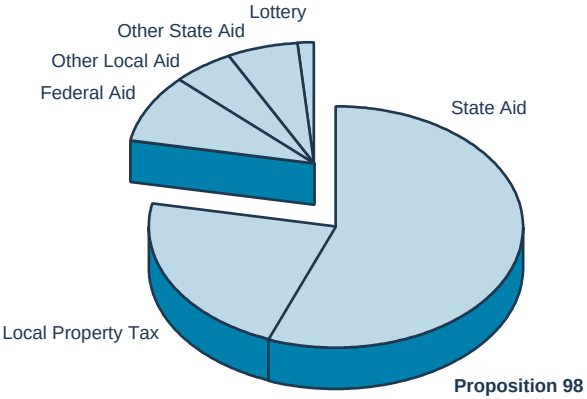
K-12 School Revenues

2000-01



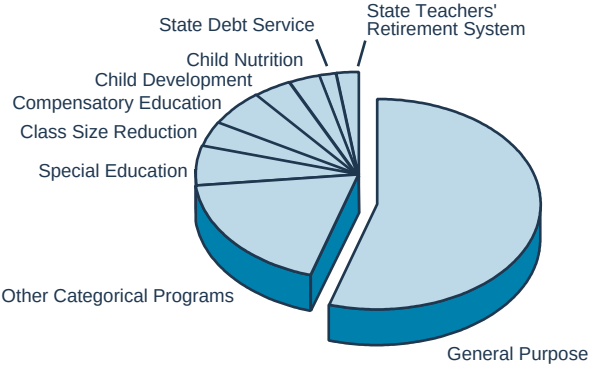
- Proposition 98 is the shorthand term for the state's constitutional minimum funding requirement for K-14 education. This annual spending guarantee is met from two revenue sources: state aid and local property taxes.

- The state will provide 62 percent of all school revenue in 2000-01, while local government sources (property taxes and other local income) will contribute 27 percent. The federal government will provide 9 percent.

- The state lottery provides less than 2 percent of total school revenues, around $125 per pupil.

K-12 School Spending

2000-01



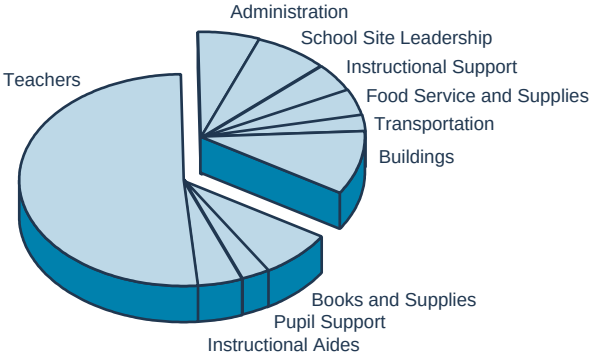
- School "revenue limits" are general purpose funds—supported by both state funds and local property taxes—that provide the resources for basic school programs. These funds account for 53 percent of all school expenditures. Lottery revenues provide another source of general purpose funds, but account for less than 2 percent of all school expenditures.

- Remaining school expenditures provide for specific educational needs—such as special education, transportation, and class size reduction. These "categorical" funds constitute 45 percent of school spending.

- Over the past decade, general purpose funds have declined as a percentage of overall school funding.

The Average Cost of a California School

1997-98

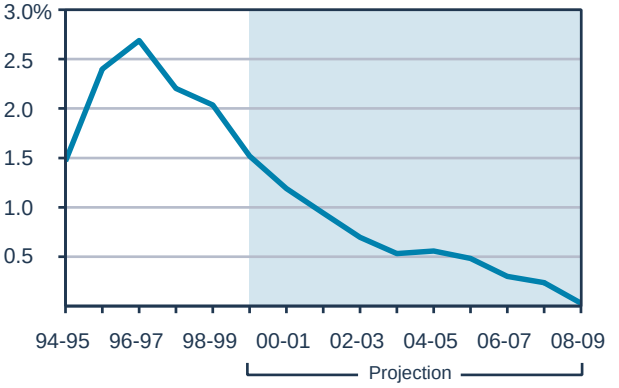


- The costs of services delivered in the classroom account for about two-thirds of K-12 costs. Over half of the total costs are for teachers, with an additional 16 percent for instructional aides, pupil support personnel (counselors, psychologists, nurses), books, and supplies and equipment.

- Nonclassroom school site costs comprise 28 percent of school spending. These costs consist of school site leadership (administrators and clerical support), building maintenance, instructional support, and other expenses.

- Administration, which consists of district administration and county and state oversight, accounts for 6 percent of the costs of an average school.

Growth in K-12 Enrollment Will Slow Significantly

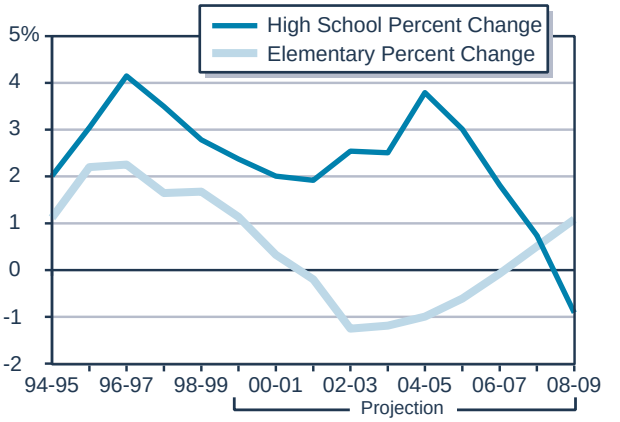


- K-12 enrollment is projected to increase by 1.2 percent in 2000-01, bringing total K-12 enrollment to 5.9 million students.

- Over the next eight years, enrollment growth is expected to slow, approaching zero growth in 2008-09. At that point, there will be 225,000 more pupils in the K-12 system than today (3.8 percent).

- Each 1 percent increase in K-12 enrollment requires an increase of approximately $300 million (General Fund) to maintain annual K-12 expenditures per pupil.

Divergent Trends in Elementary and High School Enrollments



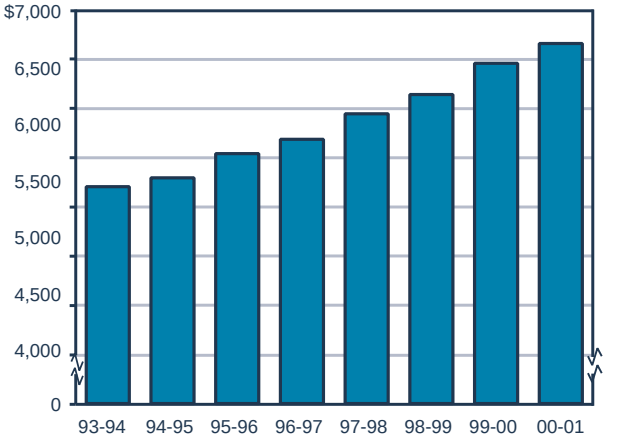
- Elementary school enrollment growth has gradually slowed since 1996-97. Growth rates are expected to become negative in 2001-02 and remain negative through 2006-07. Over this period, elementary school enrollments are expected to decline by 140,000 pupils (4.3 percent).

- In contrast, high school enrollment growth is expected to accelerate in the short term, reaching a 3.8 percent annual growth rate in 2004-05. Then, growth is expected to slow sharply, becoming negative in 2008-09. Expected growth over the next eight years is almost 300,000 pupils (18 percent).

- These divergent trends have significant budgetary and policy implications for issues such as class size reduction, teacher demand, and facilities investment.

