



This Popular Annual Financial Report provides the citizens of California with an overview of the state's financial condition from 1995 through 1999. It presents selected basic information about the state of California's budget, economy, revenues, spending, and demographics in a nontechnical, easy to understand format.

The objective of this report is to meet the State Controller's commitment to providing relevant disclosure to California taxpayers about the fiscal condition of the state, the economy and trends that affect the state's ability to meet the needs of its citizens. The report is presented in a concise, informal format. It is not intended to replace the more detailed reports prepared by the State Controller's Office. A more detailed and complete presentation of the State's financial information is contained in the Comprehensive Annual Financial Report.

Unless otherwise noted, this report uses generally accepted accounting principles (GAAP) to present financial information. This standardized method is the same or comparable to the methods used by other governmental entities in reporting financial data.

*A Message From*

**KATHLEEN CONNELL**

State Controller

December 27, 1999

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I am pleased to present the citizens of California with this first popular report on the fiscal condition of the State. This report is intended to provide California's taxpayers with a general overview of the state's financial condition and the economic trends of the last five years – 1995 through 1999 – and where their tax dollars were spent.

This information, presented in as non-technical a format as possible, is intended to provide financial data with a personal perspective – not just statistics, but also the details that make those statistics relevant to you, the citizens of this state.

Viewed from this perspective, some compelling themes emerge:

- California is enjoying an ongoing period of economic recovery and robust growth. California's economy, long-dependent on defense-oriented industries, has become far more diversified, both by region and by industrial sector.
- Population in California is growing again, and has grown 7.3%, or by 2.3 million in just the last four years. Between 1990 and 1998, twice as many new immigrants have moved into California as any other state. This continuing growth particularly impacts the areas of education, health, housing, and transportation.
- California is ranked 12th in the nation for per capita personal income – at \$27,503, it is 4.1% greater than the national average. However, the growing wage gap, with jobs increasing both at the top and the bottom of the income scale, rather than in the middle, is a matter of concern.
- California is enjoying record levels of employment, and unemployment is at its lowest rate in 30 years. Nearly 400,000 jobs will be created in the state this year, primarily in the business services, education, social services, and recreation sectors.
- California educates more kindergarten through 12th grade students than any other state in the nation, but our students are scoring below the national average in core subjects. Recent class size reductions and reading initiatives are steps in the right direction, but we need



to invest more in improving the performance of our schools. We also need to focus on providing today's students with the tools and skills they will need in tomorrow's dynamic high-tech workplace and economy.

- California constructs, operates, and maintains one of the largest transportation systems in the nation, with more than 49,500 lane miles of highways and freeways. The state's transportation system, however, is rapidly deteriorating. The capacity of our freeways has increased only 7% while our population increased over 50% during the last quarter century. The resulting traffic congestion robs California's workers and businesses of more than 300,000 hours every work day.
- California's bond rating, which indicates how attractive an investment our bonds are and impacts what it costs us to borrow money, continues to improve – this year Standard and Poor's raised the state's bond rating to "AA-." California's total per capita debt service spending is ranked 28th in the nation.

As California's Chief Financial Officer, I have been extremely encouraged by our state's economic resiliency and continuing recovery. However, as we stand poised on the brink of the 21st century, substantial investments will be needed in critical areas of education and infrastructure for this economic good fortune to continue.

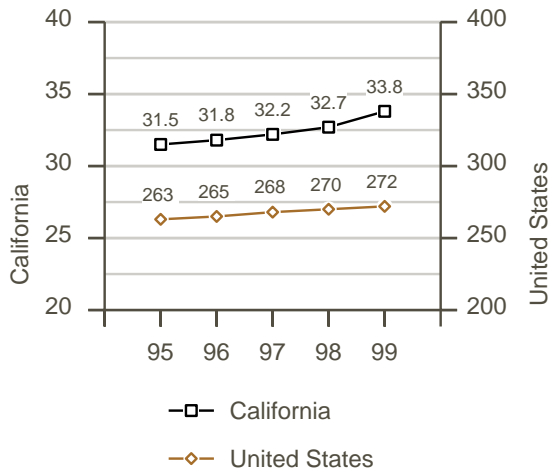
Research by my office indicates that the next ten years present a unique window of opportunity. As the Baby Boom generation moves through its prime earning years in an expanding economy, higher tax revenues will be generated. Investing in California's future by preparing all facets of its infrastructure will provide additional rewards in the form of sustained growth and unprecedented prosperity. Our goal should be to maintain this momentum and ensure that all California families have the opportunity to prosper in the new millennium.



KATHLEEN CONNELL  
California State Controller

**Population**

(Amounts in millions)



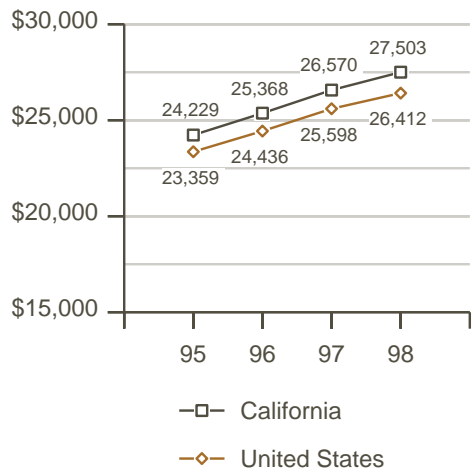
# Economy & Demographics: Lives and Livelihoods

California's geographic proximity to the Pacific Rim and shared border with Mexico link its economic health to the global marketplace. These factors, coupled with trends related to the state's population, ethnic makeup, and earning abilities underscore the success of current state programs and identify areas where future needs may arise.

**California's international immigration is twice as great as any other state.**

**Per Capita Personal Income**

(Amounts in dollars)

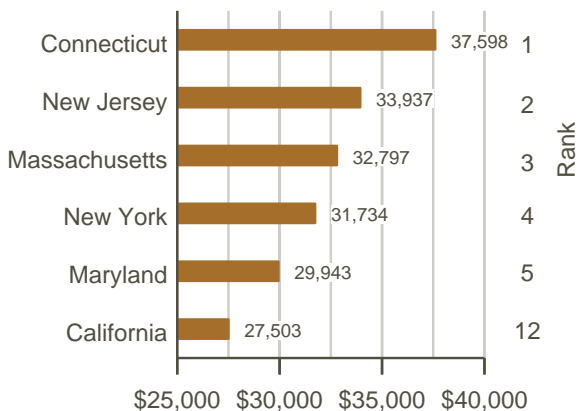


## Population Trends

- Since 1983, the state's population has increased 31.2% while the U.S. population as a whole increased 16.5%. That means California's population is outpacing that of the nation by 89.1%.
- In just the last four years (1995 to 1999), California's population has grown by 2.3 million people – a 7.3% increase. The U.S. population overall has increased 3.4% during the same period.
- California is still viewed as the “Golden State” by new immigrants, but is experiencing a “revolving door syndrome.” Between April 1, 1990, and July 1, 1998, California was the destination for two million international immigrants, twice as many as any other state. During this same timeframe, however, California also had the largest number of residents – 2.1 million – moving to other states.

