



State of California

General
Fund
Cash Basis
Report

For the Year Ended
June 30, 2004



THE CONTROLLER
EUREKA

Steve Westly
California State Controller



STEVE WESTLY

California State Controller

July 16, 2004

**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, 2004. The General Fund ended the 2003-04 fiscal year with a total cash balance of \$2.8 billion, consisting of \$538 million in General Fund and \$2.2 billion in the General Fund's Special Fund for Economic Uncertainties. This is a significant improvement from a \$10.5 billion General Fund cash deficit before short-term loans at the beginning of the year. The primary reason for the increase in the cash balance was the sale of \$10.9 billion of Economic Recovery Bonds, which generated \$11.3 billion in actual dollars for the General Fund. This sale was the result of the approval of Proposition 57 by California voters, authorizing the sale of up to \$15.0 billion in bonds to retire the accumulated state budget deficit.

The State manages General Fund cash shortages through a combination of internal and external borrowing. On June 18, 2003, the State Controller's Office issued \$11.0 billion in Revenue Anticipation Warrants (RAWs) to meet cash flow needs for the early part of the 2003-04 fiscal year. These RAWs were repaid with interest on June 16, 2004. At my request, the State also issued \$3.0 billion in Revenue Anticipation Notes (RANs) on October 28, 2003, to meet cash flow needs during the 2003-04 fiscal year. The RANs were repaid with interest on June 23, 2004.

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, portray 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. At that time, 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, will also be issued.

This report is available on the Internet at the State Controller's homepage, www.sco.ca.gov, under the category "Publications - State Government Annual Financial Reports."

Sincerely,

Originally Signed by

STEVE WESTLY
California State Controller

Statement of Cash Receipts, Disbursements, and Balances

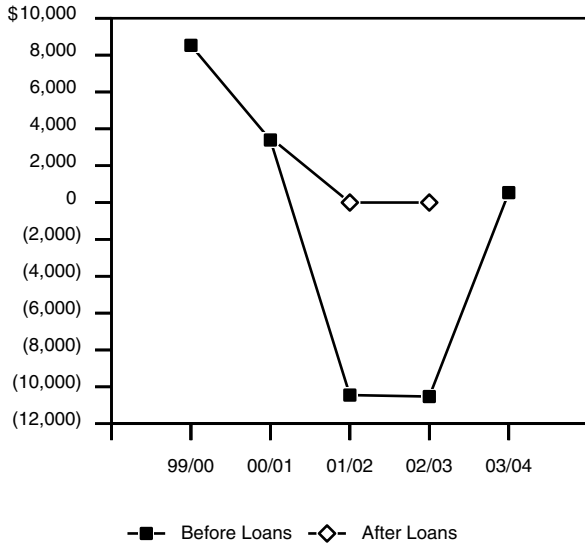
(Amounts in thousands)

	Year Ended June 30,	
	2004	2003
General Fund Beginning Cash Balance Before Loans, July 1	\$ (10,526,890)	\$ (10,447,980)
Receipts		
Revenues	75,482,847	68,629,213
Nonrevenues (Note 1)	15,156,971	9,957,806
Total Receipts	90,639,818	78,587,019
Disbursements		
State Operations	17,798,511	18,671,711
Local Assistance	58,838,048	59,303,244
Capital Outlay	385,372	160,138
Nongovernmental (Note 1)	2,552,638	530,836
Total Disbursements	79,574,569	78,665,929
Receipts Over (Under) Disbursements	11,065,249	(78,910)
General Fund Ending Cash Balance Before Loans, June 30	538,359	(10,526,890)
Loans (Note 2)		
From Revenue Anticipation Warrants	—	10,965,000
Total Loans	—	10,965,000
General Fund Ending Cash Balance After Loans, June 30	538,359	438,110
Special Fund for Economic Uncertainties, June 30	2,216,023	2,524,519
Total Cash, June 30 (Note 1)	\$ 2,754,382	\$ 2,962,629
<hr/>		
Borrowable Resources (Note 2)		
Available Resources		
From Special Fund for Economic Uncertainties	\$ 2,216,023	\$ 2,524,519
From Special Funds and Accounts	7,735,241	7,877,002
From Revenue Anticipation Warrants	—	10,965,000
Total Available Resources	9,951,264	21,366,521
Total Loans	—	10,965,000
Unused Resources	\$ 9,951,264	\$ 10,401,521