Proposition 98 Funding Per Student Has Risen Sharply

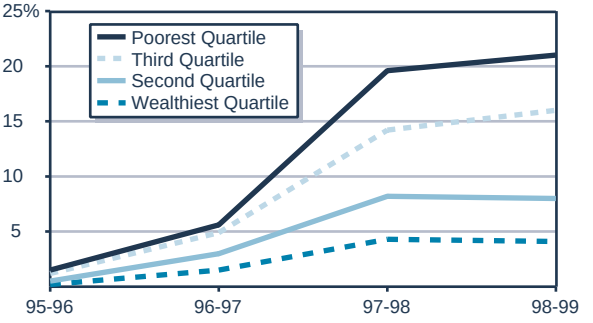
Constant 2000-01 Dollars



- California's spending per pupil (adjusting for inflation) has rebounded significantly since the recession.
- In 2000-01, Proposition 98 spending per pupil will be $6,701. This represents an increase of $676, or 11 percent, above the level funded in the *1999-00 Budget Act.*
- After adjusting for the effects of inflation and changes in attendance accounting, Proposition 98 spending per pupil increased $1,472, or 28 percent, between 1993-94 and 2000-01.

Increase in Noncredentialed Teachers Varies Widely Among Schools

K-3 Schools, by Quartile



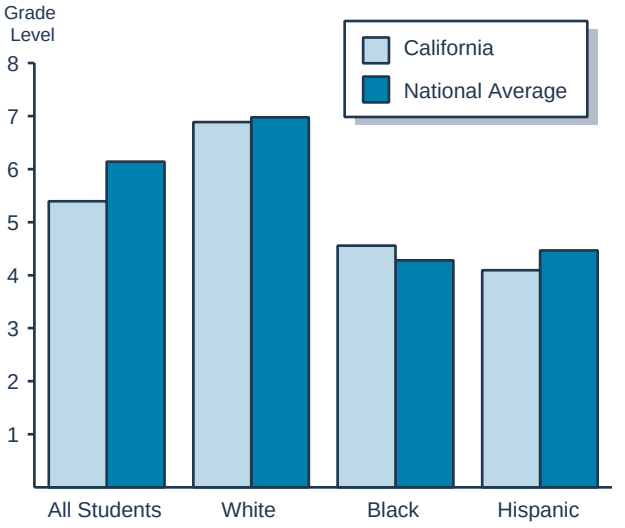
- The percent of K-3 teachers lacking a credential has increased dramatically in schools serving the largest proportion of low-income students (from 3.2 percent in 1995-96 to 21 percent in 1998-99).

- By comparison, the percent of K-3 teachers lacking a credential in schools serving primarily affluent students increased from 0.4 percent to 4 percent.

- The 2000-01 budget provided a $118 million block grant, as well as funds for several new and expanded programs, to help schools serving primarily low-income students recruit and retain credentialed teachers.

Eighth Grade Reading Proficiency Levels by Race/Ethnicity

1998



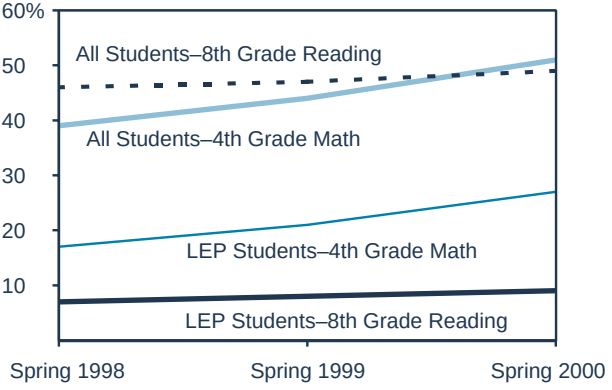
- Based on tests given in the National Assessment of Education Progress (NAEP), California ranked 35th out of 38 in 8th grade reading proficiency compared to other participating states.

- California's poor NAEP performance was similar across grade levels and subject areas.

- Although California's NAEP scores are very low on an all-student basis, when white, African-American, or Hispanic pupils are compared to the same ethnic groups in other participating states, California students score relatively close to students from other states.

K-12 Pupil Scores Have Improved

Standardized Testing and Reporting (STAR)



- Scores on the Stanford-9 (a nationally normed referenced test) have improved since the test was first administered in 1998. Gains were made by all subgroups (race/ethnicity, socioeconomic, or English proficiency).

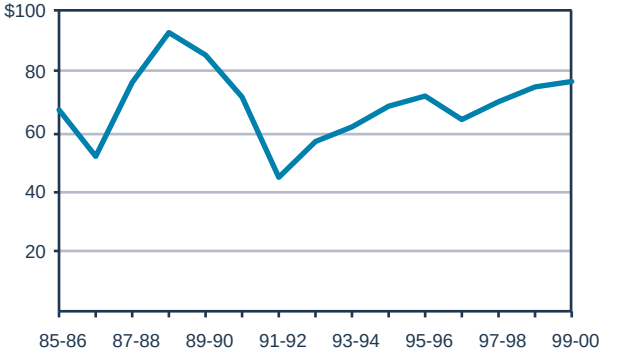
- Pupils with limited English proficiency (LEP) significantly trail other students in all measured subject areas (math, English, science, and social science).

- In each grade level, the same test has been administered for each of the three years, so at least part of the gains could result from increasing familiarity with test format and questions.

- The Stanford-9 test is not aligned to the state academic content standards.

Lottery Sales Per Capita

1985-86 Through 1999-00



- Annual lottery sales in 1999-00 totaled $2.6 billion. Since the first year of lottery operations in 1985-86, annual sales have ranged from a low of $1.4 billion in 1991-92 to a high of $2.6 billion in both 1988-89 and 1999-00.

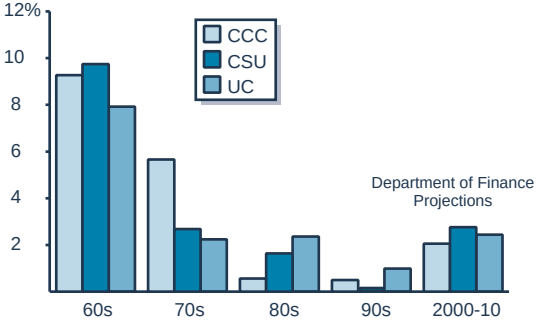
- About one-third of all lottery proceeds go to education.

- Since the first year of lottery operations, per capita spending has averaged from a low of $44.46 in 1991-92 to a high of $92.59 in 1988-89.

- On a per capita basis Californians on average spent $76.33 on the lottery in 1999-00. In inflation-adjusted dollars, Californians' spending on the lottery is about 20 percent less than it was in the 1980s.

Higher Education Enrollment Growth Rate to Be Moderate and Sustained

Average Annual Headcount Growth, by Decade



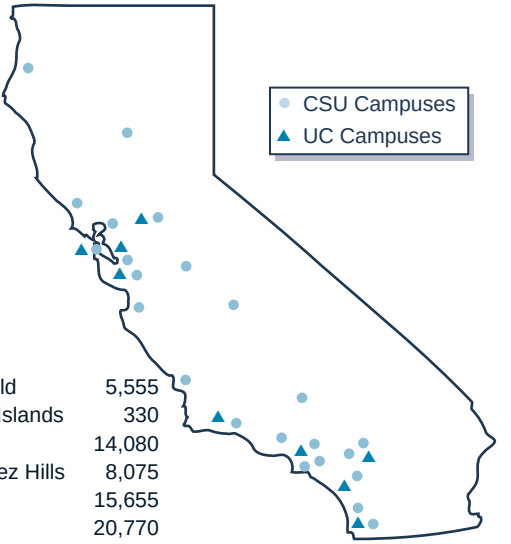
- The Department of Finance projects that total headcount enrollment at UC, CSU, and the community colleges in 2010 will be 620,000 higher than in the prior peak enrollment year of 1990. This would represent an annual increase of 1.3 percent from 1990 to 2010.

- By comparison, enrollments grew by an average of 4.9 percent per year in the three previous decades.

- By historical standards, projected enrollment growth in the coming years will be moderate and sustained.

