BUILDING A STRONGER CALIFORNIA

Financing Jobs, Health Care, Education, Better Communities and a Cleaner Environment

2007 and 2008
WHAT THE STATE TREASURER DOES

• The State Treasurer’s Office was created in 1849, with the adoption of the State Constitution, as the guardian and cashier of the State’s money.

• With the enactment of the California Bank Act of 1907, the Treasurer’s powers were expanded to include investment of state revenues.

• Today the Treasurer invests monies on behalf of state government and more than 2,721 cities, counties and local agencies.

• The State Treasurer’s Office carries out the issuance and administration of the State’s bond program, including voter approved infrastructure bonds.

• The Treasurer serves on the boards of the California Public Employees’ Retirement System (CalPERS) and California State Teachers’ Retirement System (CalSTRS) the nation’s first and second largest defined benefit pension funds, with more than $287.4 billion in combined assets.

• The Treasurer chairs authorities that finance a wide range of projects, including pollution clean up, health and education facilities, affordable housing and economic development.

• The Treasurer oversees the ScholarShare Investment Board (SIB), which administers the State’s tax advantaged college tuition savings plan.

Balance Sheet 2007 and 2008

STATE BOND ISSUANCE
• $43.5 billion

INVESTMENT EARNINGS
• 2007 $3.09 billion
• 2008 $2.06 billion

HEALTHCARE
• $5.71 billion

EDUCATION
• $1.7 billion

COLLEGE SAVINGS
• 2007 $2.8 billion
• 2008 $2.7 billion

HOUSING
• $6.9 billion

ECONOMIC DEVELOPMENT
• $378.5 million

GREEN INVESTMENTS
• $701.5 million

* Except for College Savings and Investment Earnings, numbers reflect combined total for 2007 and 2008
Selling Bonds to ReBuild California

The State Treasurer’s Office manages the sale of voter approved infrastructure bonds, as well as other types of bonds and notes. Since 2006, California voters have approved more than $54 billion of general obligation (GO) bonds to build schools, roads, housing, parks, levees and other crucial infrastructure projects. These projects will help California build its future. By purchasing these bonds, Californians can make a direct investment in their future.

State Bond Issuance 2007 and 2008

TOTAL $43.5 Billion

Highlights

Buy California Bonds In June 2007, the State Treasurer’s Office launched an un-precedented campaign to boost the purchase of California bonds by individual investors. The cornerstone of the campaign was the creation of a first-of-its-kind web site www.buycaliforniabonds.com to connect investors with brokers. The landmark initiative also included high-quality radio and print media ads, as well as an online advertising component.

From the start, the Buy California Bonds campaign yielded impressive results. In the last three GO sales of 2007, individual or retail investors purchased almost $1.6 billion of the $6 billion of bonds offered. High retail demand means that when it comes time to sell the balance to institutional investors, the amount of available bonds is less than what it would have otherwise been. That, in turn, benefits taxpayers by controlling or reducing how much they end up paying in interest on the bonds.

For example, when the state sold $250 million of stem cell research bonds in October 2007, individuals bought $103 million worth, or 41 percent. After institutional investors purchased the balance, the final price reduced taxpayers’ interest payments by $250,000 a year.

The groundwork laid in 2007 paid big dividends in 2008. The State sold $7.5 billion of GO bonds and notes to retail investors, compared to $5.6 billion dollars to institutional investors. The success culminated in October when retail investors snapped up $3.9 billion, or 78 percent, of $5 billion in revenue anticipation notes.

The table at left shows the amount of bonds sold to retail investors on major bond issues of 2008.

Largest Ever GO Bond Refunding In April 2007, the Treasurer’s Office completed a $4.1 billion GO bond refunding, the single largest state GO refunding in history. The savings to taxpayers from this sale, two other smaller GO refundings and one Public Works Board refunding for the University of California, topped $298 million.

Largest Commercial Paper Program In October 2007, the Treasurer increased the size of the state’s Commercial Paper (CP) Program from $1.5 billion to $2.5 billion, making it the largest program of its kind in the country. The Treasurer sells CP notes to fund infrastructure projects on an interim basis prior to the issuance of long-term bonds.