**1998 Per Capita Personal Income Ranked by State**

(Amounts in dollars)



## Personal Income

- California's per capita personal income increased 13.5% between 1995 and 1998. United States per capita personal income increased 13.1% during this same period.
- In 1995, California's per capita personal income was 3.7% greater than the national average. In 1998, California's per capita personal income was 4.1% greater than the national average.
- In 1998, California ranked 12th in per capita personal income: 26.8% less than first ranked Connecticut. The lowest-ranked state was Mississippi, with personal income of \$18,958.

## Employment Trends

- California's unemployment rate dropped 24.4% between 1995 and 1998, while jobs grew by 1.2 million. The national unemployment rate fell 19.6% during the same period.
- The number of employed Californians increased 8.5% between 1995 and 1998. During the same period, employment in the United States increased 5.3%.
- In 1998, California employed approximately 15.4 million people, while the nation as a whole employed 131.5 million.
- In 1999, the construction industry continues to lead California's job growth.

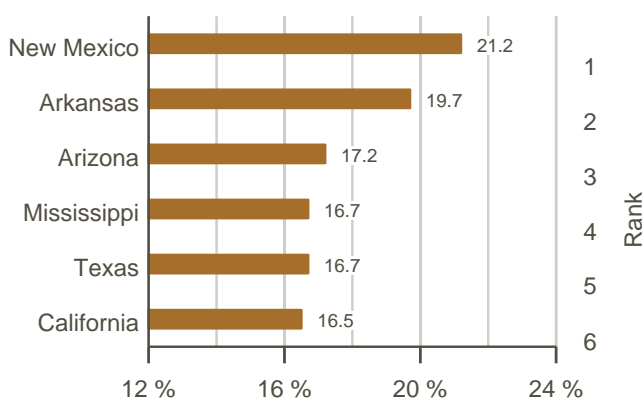
### 1997 Federal Poverty Thresholds (Amounts in dollars)

Size of Living Unit	Poverty Level
One person.....	\$ 8,183
Two persons.....	10,473
Three persons.....	12,802
Four persons.....	16,400

## Cycles of Poverty

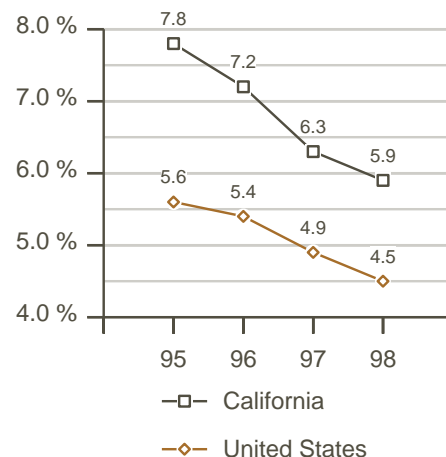
- Between 1995 and 1997, the percent of Californians living below the poverty level decreased 1.2%, to 16.5% of the population. Nationally, the percent of persons living below the poverty level declined 3.6%.
- In 1997, California ranked 6th in percent of population (16.5%) living below the poverty level. New Mexico had the highest level while Wisconsin's percentage was the lowest (8.2%). California, South Dakota, and New York's rates were 16.5%.

### 1997 Population Below the Poverty Level Ranked by State (Amounts in percent)



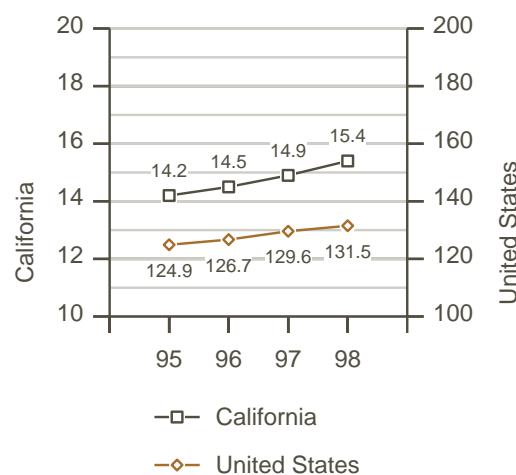
### Unemployment Rate

(As a percent)



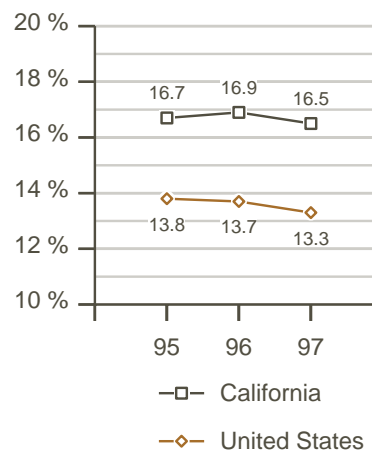
### Employment

(Amounts in millions)



### Population Below the Poverty Level

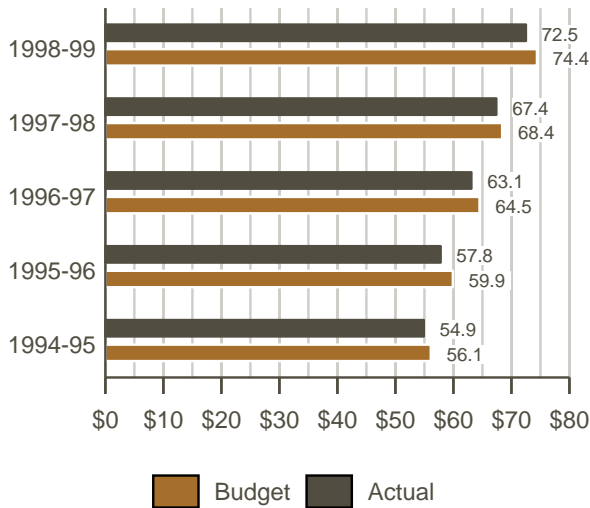
(Amounts in percent)



**Budgeted spending increased from \$54.9 billion in 1994-95 to \$72.5 billion in 1998-99 – an increase of \$17.6 billion in just four years.**

**Governmental Spending**

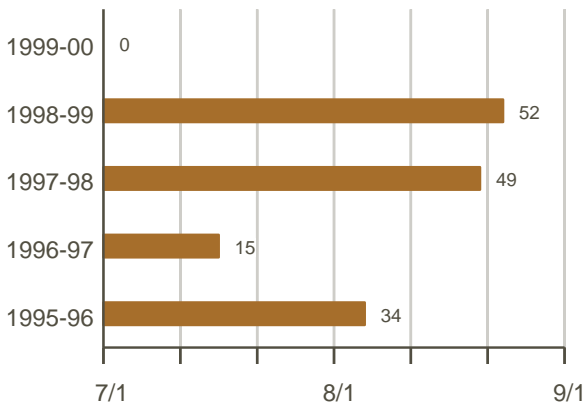
Budgetary Basis – Budget and Actual  
(Amounts in billions)



**In June 1999, the Governor and the Legislature enacted a budget prior to July 1 for the first time in the last five years.**

**State Budget Delays**

(In days past July 1st)



# California's Budget

## A Plan That Meets Public Needs

The State of California operates on an annual budget basis, with the fiscal year beginning July 1 and ending the following June 30. The budget is a plan of operation for all departments, commissions, boards, and agencies of state government.