California Public Universities

2000-01 Full-Time Equivalent Students

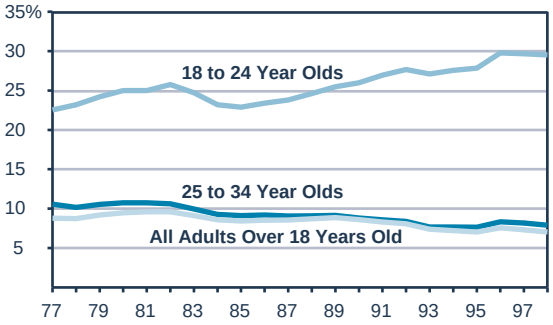


CSU	
Bakersfield	5,555
Channel Islands	330
Chico	14,080
Dominguez Hills	8,075
Fresno	15,655
Fullerton	20,770
Hayward	11,475
Humboldt	7,450
Long Beach	22,825
Los Angeles	15,375
Maritime Academy	745
Monterey Bay	2,565
Northridge	20,820
Pomona	16,100
Sacramento	19,370
San Bernardino	11,485
San Diego	25,240
San Francisco	21,200
San Jose	19,920
San Luis Obispo	16,010
San Marcos	4,700
Sonoma	6,145
Stanislaus	5,500
Total CSU	**291,390**

University of California	
Berkeley	28,860
Davis	21,800
Irvine	17,805
Los Angeles	29,227
Riverside	11,503
San Diego	18,500
San Francisco	12,266
Santa Barbara	18,869
Santa Cruz	11,736
Total UC	**170,566**

Participation Rate Among College Age Population Near All-Time High

Percent of Population in Public Higher Education



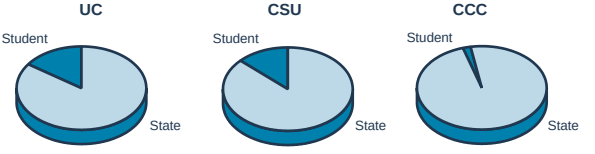
- Californians of prime college-going ages (between 18 and 24) are attending UC, CSU, and the community colleges at historically high rates.

- Participation rates also are at or near historic highs for all ethnic groups.

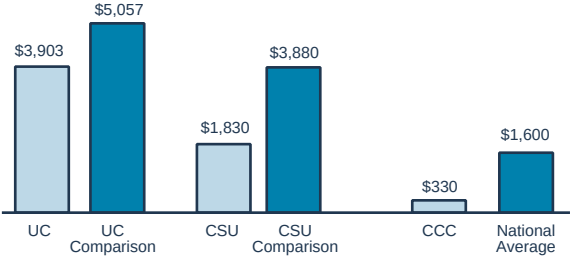
- Participation rates among older adults (25 to 34 year olds) have steadily declined—primarily because a higher percentage of older adults today obtained college degrees when they were of prime college-going age. (Almost twice as many 25 to 34 year olds today have degrees compared to 20 years ago.)

Two Perspectives on Student Fees

Student Fee Revenue Share of State and Local Support



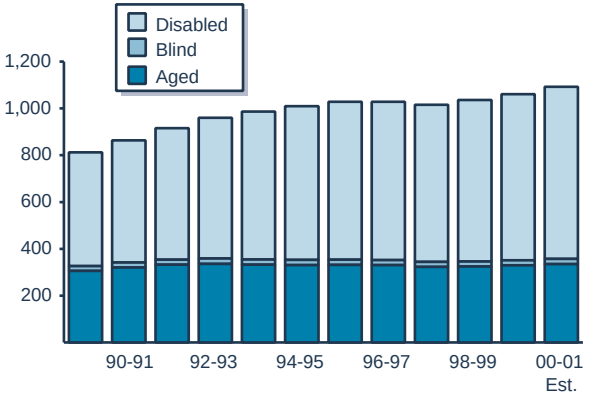
California Annual Student Fees vs. National Comparisons



- Students pay a small share of education costs.
- California student fees are among the lowest in the nation.
- Substantial financial aid helps needy students cover education costs. (For example, almost 40 percent of community college students do not pay any fees.)

SSI/SSP Caseload Growing Again

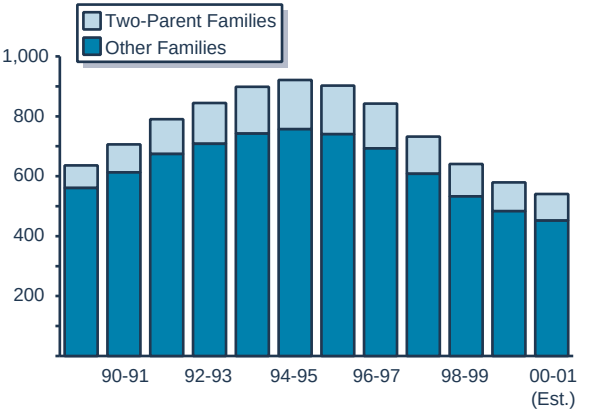
(Cases in Thousands)



- The SSI/SSP program provides cash assistance to low income persons who are elderly, disabled, or blind.
- The caseload leveled off in the mid-1990s, in part because of federal law changes that restricted eligibility for disabled children and certain noncitizens. Subsequent to these changes, caseload growth has resumed, with most of the growth being in the disabled component.
- About 7,000 recipients of the state-only program for certain legal noncitizens (created in 1998) are not included in this figure.

CalWORKs Caseload Declining, But More Slowly Than National Average. . .

(Cases in Thousands)

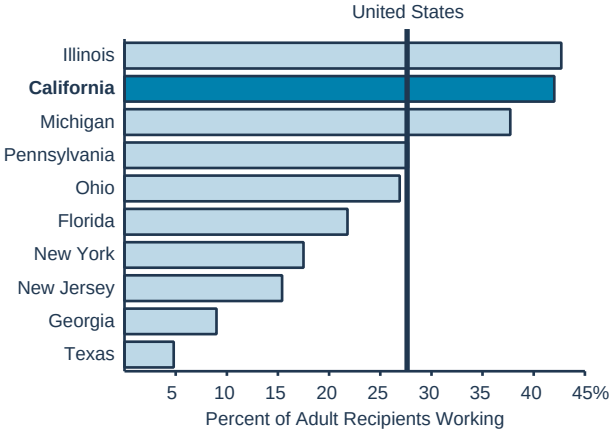


- After peaking in 1994-95, the caseload declined 37 percent by 1999-00 and is projected to decline an additional 7 percent in 2000-01.

- The caseload decline resulted from a combination of demographic trends (such as birth rates for young women), the economic expansion, and welfare reform.

- Since the 1996 enactment of welfare reform, the U.S. caseload declined by 47 percent (August 1996 to December 1999), as compared to 35 percent in California. (California's position, relative to other states, reflects policies discussed on the next page.)

However, More CalWORKs Families WorkingThan in Other States

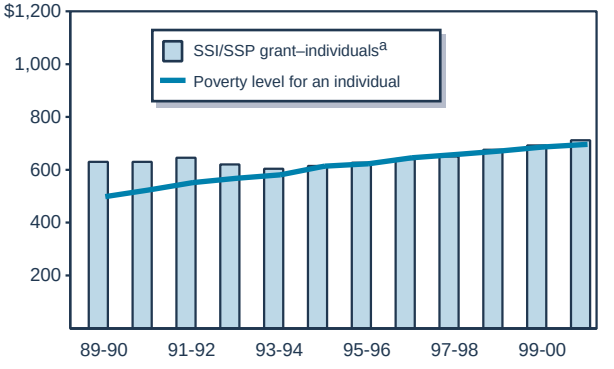


- In California, 42 percent of adult CalWORKs recipients are working in unsubsidized jobs.

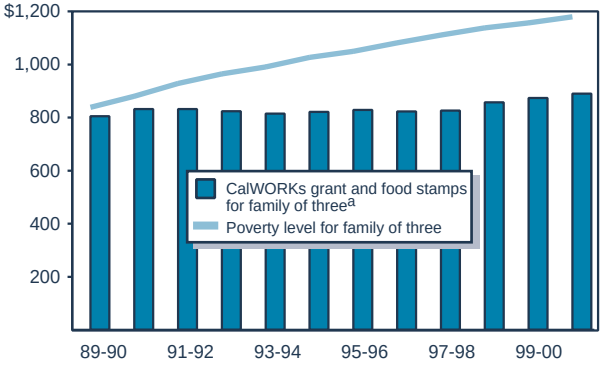
- Among the ten largest states, California's percentage of adult welfare recipients in unsubsidized employment is second only to that of Illinois.