For More Information Contact:

www.buycaliforniabonds.com
(800) 900 3873
investor relations@treasurer.ca.gov
SMART INVESTMENTS WITH TAXPAYER MONEY

The State Treasurer’s Office manages the investment of taxpayer money through the Pooled Money Investment Account (PMIA), which includes the Local Agency Investment Fund (LAIF). LAIF offers local governments the opportunity to invest temporarily idle monies efficiently, safely and at competitive yields. Through its Time Deposit Program, the PMIA boosts community economies by investing in close to 100 financial institutions in some 59 cities.

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investing in Community Banks, Credit Unions and Savings Banks</td>
<td>$8.2 BILLION</td>
<td>$9.1 BILLION</td>
</tr>
<tr>
<td>Securities*</td>
<td>$41.9 BILLION</td>
<td>$53.8 BILLION</td>
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<tr>
<td>LAIF Deposits</td>
<td>$24 BILLION</td>
<td>$21.2 BILLION</td>
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<tr>
<td>Participants</td>
<td>2,721</td>
<td>2,619</td>
</tr>
<tr>
<td>Earnings</td>
<td>$2.06 BILLION</td>
<td>$3.09 BILLION</td>
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</tbody>
</table>

*Total portfolio includes agency bonds, certificates of deposit, commercial paper, corporate debt and other eligible securities.

Highlights

PMIA STEADY IN TURBULENT CAPITAL MARKETS OF 2008

- Incurred no loss of principal on any investment.
- Had no subprime mortgage exposure.
- Incurred no losses from asset-backed commercial paper.
- No exposure to structured investment vehicles (SIVs) or collateralized debt obligations (CDOs).
- No exposure to Bear Stearns, Lehman Brothers, Merrill Lynch, Washington Mutual or AIG when those firms failed or were pushed into “forced sale” situations.
- Redeemed all Countrywide Financial corporate bonds at maturity, receiving full principal plus interest.
- Received full payment of principal and interest on all Wachovia certificates of deposit before the bank’s “fire sale” acquisition by Wells Fargo.
- Suffered no losses from the much publicized financial struggles of Freddie Mac and Fannie Mae.

FOR MORE INFORMATION CONTACT:

Investments Division
(916) 653-3147
www.treasurer.ca.gov.investing.asp
HEALTH CARE

The State Treasurer’s Office provides low cost financing for clinics and hospitals through the California Health Facilities Financing Authority (CHFFA). With grants, tax exempt bonds and loans, CHFFA helps nonprofit and governmental health facilities pay for capital improvement projects and other needs.

_2007 and 2008_

**LOW COST LOANS**  
$28 MILLION  
16 hospitals and 37 clinics received low cost loans to pay for capital improvements and other needs to support 2.4 million patient visits.

**CHILDREN’S HOSPITAL GRANTS**  
$177.8 MILLION  
7 Children’s Hospitals received grants to serve nearly 850,000 of the State’s most seriously ill children.

**BOND FINANCING**  
$5.5 BILLION  
10 hospital and 3 clinic bond financings to remodel, construct, purchase equipment or refinance tax exempt bonds.

**TOTAL**  
$5.71 BILLION

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**Highlights**

**HELP II LOANS**  
CHFFA’s governing board increased the eligibility requirements and the amounts of the Health Care Expansion Loan (HELP II) program in 2007 from $500,000 to $750,000. As a result, HELP II loans significantly grew eight-fold from $1.8 million in 2006 to $8.1 million in 2007.

**MEDI-CAL HELP**  
CHFFA provided 19 bridge loans totaling $4 million to rural hospitals and primary care clinics when the State’s 2008 budget impasse delayed Medi Cal reimbursements.

**ELECTRONIC HEALTH RECORDS**  
CHFFA provided $1.13 million in low cost loans to community health care facilities to improve patient care through electronic health recordkeeping. Paperless health records can reduce data entry errors, improve efficiency and patient care while controlling costs.