The State Constitution requires the Governor to present a proposed budget for the upcoming fiscal year by January 10th each year. This budget is based on departmental requests for funds.

The Governor's proposed budget is presented to both houses of the Legislature and is accompanied by a budget bill, prepared by the Department of Finance. The bill requests authorization to carry out the Governor's spending plan. To be approved, the bill needs to be passed by a two-thirds vote. Before voting on the budget, the Legislature makes revisions, adding, reducing, or eliminating some appropriations, programs, or taxes. In mid-May, the Department of Finance provides the Governor and the Legislature an update of its projections for current and upcoming revenues, expenditures, and reserve balances based on the latest economic forecasts. This "May revision" is taken into account in shaping the budget.

After passage by the Legislature, the bill goes to the Governor, who cannot increase or change the purpose of any appropriation. The Governor may sign the bill into law, veto the entire bill, or eliminate, or "line item veto," individual appropriation items while approving other portions of the bill. The Legislature may override the "line item" vetoes by a two-thirds vote.

The budget bill must be signed into law by July 1. If not signed by then, the State will lack the authority to pay its bills, issue payroll checks, or otherwise spend money, except for certain continuous appropriations, court-ordered payments, or other legally authorized funds.

# Governmental Funds

## Funding By the People For the People

This report focuses on the activities supported by governmental funds, which are the State's General Fund, special revenue funds, and capital projects funds. These funds provide services to Californians and are financed primarily by taxes and grants.

Key measures used to analyze the finances of a governmental entity are the financial position of the entity and operating results. Operating results measure the difference between revenue and spending during the fiscal year. Depending on whether spending is more or less than revenue for the reporting period, deficits or surpluses result. Financial position shows the assets – “what we own;” liabilities – “what we owe;” and fund balance on a certain day – a “snapshot in time.”

**California's fund balances and operating results reflect the state's ability to plan for and pay for needed services for its citizens.**

## Operating Results

In the last four years, California's operating results have increased a total of \$1.8 billion – from a positive \$1.3 billion in 1995 to \$3.1 billion in 1999.

## Fund Balance

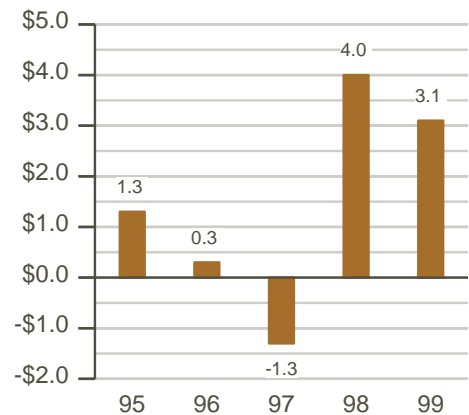
The difference between the assets and liabilities of a fund is called the fund balance. The fund balance is divided into two parts: reserved and unreserved. The **reserved fund balance** represents those amounts that are legally committed for encumbrances, advances and loans, continuing appropriations, and other specific purposes. A **positive unreserved fund balance** represents money available to spend in the next year's budget – like money left in the bank at the end of the month. A **negative unreserved fund balance** represents an over-commitment of available money – like an overdrawn checkbook.

- The total reserved and unreserved fund balance increased from \$4.6 billion in 1995 to \$10.7 billion in 1999.
- The unreserved fund balance improved from a negative \$3 billion in 1995 to a positive \$1.5 billion in 1999.

### Governmental Fund “Operating Results”

Year Ended June 30

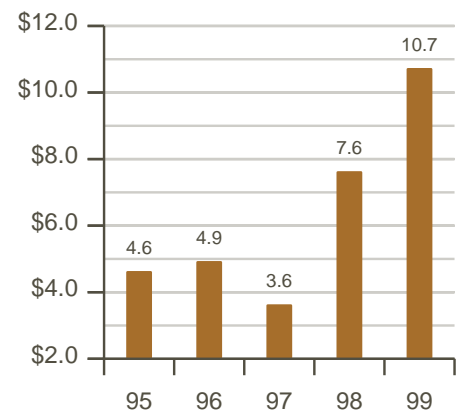
(Amounts in billions)



### Governmental Fund “Fund Balances”

Year Ended June 30

(Amounts in billions)

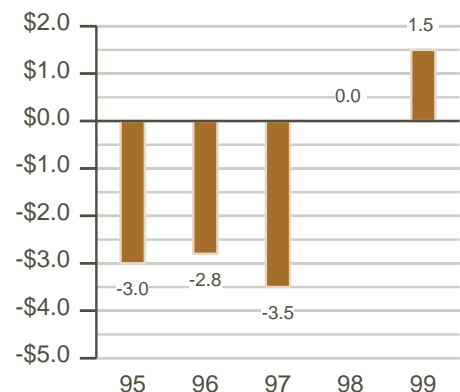


### Governmental Fund

#### “Unreserved Fund Balances”

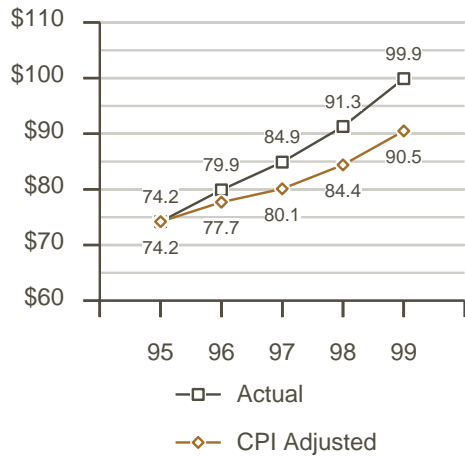
Year Ended June 30

(Amounts in billions)



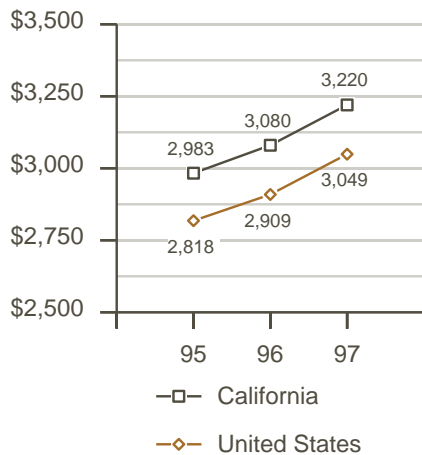
**Revenues**

Year Ended June 30  
(Amounts in billions)



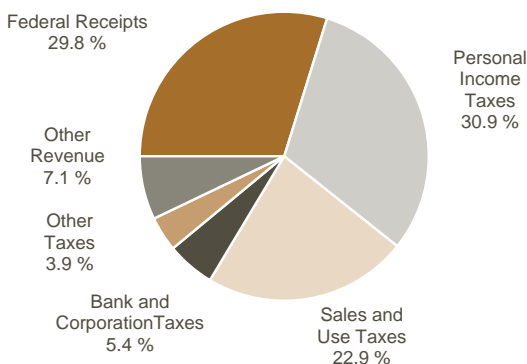
**Per Capita Revenues**

Year Ended June 30  
(Amounts in dollars)



**Revenues by Source**

Year Ended June 30, 1999  
(As a percent)



# Revenues

## Citizens Supporting Economic Growth

Continuing a trend that began in 1996, California is enjoying a period of robust economic growth. This expansion follows a four year mini-recession that mirrored national doldrums during the early 1990's. Therefore, the state's burgeoning economy underscores the strength of its economic recovery.