- California's relatively low caseload decline (as pointed out on the prior page) and relatively high rate of unsubsidized employment reflect CalWORKs policy. Specifically, California's higher benefit levels, combined with a generous earnings disregard, allow recipients to work without immediately removing them from the caseload.

SSI/SSP Grant Is Just Above Poverty Level. . .

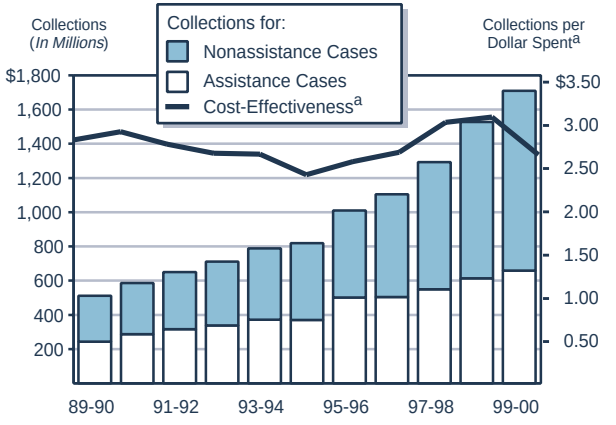


While CalWORKs Grant Is Significantly Below Poverty Level



[a] Maximum monthly grant.

Child Support Collections Rising but Cost-Effectiveness Flat



[a] The federal government defines cost effectiveness as collections per administrative dollar spent.

- Child support collections for assistance (CalWORKs) and nonassistance families have increased steadily each year, from $511 million in 1989-90 to $1.7 billion in 1999-00.

- State savings (recoupment) in CalWORKs grants due to the collection of child support increased from $102 million General Fund in 1989-90 to $298 million General Fund in 1999-00.

- For every dollar California spends on administration, it has collected between $2.50 and $3 in child support payments. By comparison, the 1999 national average was approximately $4 collected for this measure of cost-effectiveness.

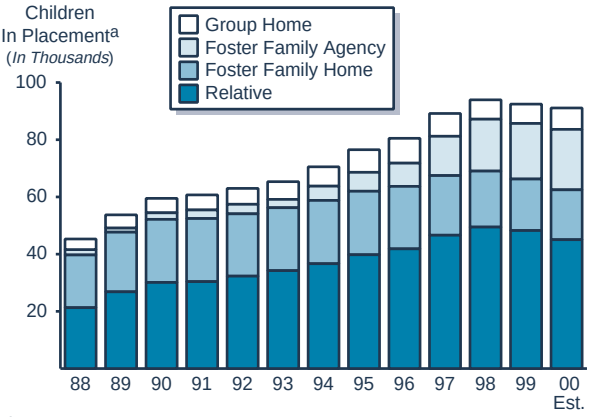
Most Foster Care Placements Are In Foster Family Homes

Placement Type/Description	Caseload[a] 2000	Monthly Grant Per Child 2000-01
Foster Family Homes	**68,800[b]**	**$405-$569**
• Provides 24-hour care and supervision to no more than six foster children in the foster parent's home.		
• Foster care grant may be supplemented for care of children with special needs.		
Foster Family Agency Homes	**19,000**	**$1,467-$1,730**
• Foster parents are affiliated with nonprofit foster family agencies which provide professional support.		
• These placements are intended to serve as an alternative for group home placement.		
Group Homes	**11,700**	**$1,353-$5,732**
• A facility of any capacity that provides 24-hour nonmedical care, supervision, and services to children.		
• Generally serve children with higher emotional or behavioral problems who require a more restrictive environment.		
• May vary from small, family-like homes to larger institutional homes.		

[a] Excludes approximately 4,400 foster children placed in county shelters, medical facilities, specially licensed small family homes, and specialized pilot projects.

[b] Includes children placed with relatives who may receive CalWORKs rather than AFDC-FC grants.

Foster Care Caseload Levels Off



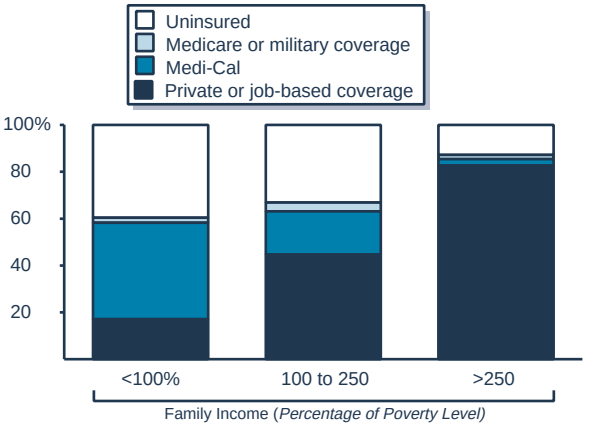
[a] Excludes approximately 6,000 foster youth supervised by county probation departments.

- The total foster care population grew steadily throughout the 1990s, from almost 44,000 in 1988 to a peak of over 94,000 in 1998. Since then, the caseload has started to decline, partially due to the advent of Kin-GAP, which allows children to exit the foster care system to family caregivers.

- Since 1988, foster family agency placements increased more than twenty-fold while less costly non-relative foster family home placements declined slightly.

Health Insurance Coverage Increases With Income

1999

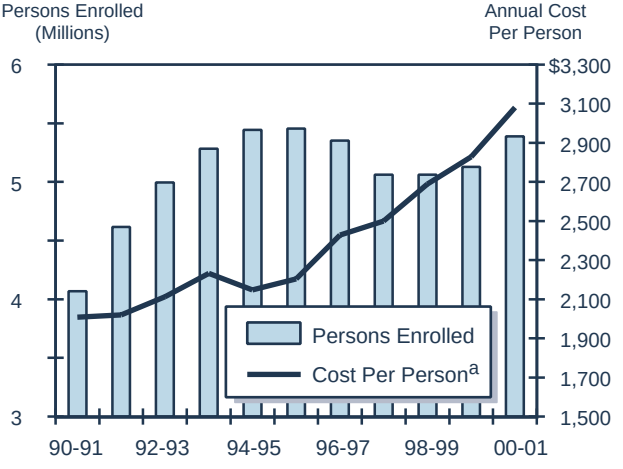


- The uninsured generally are low-income working individuals or families—under 250 percent of the federal poverty level.

- Job-based health insurance coverage increases with income for low-income workers, while the number covered by Medi-Cal declines.

- Almost 90 percent of nonelderly Californians with incomes *above* 250 percent of poverty have health insurance coverage.

Medi-Cal Caseload Growth Resumes And Cost Increases Continue



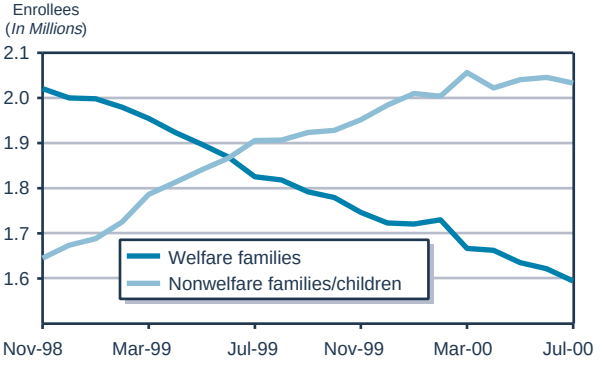
[a]Includes federal funds. Excludes disproportionate share hospital payments and most pass-through funding for related programs.

- Medi-Cal caseload grew rapidly during the early 1990s as a result of (1) eligibility expansions and (2) increased welfare caseload during the recession, and then declined in the mid-1990s as the economy recovered.

