....</b>	<b>94,458,595</b>	<b>93,278,362</b>
<b>Minor Revenues</b>		
Pooled Money Investment Income .....	489,200	574,924
Abandoned Property .....	(265,202)	189,720
Receipts for Child Support Services .....	222,764	246,285
State Lands Royalties .....	385,796	260,527
Trial Court Revenues .....	65,866	65,047
Health Care Deposit Fund Receipts .....	13,725	13,617
Private Rail Car Tax .....	6,110	6,703
Liquor License Fees .....	5,228	5,329
Horse Racing (Parimutuel) License Fees .....	2,498	2,393
Miscellaneous .....	994,215	1,022,316
<b>Total Minor Revenues .....</b>	<b>1,920,200</b>	<b>2,386,861</b>
<b>Total Revenues .....</b>	<b>96,378,795</b>	<b>95,665,223</b>
<b>NONREVENUES</b>		
Transfers from Special Fund for Economic Uncertainties.....	190,174	—
Transfers from Other Funds (Note 4) (Note 5).....	2,696,706	868,037
Transfer from Economic Recovery Fund (Note 6) .....	3,313,000	—
Miscellaneous .....	837,496	823,992
<b>Total Nonrevenues .....</b>	<b>7,037,376</b>	<b>1,692,029</b>
<b>TOTAL RECEIPTS .....</b>	<b>\$ 103,416,171</b>	<b>\$ 97,357,252</b>

# Schedule of Cash Disbursements

(Amounts in thousands)

	Year Ended June 30,	
	2008	2007
<b>DISBURSEMENTS</b>		
<b>STATE OPERATIONS</b>		
Legislative/Judicial/Executive .....	\$ 1,575,259	\$ 1,433,925
Resources .....	1,311,350	1,156,321
State and Consumer Services .....	557,654	606,846
Environmental Protection .....	73,858	64,694
Business, Transportation, and Housing .....	3,595	5,993
Health and Human Services		
Mental Health Hospitals .....	1,162,768	864,501
Health Services .....	264,214	194,605
Other Health and Human Services .....	726,166	733,560
Total Health and Human Services .....	2,153,148	1,792,666
Corrections and Rehabilitation .....	9,177,031	8,564,486
Education		
University of California .....	3,278,752	3,052,524
State Universities and Colleges .....	2,966,847	3,126,177
Other Education .....	198,678	165,043
Total Education .....	6,444,277	6,343,744
Debt Service .....	3,391,226	3,274,615
General Government (Note 5) .....	1,947,320	1,905,851
Interest on Loans .....	219,870	90,593
Public Employees Retirement System .....	(20,364)	3,673
<b>Total State Operations .....</b>	<b>26,834,224</b>	<b>25,243,407</b>
<b>LOCAL ASSISTANCE</b>		
Judicial/Executive .....	2,264,532	1,922,542
Resources .....	45,030	130,220
Business, Transportation, and Housing .....	10,150	12,944
Health and Human Services		
Health Services .....	14,432,936	13,926,884
Social Services .....	9,140,754	8,702,061
Developmental Services .....	2,150,258	2,008,953
Mental Health Services .....	546,174	758,947
Other Health and Human Services .....	982,369	1,189,130
Total Health and Human Services .....	27,252,491	26,585,975

# Schedule of Cash Disbursements

(Amounts in thousands)

	Year Ended June 30,	
	2008	2007
Corrections and Rehabilitation .....	\$ 312,370	\$ 283,562
Education		
K-12 Education .....	35,595,003	36,509,412
Community Colleges .....	4,180,172	4,259,547
Teachers' Retirement System .....	1,622,917	958,573
Other Education (Note 7) .....	4,400,300	2,871,348
Total Education .....	45,798,392	44,598,880
Tax Relief		
Homeowners Property Tax Relief .....	434,269	432,782
Senior Citizens Renter's Assistance .....	146,456	144,853
Senior Citizens Property Tax Deferral and Assistance .....	50,729	50,639
Subventions for Open Space .....	37,634	42,883
Miscellaneous Tax Relief .....	42	41
Total Tax Relief .....	669,130	671,198
General Government .....	345,479	700,554
<b>Total Local Assistance .....</b>	<b>76,697,574</b>	<b>74,905,875</b>
<b>CAPITAL OUTLAY</b>		
<b>Total Capital Outlay .....</b>	<b>1,274,339</b>	<b>2,889,634</b>
<b>NONGOVERNMENTAL</b>		
Transfer to Special Fund for Economic Uncertainties (Note 3).....	953,486	334,993
Transfer to Budget Stabilization Account (Note 5).....	1,022,621	471,770
Transfer to Other Funds .....	440,790	619,450
Transfer to Revolving Fund .....	8,378	(134,568)
Advances		
Counties for Social Welfare .....	88,582	(203,669)
Social Welfare Federal Fund .....	2,496	1,138
State-County Property Tax Administration Program .....	7,463	—
<b>Total Nongovernmental .....</b>	<b>2,523,816</b>	<b>1,089,114</b>
<b>TOTAL DISBURSEMENTS .....</b>	<b>\$ 107,329,953</b>	<b>\$ 104,128,030</b>

# Notes to Statements and Schedules

## ***NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

The *General Fund Cash Basis Report* is based on cash reported to and recorded in the records of the State Controller's Office. Amounts reported may differ from amounts in other reports to the extent that there are timing differences in the recording of in-transit items between agencies, the State Treasury, and the State Controller's Office. The cash basis of accounting does not reflect accruals.