**California's ongoing economic recovery resulted in 34.6% increased State revenues between 1995 and 1999.**

During strong economic periods, more revenue is collected. Figures from the year ended June 30, 1999 illustrate this fact: Last year, California's revenues reached \$99.9 billion, a 9.4% increase over the previous year and a 34.6% increase since 1995.

- More than half of California's revenue comes from its citizens, via the personal income tax (30.9%) and sales tax (22.9%).
- Almost another third of California's revenues (29.8%) come from the federal government.
- California's revenues increased 34.6% between 1995 and 1999. However, after adjusting for inflation (CPI Adjusted), revenues increased only 22%.
- California's per capita revenues, including University of California revenues, increased 7.9% between 1995 and 1997. Per capita revenues for the United States as a whole increased 8.2% during the same period.
- California ranked 20th in per capita revenues when compared with other states. Alaska ranked first with \$12,179 and Florida ranked last with \$2,336.
- In 1997, California ranked 25th in per capita federal aid with \$837. Alaska ranked first with \$2,139, and Virginia ranked last with \$522.

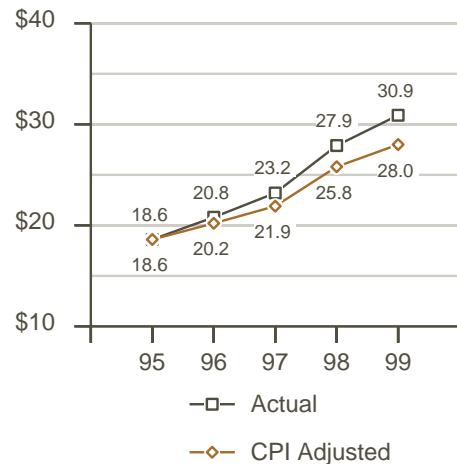


## Personal Income Tax

- Personal income tax revenue increased 66.1% between 1995 and 1999. However, after adjusting for inflation, this revenue increased only 50.5%.
- Compared with other states, 11th-ranked California's \$721 per capita personal income tax collection was 38.6% less than first-ranked Massachusetts' \$1,174. The following states do not collect personal income taxes: Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming.

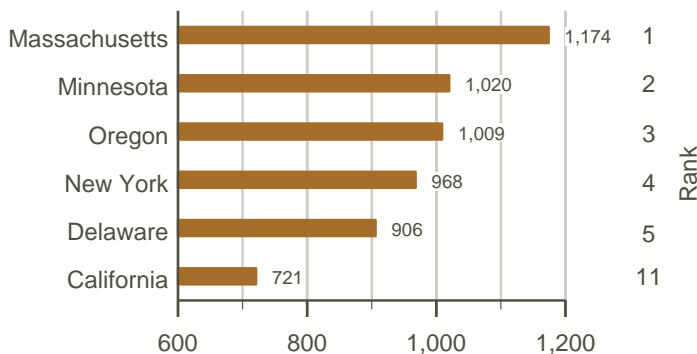
### Personal Income Tax

Year Ended June 30  
(Amounts in billions)



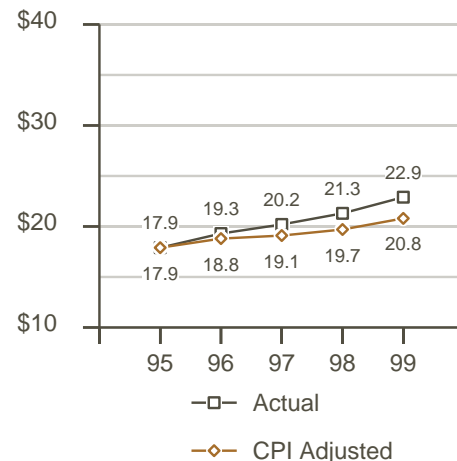
### 1997 Per Capita Personal Income Tax Ranked by State

(Amounts in dollars)



### Sales and Use Tax

Year Ended June 30  
(Amounts in billions)

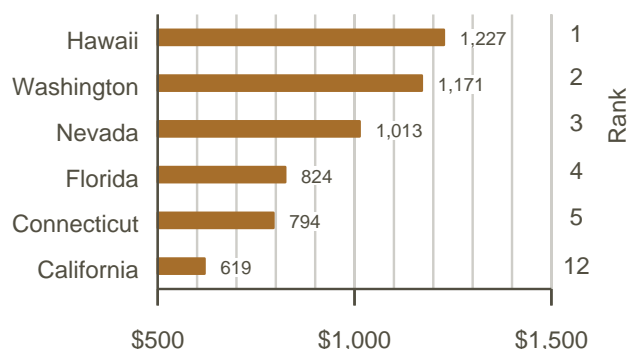


## Sales and Use Tax

- The State's share of sales and use tax revenue increased 27.9% between 1995 and 1999. However, adjusted for inflation, this revenue increased only 16.2%.
- Compared with other states, 12th-ranked California's \$619 per capita sales and use tax collection was 49.6% less than first-ranked Hawaii's \$1,227. The following states do not collect sales and use tax: Alaska, Delaware, New Hampshire, Montana, and Oregon.