- Current caseload growth results from (1) actions to expand and simplify eligibility for children and working families and (2) increased outreach efforts.

- The annual cost increase per person for Medi-Cal benefits has averaged 6.9 percent since 1995-96 due to provider rate increases, increased spending on drugs, and other factors.

Most Medi-Cal Families/Children No Longer on Welfare



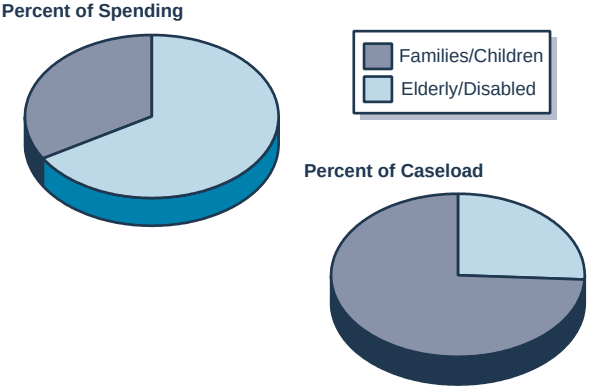
- By July 1999, for the first time in the history of the Medi-Cal Program, welfare (CalWORKs) recipients accounted for less than half of the families (including pregnant women) and children enrolled in the program. This trend has continued and Medi-Cal enrollment of nonwelfare families and children now exceeds those on welfare by more than 400,000.

- The reduction in the welfare component of the Medi-Cal caseload is generally attributable to welfare reform and a strong job market. The growth in the nonwelfare component is due to recent legislative changes that have expanded and simplified Medi-Cal eligibility for low-income working families.

- Most elderly or disabled Medi-Cal enrollees continue to be welfare recipients who receive benefits under the Supplemental Security Income/State Supplementary Program.

Most Medi-Cal Spending Is for Elderly/Disabled

2000-01



- The average cost of health care for elderly and disabled Medi-Cal beneficiaries is much higher than that for families and children, most of whom generally are healthy.

- Although elderly and disabled persons comprise only one-fourth of the Medi-Cal caseload, they account for two-thirds of the costs of Medi-Cal health benefits. These figures do not include costs paid for by the federal Medicare Program, which also covers most elderly and some disabled Medi-Cal beneficiaries.

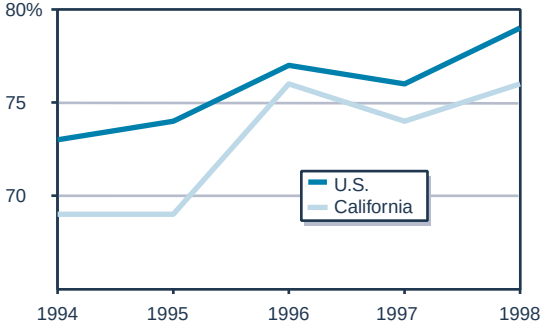
California Relatively Healthy According to Some Key Measures

	California	U.S.
Infant mortality rate, 1998 (deaths per 1,000 live births)	5.8	7.2
Child mortality rate, 1997 (deaths per 100,000 children ages 1 to 14)	21.0	25.0
Low birth-weight births (%), 1998	6.2	7.6
New AIDS cases (rate), 1999 (per 100,000)	16.4	16.7
Persons with asthma (%), 1998	6.8	7.8
Adult smokers (%), 1998 (age 18 and over)	18.4	24.0

- The state fairs well in comparison with the nation on a number of statistical measures of health, as shown above.

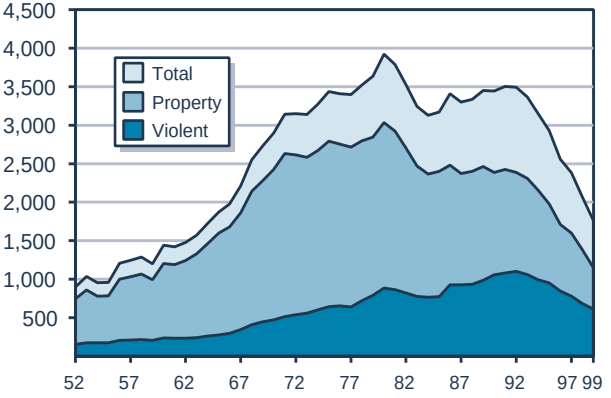
- In 1998 (the most recent data available), the U.S. and California experienced historically high rates of pre-school immunizations. However, these rates remain below the federal goal of having 90 percent of all two-year-olds fully immunized by 2000.

Immunized Children 19 to 35 Months



California's Crime Rate Is at a 35-Year Low

Rate Per 100,000 Population

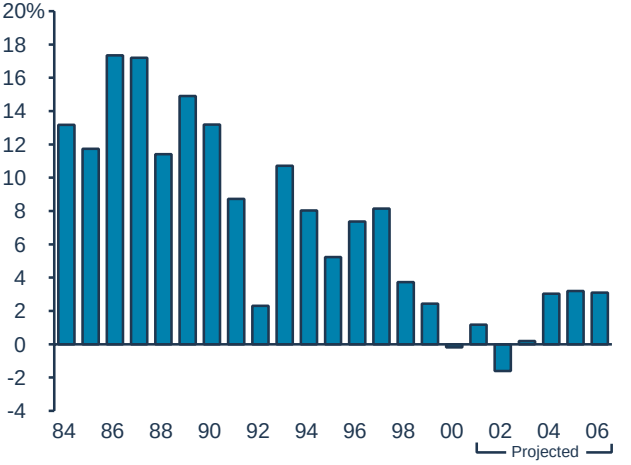


- The crime rate reached its peak in 1980, declined for several years, increased slightly in the late 1980s, and has declined significantly each year since 1991. The 1999 California Crime Index (CCI) is now roughly equivalent to the rate in 1964.

- No one knows for sure why crime has declined so dramatically in recent years. Most researchers believe that there are many reasons, including the aging of the population (particularly the aging of "baby-boomers"), the decline in the use of certain drugs (particularly "crack" cocaine), incapacitation and deterrent effects of recently enacted criminal penalties, improved economy (and thus, more jobs), better policing techniques (such as "community-oriented" policing), and relatively peaceful gang situations in some urban areas.

Prison Inmate Population Growth Has Slowed

Annual Increase in the Population

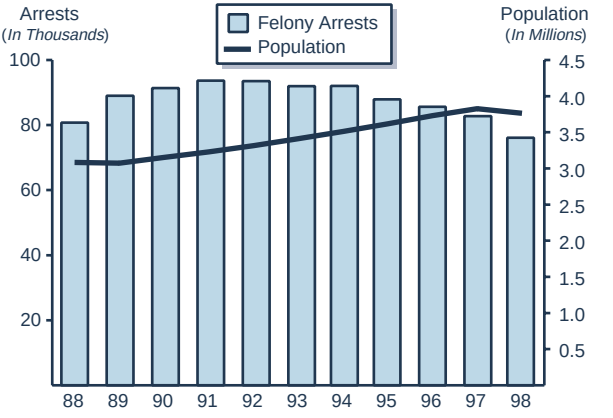


- Although California's prison inmate population has increased substantially over the past 17 years and is expected to continue to grow, the growth has slowed in recent years.

- The prison population increased from about 37,000 inmates in 1983 to about 162,000 in 2000. We project that the population will grow to about 177,000 by 2006.

- The growth in the prison population has largely been attributable to changes in law that increased the length of prison sentences. The recent slowdown in the growth is probably primarily due to the decrease in crime in California. The decline in 2002 and the relative small increases are also due to the voters approval of Proposition 36 in the November 2000 election, which will redirect some drug offenders into treatment rather than prison.

Juvenile Arrests Decline as Youth Population Increases



- California's juvenile population (ages 10 to 17) has increased about 22 percent over the past ten years. Over the same period, however, the number of felony juvenile arrests actually declined by about 6 percent.