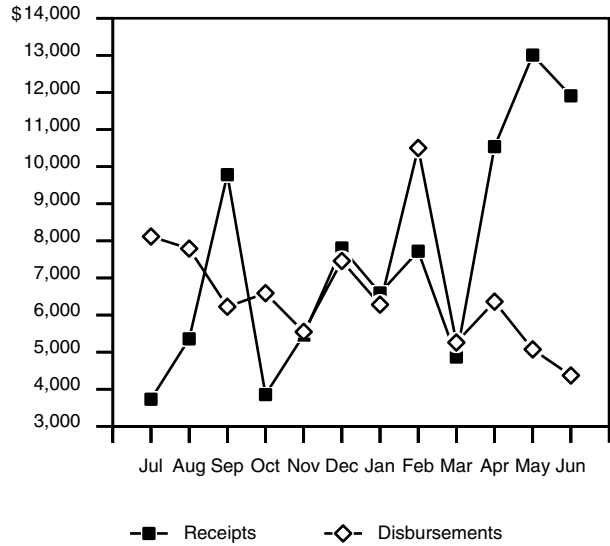
Charts of Cash Receipts, Disbursements, and Balances

(Amounts in millions)

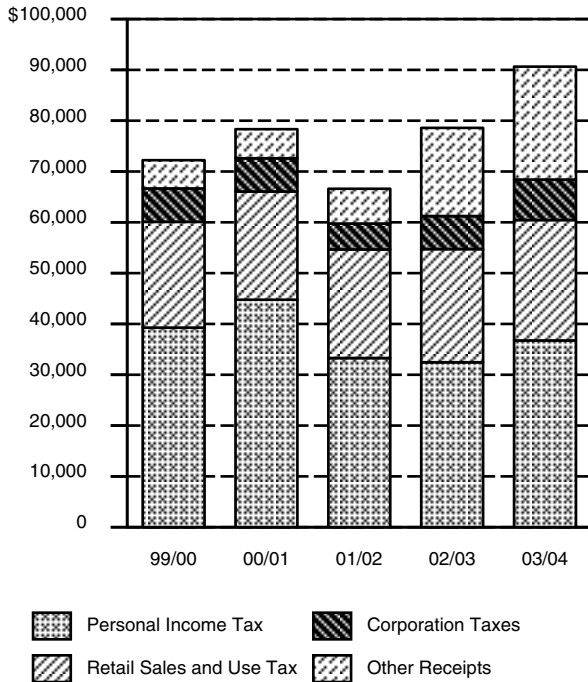
Ending Cash Balances Last Five Fiscal Years



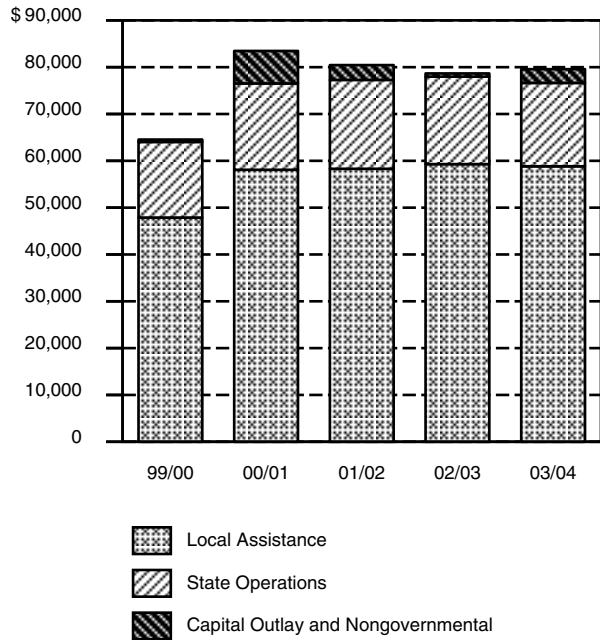
Monthly Cash Receipts and Disbursements For the Fiscal Year Ended June 30, 2004