### 1997 Per Capita Sales and Use Tax

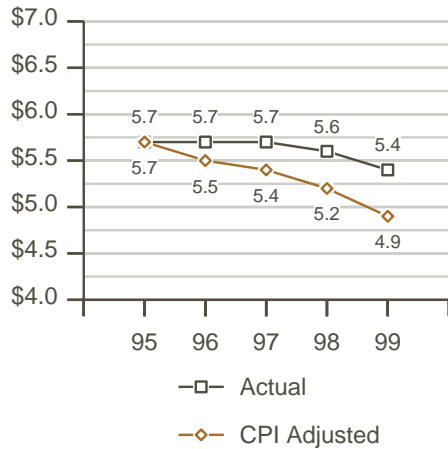
Ranked by State  
(Amounts in dollars)



**Bank and Corporation Tax Revenue**

Year Ended June 30

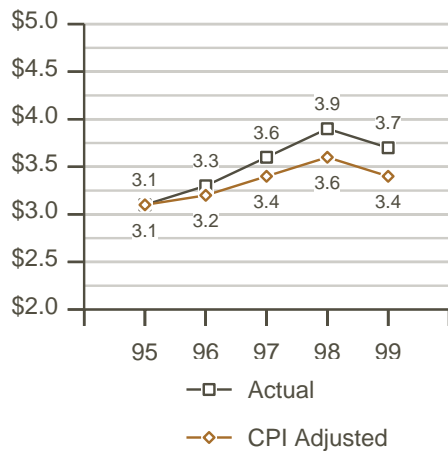
(Amounts in billions)



**Vehicle License Fees**

Year Ended June 30

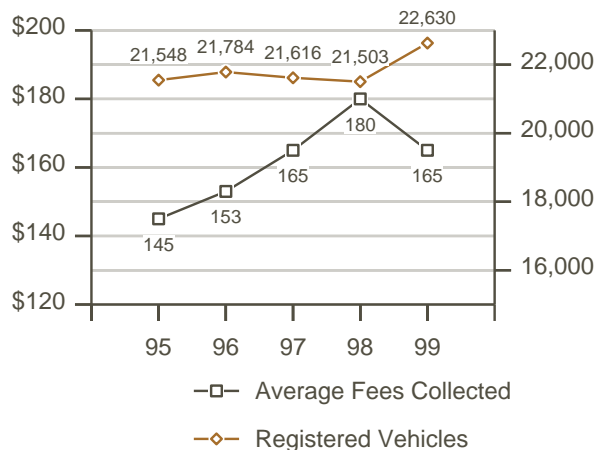
(Amounts in billions)



**Vehicle License Fees**

Year Ended June 30

(Amounts in dollars and thousands)

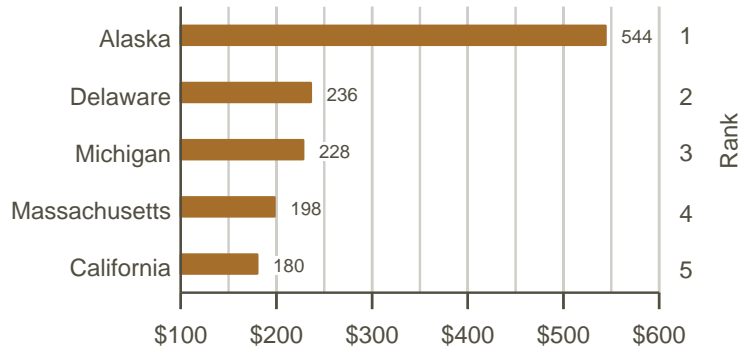


**Bank and Corporation Income Tax Revenue**

- Bank and corporation income tax revenue decreased 5.3% between 1995 and 1999. After adjusting for inflation, this revenue decreased 14%.
- Compared with other states, California ranked 5th in per capita bank and corporation income tax collection. Alaska ranked first. The following states do not collect bank and corporation income taxes: Nevada, Texas, Washington, and Wyoming.

**1997 Per Capita Bank and Corporation Income Tax Revenue – Ranked by State**

(Amounts in dollars)



**Vehicle License Fees**

On January 1, 1999, the vehicle license fee (VLF) was reduced by 25% at a cost to the General Fund of approximately \$500 million in 1998-99 and about \$1 billion annually, thereafter. This reduced the average cost to register a vehicle by approximately \$45.

- Vehicle License fee revenue (on a budgetary basis) increased 19.4% between 1995 and 1999. However, after adjusting for inflation, revenue increased 9.7%.
- The average license fee for automobiles, motorcycles, and commercial vehicles has increased 13.8% between 1995 and 1999. The number of registered vehicles increased 5% during this time period.

# Spending

## Caring for Our Own

An analysis of spending data provides a window into the use of California tax dollars. For example, the State funding that resulted from the California Adoption Initiative has increased the annual number of foster children placed for adoption by 88%. Also, as a result of the Class Size Reduction Program, the number of students per class has been reduced for kindergarten through third grade (K-3) by additional support from the State of \$832 per pupil.

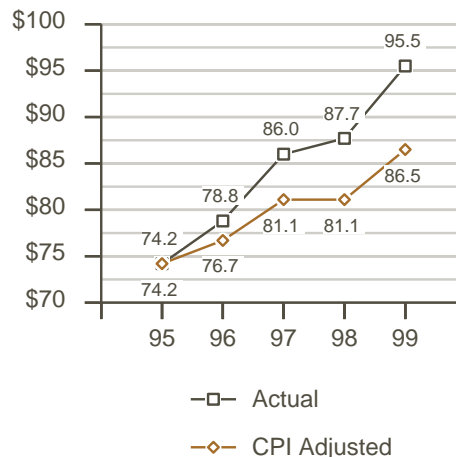
**Education and health and welfare spending represent 75.6% of State spending.**

Spending data can also be used to evaluate the State's program priorities and, when compared to revenue data, can be used to measure the State's ability to support continuing programs.

- State spending increased 28.7% between 1995 and 1999. However, after adjusting for inflation, spending increased 16.6%.
- California's per capita spending, including University of California spending, increased 7.4% between 1995 and 1997. During the same period, per capita spending for the United States increased 5.5%. California spent an average of \$3,196 on each citizen in 1997.
- Compared with other states, California's \$3,196 per capita spending ranked 18th. Alaska was ranked first with \$8,463, and Texas was the lowest of all states with \$2,276.
- University of California spending totaled \$12.5 billion for 1999.

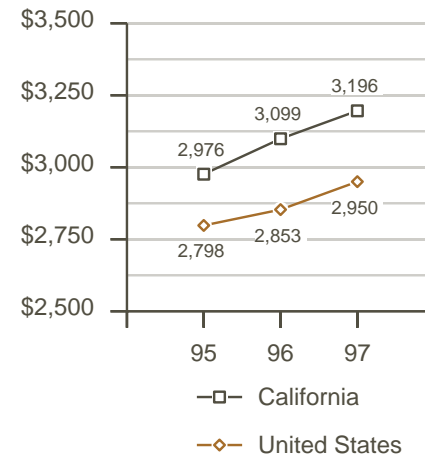
### Spending

Year Ended June 30  
(Amounts in billions)



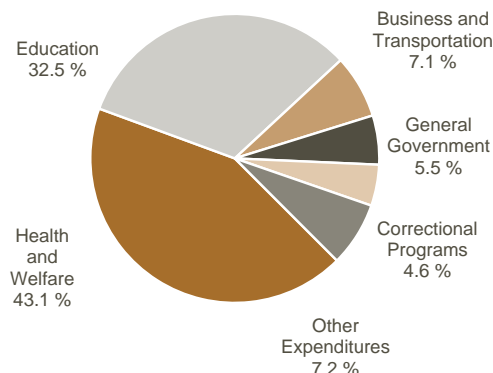
### Per Capita Spending

Year Ended June 30  
(Amounts in dollars)