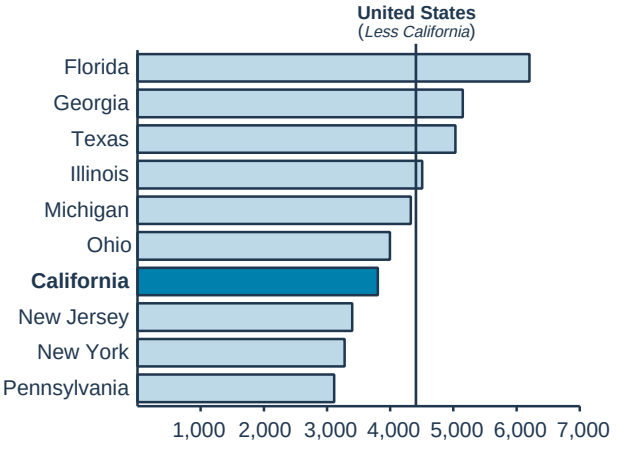
- The number of felony juvenile arrests peaked in 1991 and has declined by about 19 percent since that time.

- The decline in juvenile arrests in California reflects a nationwide trend. The reasons probably include the improved economy (and thus more job opportunities for young people), the decline in the use of certain drugs, and the relatively peaceful gang situation in urban areas.

- Historically, juveniles have had a higher arrest rate than adults. In recent years, however, the rates for juveniles and adults have become about equal.

California's Crime Rate Is Lower Than Most Large States

1999 Rates Per 100,000 Population



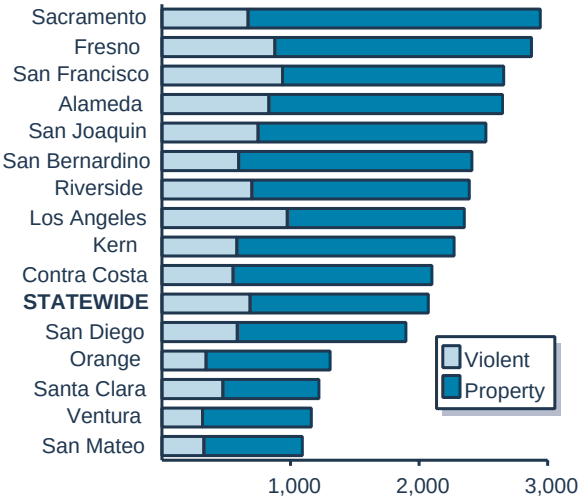
- Using measures of crime employed by the federal government, California's 1999 crime rate is about 14 percent below the rate for the rest of the nation and is the fourth lowest among the 10 largest states.

- Florida's 1999 rate was the highest among the large states and was about 63 percent higher than California's rate.

- As in California, the national crime rate and the rates of the ten largest states have declined substantially in recent years.

Crime Rates Vary Widely Among Large Counties

1998 Rates Per 100,000 Population

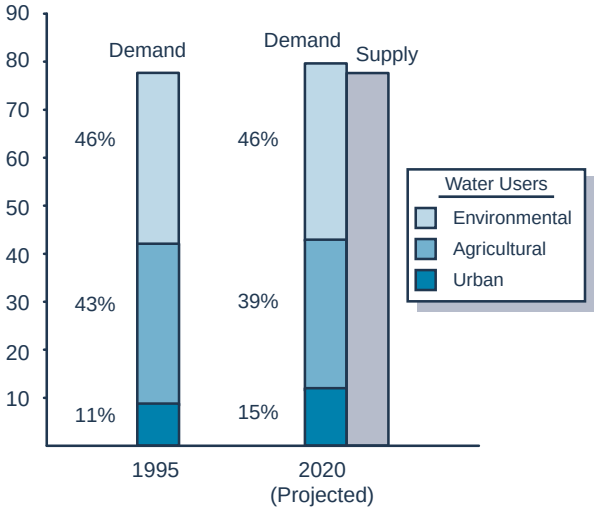


- Among the counties with populations of 500,000 or more, Sacramento had the highest crime rate in 1998—about 42 percent higher than the statewide rate. San Mateo's rate was the lowest and was about half the statewide rate.

- Variations among county crime rates are probably explained by factors such as demography (areas with larger populations of young men tend to have higher crime rates), wealth (and thus, availability of jobs and crime-fighting resources), degree of urbanization, and location of certain factors associated with crime (such as gangs and drug manufacturers and sellers).

Environment Is Biggest Water User

(In Million Acre-Feet[a])

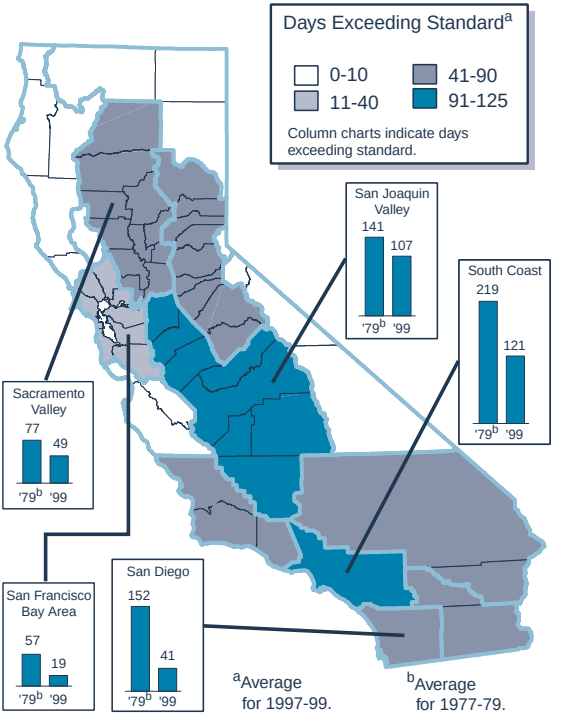


[a] Data from Department of Water Resources, California Water Plan (November 1998), reflecting "average" (nondrought) conditions. One acre-foot of water supplies about two three-person households for one year.

- The Department of Water Resources (DWR) projects that the greatest demand for water in 2020 will, as today, be for environmental uses (such as wetland habitats, fisheries, and dedicated wild and scenic rivers). However, most of the *growth* in demand between 1995 and 2020 will come from the urban sector.

- Assuming nondrought water conditions, DWR projects that there will be a water shortfall in 2020 of 2.9 million acre-feet absent further actions to increase water supplies and/or reduce demand.

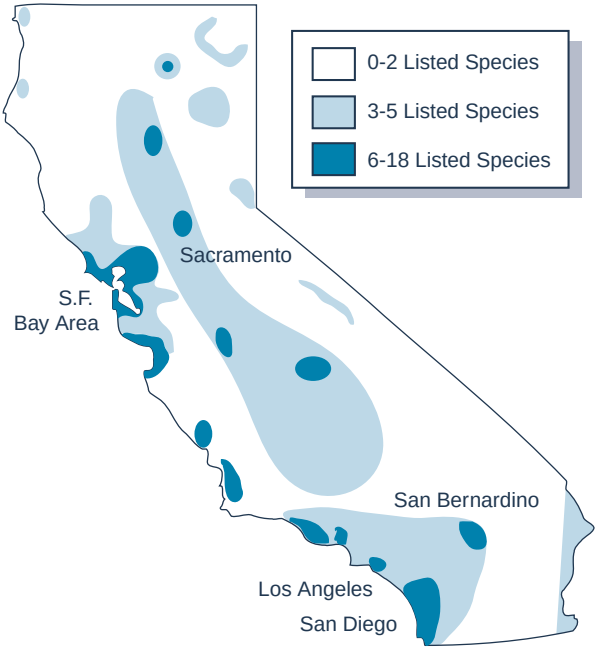
State Failing Ozone Standard, But Air Quality Is Improving



- Most of the state did not attain the state's air quality standard for ozone (a key component of smog) in 1999. Ozone levels vary regionally, with the highest concentrations in the San Joaquin Valley and the South Coast air basins.

- However, ozone concentrations have decreased substantially in most air basins since 1979, reflecting increasingly stringent air pollution controls.