Cash Receipts Last Five Fiscal Years



Cash Disbursements Last Five Fiscal Years



Schedule of Cash Receipts

(Amounts in thousands)

	Year Ended June 30,	
	2004	2003
RECEIPTS		
REVENUES		
Major Taxes and Licenses		
Personal Income Tax	\$ 36,752,037	\$ 32,464,931
Retail Sales and Use Taxes	23,699,237	22,265,071
Corporation (Income) Taxes	7,964,152	6,509,506
Tobacco Securitization (Note 3)	2,263,609	2,485,048
Insurance Gross Premiums Tax	2,113,933	1,870,608
Estate, Inheritance and Gift Tax	574,510	932,005
Excise Tax on Beer and Wine	163,758	150,414
Excise Tax on Distilled Spirits	148,114	139,014
Cigarette Tax	116,903	121,909
Total Major Taxes and Licenses	73,796,253	66,938,506
Minor Revenues		
Abandoned Property	642,602	237,827
Child Support Services - Receipts from Local Government	362,693	313,904
Pooled Money Investment Income	120,126	211,318
State Lands Royalties	107,913	74,246
Trial Court Revenues	44,941	288
Health Care Deposit Fund Receipts	12,905	13,646
Private Rail Car Tax	6,637	6,416
Horse Racing (Parimutuel) License Fees	2,452	3,297
Liquor License Fees	2,273	2,424
Miscellaneous (Note 4)	384,052	827,341
Total Minor Revenues	1,686,594	1,690,707
Total Revenues	75,482,847	68,629,213
NONREVENUES		
Transfers from Economic Recovery Fund (Note 5)	11,254,000	—
Transfers from Special Fund for Economic Uncertainties.....	2,524,497	—
Transfers from Other Funds	895,577	3,272,198
Transfers from Electric Power Fund (Note 6)	—	6,094,067
Miscellaneous	482,897	591,541
Total Nonrevenues	15,156,971	9,957,806
TOTAL RECEIPTS	\$ 90,639,818	\$ 78,587,019

Schedule of Cash Disbursements

(Amounts in thousands)

	Year Ended June 30,	
	2004	2003
DISBURSEMENTS		
STATE OPERATIONS		
Legislative/Judicial/Executive	\$ 1,261,202	\$ 1,229,072
Resources	714,746	831,227
State and Consumer Services	468,069	460,492
Environmental Protection Agency	77,648	160,918
Technology, Trade, and Commerce Agency	7,521	29,281
Business, Transportation, and Housing	5,719	7,048
Health and Human Services		
Mental Health Hospitals	524,381	523,091
Health Services	229,969	231,038
Other Health and Human Services	632,042	607,942
Total Health and Human Services	1,386,392	1,362,071
Youth and Adult Correctional Agency	5,042,508	5,499,497
Education		
University of California	2,919,292	3,127,953
State Universities and Colleges	2,615,895	2,708,162
Other Education	153,346	182,656
Total Education	5,688,533	6,018,771
Debt Service	1,860,442	1,727,045
General Government	1,149,718	1,112,680
Interest on Loans	282,573	313,007
Public Employees Retirement System	(146,560)	(79,398)
Total State Operations	17,798,511	18,671,711
LOCAL ASSISTANCE		
Judicial/Executive	1,239,543	1,250,409
Resources	99,998	79,496
Business, Transportation, and Housing	28,613	137,559
Environmental Protection Agency	5,174	3,317
Health and Human Services		
Department of Health Services	11,298,887	10,650,671
Department of Social Services	8,329,403	7,871,564
Department of Developmental Services	1,602,228	1,351,160
Department of Mental Health	383,796	391,581
Other Health and Human Services	1,037,359	911,493
Total Health and Human Services	22,651,673	21,176,469

(Continued)

Schedule of Cash Disbursements

(Amounts in thousands)