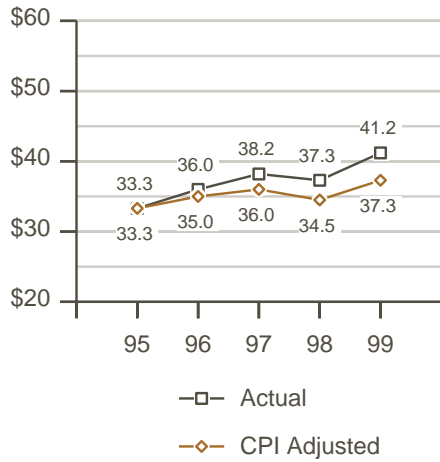
### Spending by Program

Year ended June 30, 1999  
(As a percent)



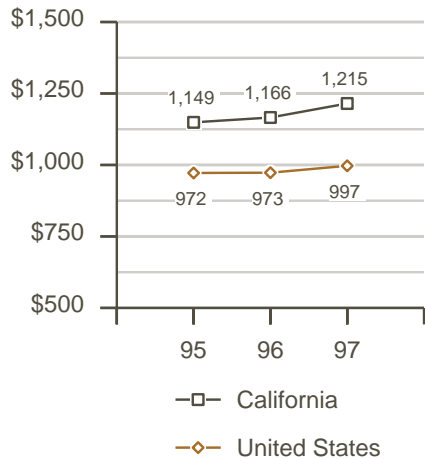
### Health and Welfare Spending

Year Ended June 30  
(Amounts in billions)



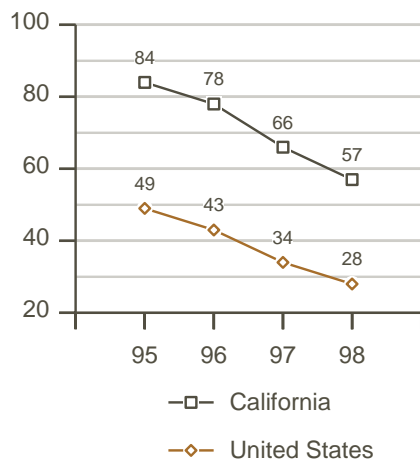
### Per Capita Health and Welfare Spending

Year Ended June 30  
(Amounts in dollars)



### Welfare Recipients

(Per thousand population)



**CalWORKs, which replaced the Aid to Families with Dependent Children program, is designed to provide temporary assistance to children and families while fostering a work-first attitude.**

## Health and Welfare

Health and welfare programs provide medical, mental health, and social services to California's neediest population. Beginning in January 1998, CalWORKs became California's version of the federal Temporary Assistance for Needy Families program as a result of the Federal Welfare Reform Act.

And, CalWORKs is working: while actual health and welfare spending increased between 1995 and 1999, there has been a significant decrease in welfare recipients.

- Actual health and welfare spending by California state government increased 23.7% between 1995 and 1999. After adjusting for inflation, spending increased 12%.
- Per capita health and welfare spending for all states increased 2.6% between 1995 and 1997. The U.S. population increased 1.9% during this period. Economic growth during 1995 and 1998 resulted in a leveling off of national per capita spending for health and welfare services.
- California's per capita health and welfare spending increased 5.7% between 1995 and 1997. During this period, the state's population increased 2.2%.
- Nationally, the number of welfare recipients per thousand decreased 42.9% between 1995 and 1998. The number of welfare recipients per thousand decreased only 32.1% in California during the same period.
- California has more welfare recipients per thousand population than the national average: In 1995, there were 71.4% more recipients in California per thousand than the national average. By 1998, that number had increased to 103.6% more than the national average.

## Education

With 5.8 million kindergarten through 12th grade (K-12) students, California is home to the largest number of students in the nation. California schools educate more than 12% of the nation's students in K-12.

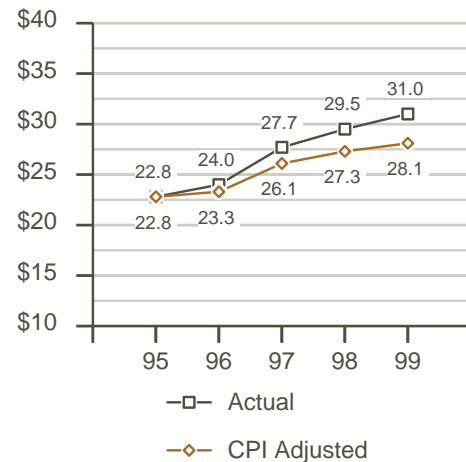
- Actual education spending by California state government increased 36% between 1995 and 1999. Adjusted for inflation, spending increased only 23.2%.
- California's per capita spending, including University of California spending, increased 15.9% between 1995 and 1997. During the same timeframe, per capita education spending for the U.S. as a whole increased 8.5%.
- California is one of the wealthiest states in the nation, but California spent only \$33 for K-12 schools for every \$1,000 in 1995 personal income. The national average was \$40, with a range from \$73 in Alaska to \$31 in Nevada.
- California's \$5,345 ADA spending per pupil is below the national average of \$6,548. California ranked 41st in K-12 per-pupil ADA spending in the nation in 1998.

### **California schools educate more students than any other state in the nation.**

- In 1996-97, the California K-12 pupil-teacher ratio was 23:1, 50th in the nation. The national average was 17:1. Rhode Island had the lowest ratio at 13:1. In 1996, the State initiated the Class Size Reduction Program to reduce this ratio to no more than 20:1 in grades K-3. In 1999, the General Fund provided \$832 per pupil toward this goal and 99% of California school districts were participating in the program.
- The most recent comparison of test scores by state shows California students are performing at levels below the national average in science, reading, and math. In response to low test scores, in 1996 California initiated the reading readiness program to emphasize basic reading skills. The most recent testing (Spring 1999) indicates scores are inching up. California students in grades 2 through 8 registered gains in reading and math scores.

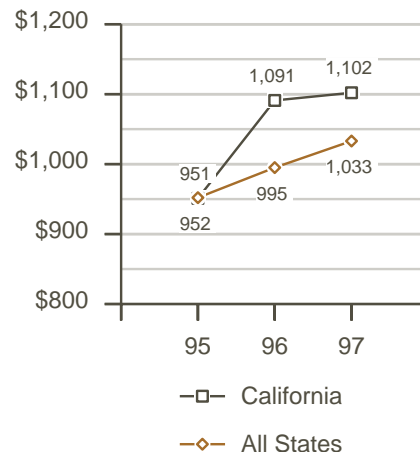
### Education Spending

Year Ended June 30  
(Amounts in billions)