The "Statement of Cash Receipts, Disbursements, and Balances" does not include cash in the Special Fund for Economic Uncertainties in the report's balances, except for the balance titled "Total Cash, June 30."

Nonrevenue receipts are transfers or miscellaneous receipts from other funds that do not represent revenues of the General Fund. "Transfers from Other Funds" are legally authorized movements of money into the General Fund from other funds that are responsible for the initial receipt of the money. "Miscellaneous" nonrevenue receipts include reimbursements that are not credited to a specific appropriation, and certain other receipts that are not defined as revenue.

Nongovernmental disbursements are transfers or advances to other funds that do not represent expenditures of the General Fund. "Transfers to Other Funds" are legally authorized movements of money from the General Fund, which is responsible for the initial receipt of the money, to other funds that are responsible for the actual expenditure. "Advances" include certain legally authorized loans to other funds and governmental entities, and the repayments of those loans. Negative balances are the result of repayments received that are greater than disbursements made during the fiscal year.

## ***NOTE 2: BORROWABLE RESOURCES***

Government Code sections 16310 and 16418 authorize transfers to the General Fund from other funds in the State Treasury and Government Code section 17300 authorizes borrowing from internal sources to meet the State's short-term needs.

External sources of funds to meet short-term borrowing needs are obtained by issuing Revenue Anticipation Notes (RANs), Revenue Anticipation Warrants (RAWs), and Registered Warrants. With respect to short-term external borrowing, the State issued \$7.0 billion in RANs on November 1, 2007, which were repaid on June 30, 2008. The State ended the 2007-08 fiscal year with no short-term external loans.

## ***NOTE 3: SPECIAL FUND FOR ECONOMIC UNCERTAINTIES***

The Special Fund for Economic Uncertainties was created by Chapter 139, Statutes of 1985, and is funded with the General Fund revenues. Commonly known as the State's "rainy day fund," it provides the moneys for necessary expenditures throughout the year that have not been anticipated or provided for in the annual budget. It also provides relief, to the amount of its available funds, for any budgeted shortfalls. The State began the 2007-08 fiscal year with a \$1.6 billion balance which was reduced to \$926 million by June 30, 2008.



#### ***NOTE 4: TOBACCO SETTLEMENT REVENUE BOND***

On November 16, 1998, eight states, including California, and four major tobacco companies agreed to settle pending lawsuits brought by the states against the tobacco industry. The settlement agreement requires the tobacco companies to make payments to the State of California in perpetuity. During the 2006-07 fiscal year, \$600 million, and in 2007-08, \$679 million, was transferred from the Tobacco Asset Revenue Fund to the General Fund which is included in the Non-Revenue Receipts, Transfers from Other Funds balance.

#### ***NOTE 5: BUDGET STABILIZATION ACCOUNT***

The Budget Stabilization Account was established per Proposition 58 of 2004 to set aside funds to cover budget shortfalls. This Proposition specifies that for the 2007-08 fiscal year, 2% of estimated General Fund Revenues were to be set aside, 50% of which is to be transferred to the Budget Stabilization Account and the other 50% used to retire outstanding Economic Recovery Bonds. In September 2007, \$1.022 billion was transferred from the General Fund to the Budget Stabilization Account and \$1.022 billion was disbursed from the General Fund as a General Government expenditure. In January 2008, \$1.5 billion (\$1.022 billion combined with prior year ending balance of \$472 million) was transferred from the Budget Stabilization Account to meet the cash needs of the General Fund.

#### ***NOTE 6: ECONOMIC RECOVERY BONDS***

In March 2004, the California Economic Recovery Bond Act authorized the issuance of up to \$15 billion in economic recovery bonds to finance the negative General Fund reserve balance as of June 30, 2004. In February 2008, the State issued the remaining \$3.2 billion economic recovery bonds in order to relieve cash flow and budgetary shortfalls identified in the 2008-09 Governor's Budget.

#### ***NOTE 7: OTHER EDUCATION-LOCAL ASSISTANCE***

The 2007-08 budget provided \$702 million in one-time K-12 education funds. These funds included amounts reverted from prior year Proposition 98 appropriations. Spending from one-time funds included payments for the School Facilities Emergency Repair (Williams settlement), Home to School Transportation, Deferred Maintenance, and High Priority Schools programs. Increases in ongoing programs can be attributed to a budgeted COLA of 4.53% approved for Revenue Limit and Categorical programs as well as additional Child Development costs.