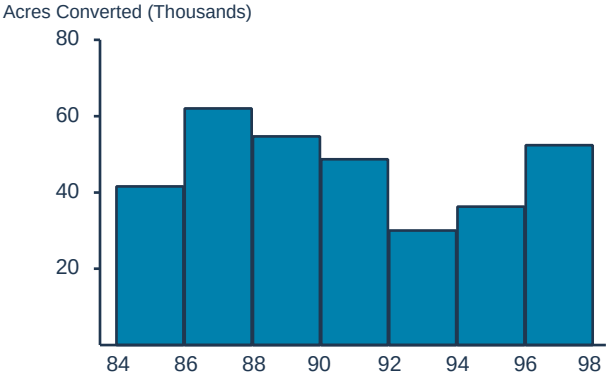
Threatened/Endangered Species Concentrated in Developed Areas



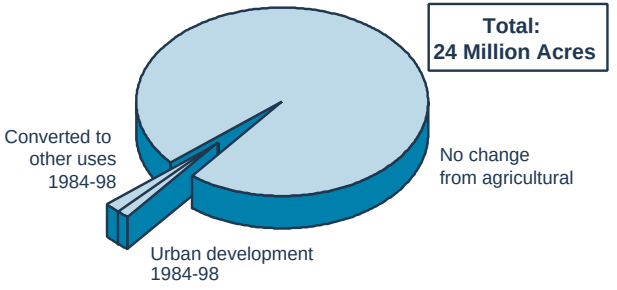
- Plant and animal species can be listed as threatened or endangered under the federal and state endangered species acts. The laws prohibit the "take" or harming of listed species. The "incidental take"—unintentional harming—of species may be permitted under certain requirements.

- In 2000, a total of 335 species are listed. While listed species occur throughout the state, they are most concentrated in the Sacramento River, San Francisco Bay Area, and the coastal and interior areas of Southern California.

Development Takes 46,000 Acres of Agricultural Land Every Two Years. . .

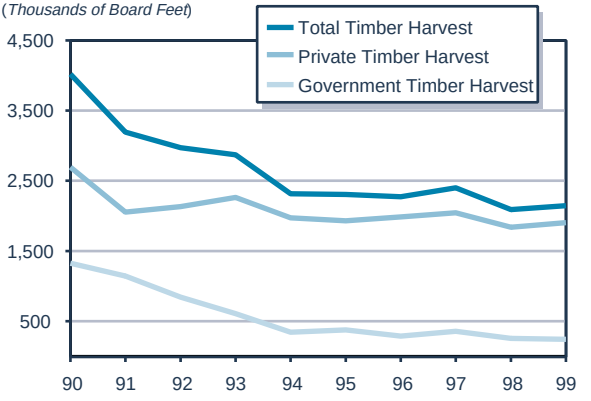


But, Results in Annual Loss of Less Than 1 Percent of Agricultural Land



- Although agricultural land lost to development is relatively small on a statewide basis, these acres are often concentrated in certain regions of the state.

Timber Harvesting in State Reduced Significantly



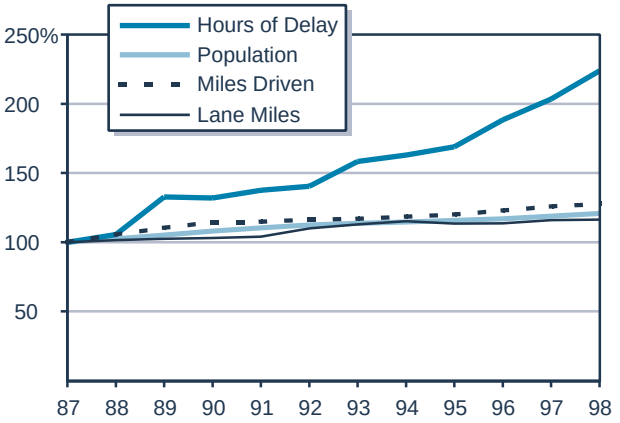
- There are 17 million acres of commercial forestland in the state, 45 percent privately owned and 55 percent public-owned.

- From 1990-1999, timber harvesting (logging) has decreased almost 50 percent in California. The decrease is due in large part to a reduction in harvesting on federally owned lands which declined by about 80 percent since 1990.

- Timber harvesting on private lands declined by about 27 percent between 1990 and 1994. Since then, the volume of harvesting has remained relatively constant.

- California's forests yielded on average about $900 million worth of timber annually over the last ten years.

Traffic Delay Increases as Driving Outpaces Highway Capacity



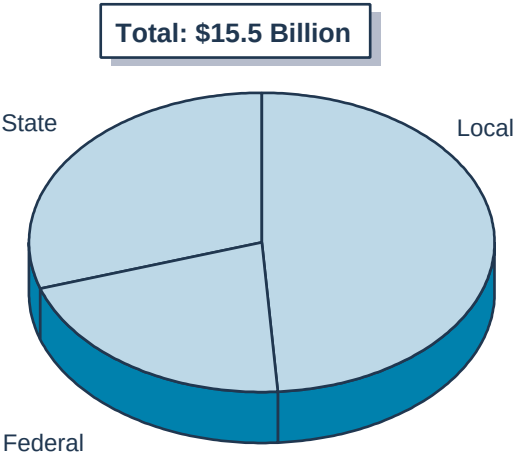
- Between 1987 and 1998, the number of miles driven on state highways in California grew faster than the state's population. Specifically, vehicle miles driven grew by approximately 28 percent, while population grew by about 21 percent.

- During the same time frame, the number of lane miles added to urban freeways grew by an estimated 16 percent.

- Due to this imbalance between demand for driving and supply of freeway capacity, the number of hours that Californians spent delayed in traffic on the state highway system more than doubled over the last decade.

Local Funds Account for Half of Transportation Revenues

1999-00

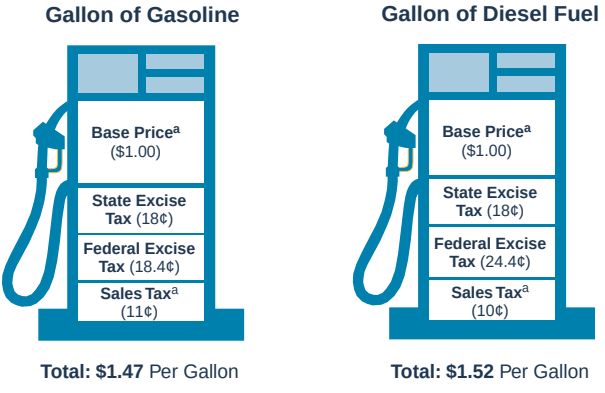


- State funds consist primarily of the state per gallon tax on gasoline, diesel fuels, and truck weight fees. From 2000-01 through 2005-06, the Traffic Congestion Relief Program provides an additional $6.9 billion from the General Fund and gasoline sales tax revenues.

- Federal transportation funds are apportioned to California based on the state's contribution to federal fuel taxes.

- Over one-third of local funds for transportation are from optional local sales taxes, dedicated for transportation purposes. Other local funds include local general funds, transit fares, and the 25-cent uniform sales tax dedicated to transit purposes.

Most State and Federal Transportation Revenues Come From Fuel Taxes



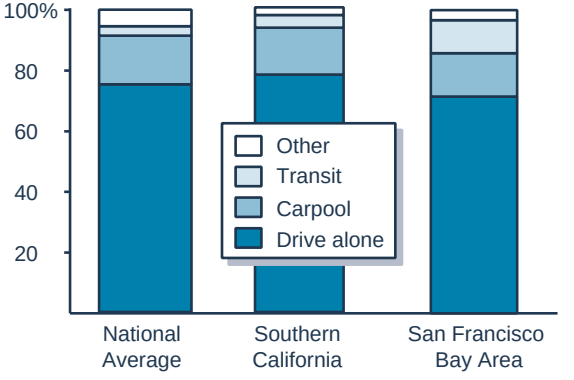
[a]For illustration purposes, assumes base price of $1.00 and sales tax of 7.5 percent.

- State and federal transportation revenues are collected primarily from per gallon taxes on gasoline and diesel fuel.