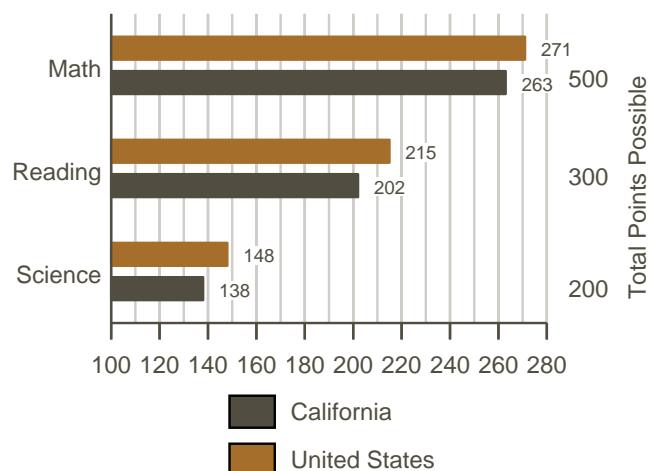


### Per Capita Education Spending

Year Ended June 30  
(Amounts in dollars)

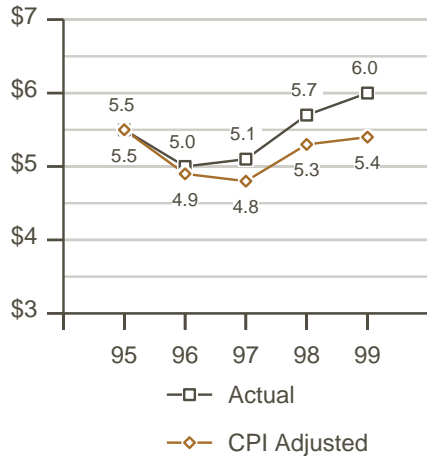


### Average Test Scores of Public School Students



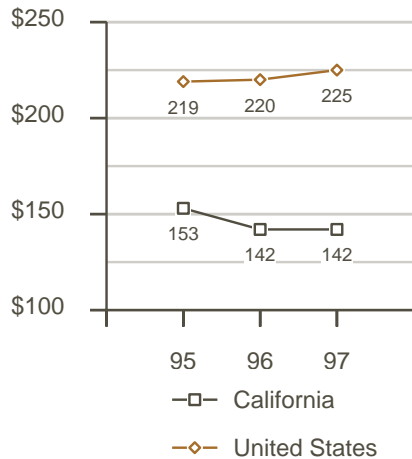
**Transportation Spending**

Year Ended June 30  
(Amounts in billions)



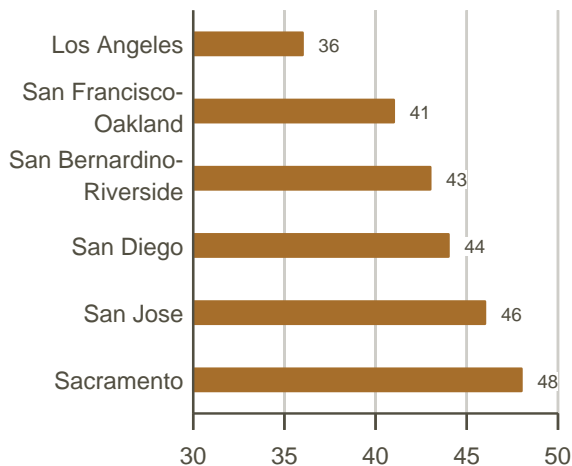
**Per Capita Highways Spending**

Year Ended June 30  
(Amounts in dollars)



**1997 Peak Period Freeway Speeds**

(Miles per hour)



**Transportation**

California constructs, operates, and maintains a comprehensive transportation system of more than 49,500 lane miles of highways and freeways. The State provides technical assistance and development loans to more than 100 public general aviation airports, and operates rail passenger services under contract with Amtrak.

- Actual transportation spending by California increased 9.1% between 1995 and 1999. Adjusted for inflation, however, actual spending decreased 1.8%.

Californians have historically had a love affair with the automobile – the state is now home to 22.6 million vehicles, or 1.2 cars per licensed driver. But freewheeling, independent Californians are developing a love-hate relationship with cruising, due to congested freeways, not-so-open roads, and increasing incidents of “road rage.”

- California’s per capita spending for highways is below the national average, and has decreased 7.2% from 1995 to 1997. The number of cars on California’s roadways increased by 5% during that same period.
- During that same three-year period, per capita transportation spending for all other states increased 2.7%.

**Four of the fifteen most traffic congested urban areas in the nation are in California.**

- Most of these cars are going nowhere fast – a study by the Texas Transportation Institute found that in 1997 four of the fifteen most congested urban areas in the nation during peak traffic periods are in California. Average freeway speed in the study was 50 miles per hour.
- Three of the biggest bottlenecks are in Southern California – (Los Angeles, San Bernardino, and San Diego).
- Two of the top 25 gridlocked freeways are in the San Francisco Bay Area. Six of the nation’s top 25 most congested urban areas are in California – almost 25%!

**California's incarceration rate has increased 16% since 1995 due to the "Three Strikes" law and other get-tough crime-fighting measures.**

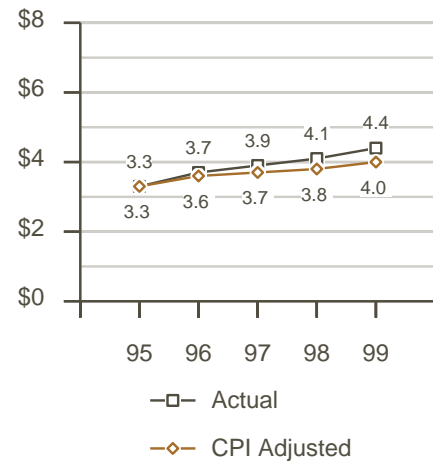
**Corrections**

California is committed to providing safe and secure detention facilities for convicted felons and for the supervision of these felons after their release on parole. The "Three Strikes" law, as well as other get-tough measures on drug and DUI crimes, has resulted in an increase in the State's incarceration rate. California's average inmate population in 1998 was 158,742.

- Actual corrections spending increased 33.3% between 1995 and 1999. After adjusting for inflation, spending increased 21.2%.
- California has 33 state prisons and 11 youth authority institutions.
- California's per capita corrections spending increased 6% between 1995 and 1997. Per capita corrections spending for all states increased 10.1% between 1995 and 1997.
- California's per capita spending for corrections is greater than the national average. In 1995, California's spending was 17.2% greater, and in 1997, it was 12.8% greater than the national average.
- The State of California spends an average of \$25,469 on each inmate per year. The national average is \$23,403.
- On a per-inmate basis, California's institutions are operated with fewer uniformed staff than most other states.
- California's prison inmate population has increased at a higher rate than the national average. Between 1995 and 1998, California's rate increased 20.4%, while the national average increased 15.2%.
- California's inmate population per hundred thousand population remains above the national average. In 1995, California had 8.6% more state prisoners than the national average. By 1998, California had 13.3% more state prisoners than the national average.