	Year Ended June 30,	
	2004	2003
Youth and Adult Correctional Agency	\$ 144,739	\$ 155,916
Education		
K-12 Education	25,678,841	25,276,094
Community Colleges	2,280,341	2,747,690
Teachers' Retirement System	509,763	975,522
Other Education	2,149,852	2,314,966
Total Education	30,618,797	31,314,272
Tax Relief		
Vehicle License Fee Offset (Note 7)	2,996,708	3,925,424
Homeowners Property Tax Relief	424,785	414,211
Senior Citizens Renters Assistance	142,162	149,341
Senior Citizens Property Tax Deferral and Assistance	51,934	48,777
Subventions for Open Space	38,497	41,782
Miscellaneous Tax Relief	278	238
Total Tax Relief	3,654,364	4,579,773
General Government	395,147	606,033
Total Local Assistance	58,838,048	59,303,244
CAPITAL OUTLAY		
Total Capital Outlay	385,372	160,138
NONGOVERNMENTAL		
Transfer to Special Fund for Economic Uncertainties	2,216,000	—
Transfer to Other Funds	431,270	176,603
Transfer to Revolving Fund	(69,515)	88,279
Advances		
Counties for Social Welfare	19,976	232,615
Social Welfare Federal Fund	(45,093)	75,755
State-County Property Tax Administration Program	—	(42,416)
Total Nongovernmental	2,552,638	530,836
TOTAL DISBURSEMENTS	\$ 79,574,569	\$ 78,665,929

(Concluded)

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 the borrowing from external sources to meet the State's short-term borrowing 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, on June 18, 2003, the State Controller's Office issued \$11.0 billion in RAWs, which were repaid on June 16, 2004. At the Controller's request, on October 28, 2003, the State issued \$3.0 billion in RAN's, which were repaid on June 23, 2004. The State ended the 2003-04 fiscal year with no short-term external loans.

NOTE 3: TOBACCO SECURITIZATION

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 2002-03 and 2003-04 fiscal year, the State issued \$2.5 billion and 2.3 billion, respectively, in Tobacco Securitization Bonds to provide additional cash resources for General Fund programs. These bonds are secured by the tobacco settlement payments that will be received by the State beginning in the 2003-04 fiscal year.

NOTE 4: MISCELLANEOUS REVENUES

Receipts that are not otherwise categorized are reflected in this account. Included in the 2002-03 fiscal year amount is \$525 million of interest earnings on loans by the General Fund to the Department of Water Resources' Electric Power Fund.

NOTE 5: TRANSFERS FROM ECONOMIC RECOVERY FUND

Proposition 57, The Economic Recovery Bond Act, was approved by the voters in the March 2, 2004, election. It authorizes the State to sell up to \$15 billion in general obligation bonds to address the accumulated state budget deficit. These bonds are secured by a 1/4-cent sales tax. In the event revenues derived from the dedicated sales tax are insufficient for the interest and principal payments in any given year, the General Fund will be responsible for these payments. During the 2003-04 fiscal year, the State issued \$10.9 billion in bonds, which was able to provide \$11.3 billion to the General Fund because the bonds were sold at a premium.

NOTE 6: ENERGY

On January 17, 2001, the Governor declared a state of emergency and authorized the Department of Water Resources (DWR) to purchase electricity on behalf of investor-owned utilities. During the 2000-01 fiscal year, \$6.2 billion was loaned from the General Fund and the Special Fund for Economic Uncertainties to DWR's Electric Power Fund for electricity purchases. DWR repaid the General Fund \$116 million of principal during the 2001-02 fiscal year. In fiscal year 2002-03, DWR issued \$11.3 billion in Energy Revenue Bonds and used part of the proceeds to repay the General Fund in full, \$6.1 billion of principal and \$525 million of accrued interest.

NOTE 7: VEHICLE LICENSE FEE (VLF) OFFSET

Chapter 322, Statutes of 1998, established a phased-in VLF reduction program. Beginning January 1, 2001, the reduction was increased to 67.5%. The General Fund transferred \$3.9 billion and \$3.0 billion for the 2002-03 and 2003-04 fiscal years, respectively, to the Motor Vehicle License Fee Account and the Local Revenue Fund to offset the impact of these reductions on local governments. The General Fund transfers were temporarily suspended during the 2003-04 fiscal year, resulting in an estimated revenue loss of nearly \$1.3 billion to the local governments. Subsequently, Chapter 231, Statutes of 2003 was enacted to provide funds to local governments by August 15, 2006, to replace the revenue loss.