- Californians pay the following taxes at the pump:

  - 18 cents in *state* "gas" tax for each gallon of gasoline and diesel fuel.
  - 18.4 cents in *federal* tax for each gallon of gasoline and 24.4 cents for each gallon of diesel fuel.
  - 7 percent minimum *state* and *local* sales tax (as of January 1, 2001), *plus* optional local sales taxes for transportation or other purposes varying by county. The majority of the state and local sales tax proceeds are *not* used for transportation purposes.

How Californians Commute Varies Little From National Average



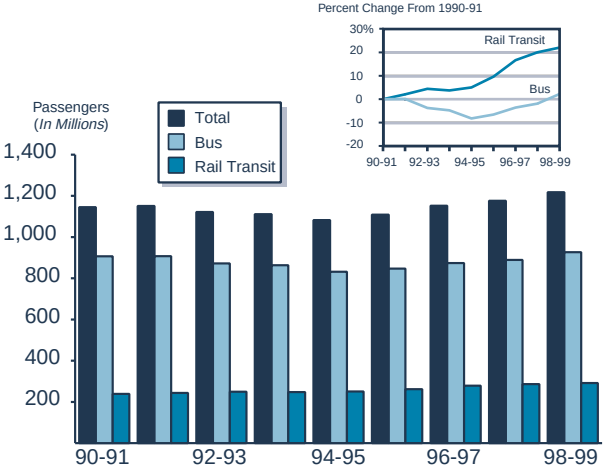
Regional data is from 1998; national data is from 1995.

- In Southern California, 78 percent of commuters drove alone to work in 1998, while in the San Francisco Bay Area 71 percent of commuters drove alone to work. This is relative to the national drive alone rate of 75 percent for 1995, the most recent year for which national data are available.

- In the San Francisco Bay Area, 11 percent of commuters used transit to get to work in 1998, while only 4 percent used transit for commuting in Southern California. Nationwide, 3 percent of commuters rely on transit as their primary mode of transportation.

- Carpooling is somewhat more common in Southern California where 15.5 percent of commuters shared a ride to work compared to the San Francisco Bay Area where 14.3 percent carpooled.

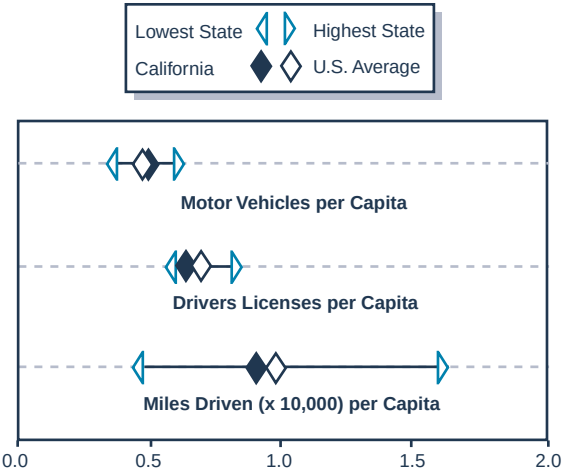
Rail Transit Passengers Grow While Bus Ridership Remains Unchanged



- Between 1990-91 and 1998-99, total ridership on public transportation has grown about 6 percent. The majority of the ridership growth, however, has been on urban and commuter rail due in part to new systems that came on line.

- Over the nine-year period, ridership on commuter and urban rail systems grew by approximately 22 percent from 1990-91 levels. Ridership on bus systems grew by about 2 percent from 1990-91 levels, but it was not until 1998-99 that bus ridership exceeded the 1990-91 total.

Are Californians Really in Love With Their Cars?

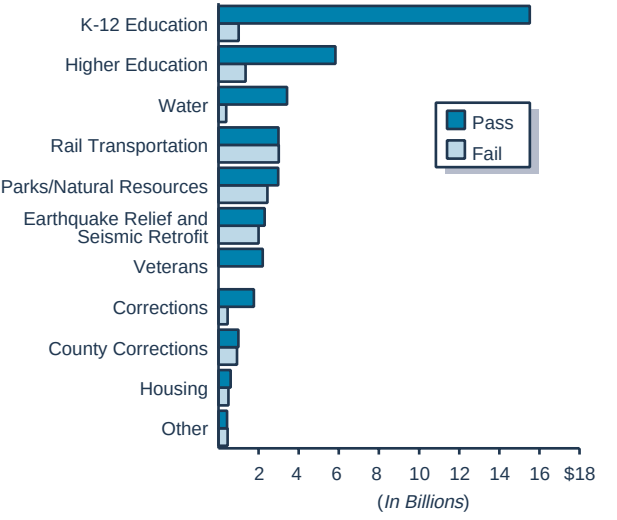


- While the conventional wisdom is that Californians are infatuated with their automobiles, some data suggest that this is not the case.

- For instance, when compared to the average American, Californians own the same number of vehicles per person, drive *fewer* miles per capita and are *less* likely to have a driver's license.

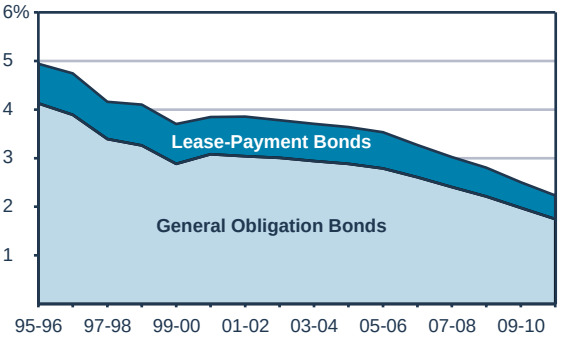
- However, because the state's transportation infrastructure has not kept pace with the growth in population and growth in vehicle miles traveled, Californians are above the national average in terms of how intensively they use existing roads (miles driven per lane mile and proportion of major urban highways that are congested).

Voter Action Since 1986 on State General Obligation Bonds



- Voters have approved $39 billion in bonds since 1986 and rejected $12 billion.
- About 40 percent of all approved bonds ($15.5 billion) have been for K-12 school facilities.
- In addition to voter-approved general obligation bonds, the Legislature has authorized nearly $9 billion in lease-payment bonds since 1986 for higher education facilities, prisons, and state office buildings.

Share of General Fund Revenue Needed for Bond Payments



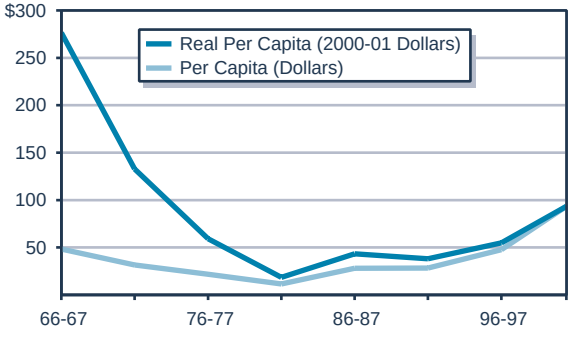
- The state's debt service ratio reflects the estimated costs to pay principal and interest on currently authorized state bonds as a percentage of projected state General Fund revenues.

- After reaching about 5 percent in the mid-1990s, the debt ratio declined to 3.7 percent in 1999-00, will increase to 3.9 percent in 2001-02, and decline thereafter. Authorization and sales of new bonds would increase these debt ratios.

- Debt payments will increase from $2.9 billion in 2000-01 to $3.5 billion in 2005-06 and decline thereafter if no additional bonds are approved.

Trends in State Capital Outlay Spending Over Time

1966-67 Through 2000-01



- Real per capita spending on infrastructure declined rapidly in California between 1966-67 and 1981-82. This decline reflected a reduction in spending on major programs such as transportation and higher education.

- Per capita spending has increased moderately, but steadily, since the early 1980s, with the increase in 2000-01 spending due largely to added funds for transportation and resources.

- The state will spend about $93 per Californian on state infrastructure in 2000-01. In real terms this is about one-third the spending level of the mid-1960s.