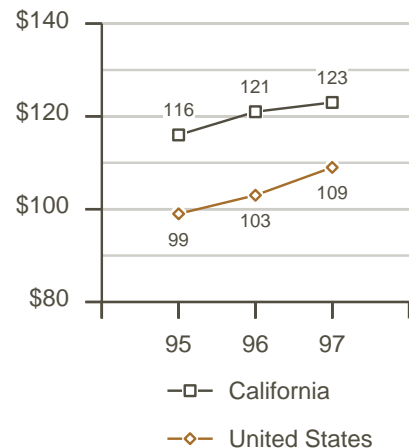
**Correction Spending**

Year Ended June 30  
(Amounts in billions)



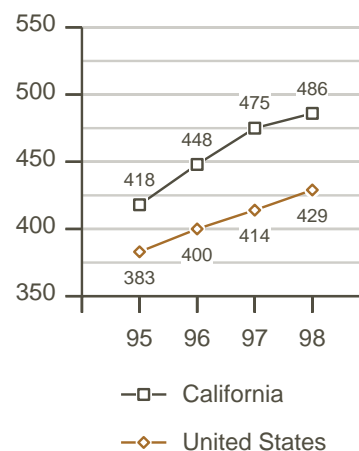
**Per Capita Correction Spending**

Year Ended June 30  
(Amounts in dollars)



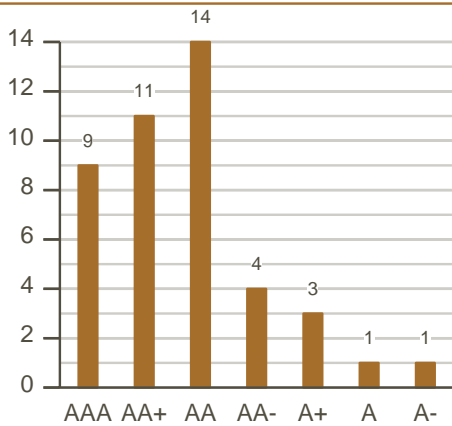
**State Prison Inmate Population**

(Per hundred thousand population)



**1998 Standard & Poor's Bond Rating**

California's Rating A+ (Prior to 1999 Upgrade)  
(Number of states rated)



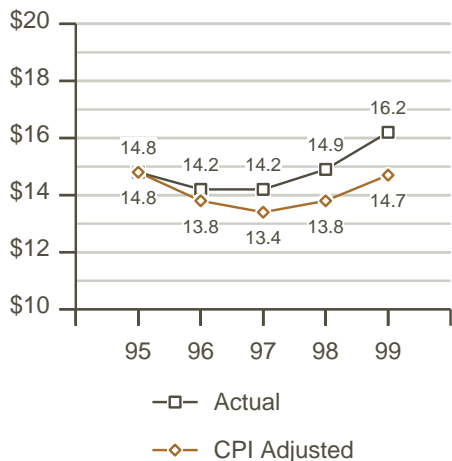
**Bonded Debt**

California's Constitution permits the State to issue general long-term obligation bonds for the construction of water projects, correctional facilities, housing, educational facilities, and other major projects. General long-term obligation bonds are basically long-term loans that are backed by the full faith and credit of the State. Bonds must be approved by a two-thirds majority of both houses of the Legislature and by a majority of voters in a general or direct primary election.

***In 1999, California's bond rating was raised from "A+" to "AA-" by Standard and Poor's rating agency.***

**State General Long-term Obligation Bonds**

Year Ended June 30  
(Amounts in billions)

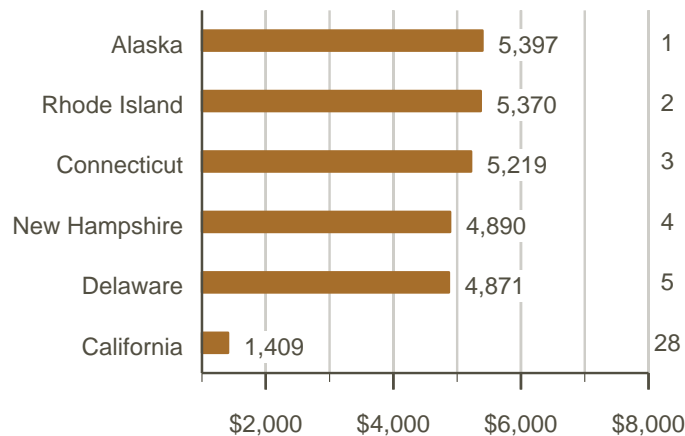


Standard and Poor's is one of several companies that rate the degree of repayment risk that investors assume when they invest in bonds. AAA is Standard and Poor's highest rating. A rating of "A" indicates that the obligator's, or borrower's, capacity to meet its financial commitment is strong, but they are more susceptible to adverse effects of changes in economic conditions than obligations rated "AA" or "AAA." Just like a consumer's mortgage loan, the obligator's bond "credit" rating affects the interest rate of the obligation, and therefore the additional interest, or debt service, that must also be paid. A higher rating means a lower interest rate, and therefore lower debt service – and actual cost – of the obligation.

- California's total general long-term obligation bonded debt as of June 30, 1999 is \$16.2 billion.
- California's general long-term obligation bonded debt increased 9.5% between 1995 and 1999. Adjusted for inflation, the debt decreased 0.7% during the period.

**1997 Total Per Capita State Debt – Ranked by State**

(Amounts in dollars)



- California's per capita general long-term obligation bonded debt decreased 6.4% between 1995 and 1997.
- Compared to other states, California ranked 28th in spending on total per capita debt service with \$1,409. Alaska had the highest with \$5,397. Kansas spent the least on debt service with \$468.



## Sources

The following sources were used to compile this report:

California State Controller's Office  
United States Census Bureau  
California Department of Corrections  
California Department of Education  
California Department of Social Services  
Education Data Partnership  
National Center for Education Statistics  
Texas Transportation Institute  
United States Department of Health and Human Services  
United States Department of Justice

The State uses two methods of accounting. The first, called the budgetary basis, is used internally to control the appropriations of the budget and the operations of the State. The sections "California's Budget" and "Motor Vehicle License Fees" on pages 5 and 9, respectively, are presented using budgetary basis information. The second method, called generally accepted accounting principles (GAAP), presents information in a standardized manner that is comparable to other governmental entities. Unless otherwise noted, this publication presents financial information using the GAAP method.

The United States Census Bureau compiles its statistical data somewhat differently than the State of California. The main difference between financial data compiled by the State and the U.S. Census Bureau is that the U.S. Census Bureau includes financial data of the University of California, while the State does not include the University of California as part of its primary government. The per capita revenue, spending, and debt information on pages 7 through 15 presents information using the United States Census Bureau data that is only available through 1997 in order to provide a comparison with other states.

The National Center for Education Statistics provided the average test scores of public school students shown on page 12. The science and math scores are from 1996 eighth grade assessments and the reading scores are from a 1998 fourth grade assessment.

This report is not intended to replace the more detailed reports prepared by the State Controller's Office. A more detailed and complete presentation of the State's GAAP financial information is presented in the Comprehensive Annual Financial Report. It is available from the State Controller's Office, Division of Accounting and Reporting, P.O. Box 942850, Sacramento, California 94250. This and other publications of the State Controller's Office are available at [www.sco.ca.gov](http://www.sco.ca.gov)