**CARE OVER INTEREST RATES**  
CHFFA in March 2008 adopted an emergency initiative that allowed nine hospitals and health care systems to avoid skyrocketing interest rates in the bond market. Under the program the providers refinanced nearly $5 billion of variable rate debt, saving millions of dollars to use on health care and facilities instead of interest payments.

**FOR MORE INFORMATION CONTACT:**

California Health Facilities Financing Authority (CHFFA)  
(916) 653 2799  
www.treasurer.ca.gov/chffa
EDUCATION

The State Treasurer’s Office helps fund education programs through the California School Finance Authority (CSFA), the California Education Facilities Authority (CEFA) and the California Debt Limit Allocation Committee (CDLAC).

2007 and 2008

CHARTER SCHOOL LEASE, 
CONSTRUCTION OR REMODEL 
$482.2 MILLION

CSFA approved grants and loans for charter schools through two programs. The federally funded State Charter School Facility Incentive Grants Program provided funding to 82 California charter schools serving 32,000 public school students. The Charter School Facilities Program, through Proposition 1D, awarded funds to 29 charter schools serving more than 11,000 California students.

COLLEGE LAND PURCHASE, CONSTRUCTION, 
REMODEL OR EQUIPMENT LEASE 
$1.8 BILLION

27 CEFA approved bond financings.

ACADEMIC ASSISTANCE FOR LOW INCOME 
AND VERY LOW INCOME STUDENTS 
$2.08 MILLION

9 CEFA approved Grants for mentoring and outreach to middle and high school students.

STUDENT LOANS 
$210 MILLION

32,409 CDLAC Student loans.

TOTAL 
$2.5 BILLION

Highlights

VOTER APPROVED FINANCING Aspire Schools Rosa Parks Academy in Stockton was the first charter school to open using funds provided by CSFA under the Charter School Facility Program funded by Proposition 1D, approved by voters in 2006. Rosa Parks Academy continues to rise in popularity with a waiting list to get in and its students score higher than their peers in neighboring schools on the Academic Performance Index.

GREENING OF THE UNIVERSITY OF REDLANDS CEFA approved $24.5 million in bond proceeds for the University of Redlands in 2008 for several green projects to increase energy efficiency and reduce the campus carbon footprint by 30%. The projects are expected to save $300,000 a year in energy costs. In addition the University is building a modern Center of the Arts building and expanding the Glen Wallichs Theatre with LEED (Leadership in Energy and Environmental Design) Silver certification standards.

FOR MORE INFORMATION CONTACT:

California School Finance Authority (CSFA) 
(213) 620 4467 
www.treasurer.ca.gov/csfa

California Educational Facilities Authority (CEFA) 
(213) 620 2224 
www.treasurer.ca.gov/cefa

California Debt Limit Allocation Committee (CDLAC) 
(916) 653 3255 
www.treasurer.ca.gov/cdlac
SAVING FOR COLLEGE

ScholarShare is California’s 529 college savings plan. The ScholarShare Investment Board (SIB) administers the ScholarShare College Savings Plan which is managed by Fidelity Investments. Earnings grow tax-deferred, and disbursements are federal and state tax-free when used for tuition and other qualified higher education expenses.

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<th>Year</th>
<th>Assets</th>
<th>Accounts</th>
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<tbody>
<tr>
<td>2007</td>
<td>$2.8 BIL</td>
<td>205,403</td>
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<tr>
<td>2008</td>
<td>$2.7 BIL</td>
<td>238,270</td>
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</table>

Highlights

AWARDING ACHIEVEMENT ScholarShare awarded $128,750 in college savings accounts to 184 K-12 students through the ScholarShare Project for Achievement and Recognition of Creativity (SPARC) program. SPARC was launched as a pilot project in partnership with the Sacramento County Office of Education and the California Student Opportunity and Access Program. SPARC award recipients were chosen based on their ability to expand on the theme, “I Will Become...” in an essay, poster or video competition.

HELPING FOSTER CHILDREN In 2008, ScholarShare launched California ScholarShare Advancement Vehicle for Education (CalSAVE). CalSAVE is designed to establish college savings accounts for foster children and other groups designated by ScholarShare Investment Board.

EXPANDING OUTREACH In 2008, ScholarShare adopted the ScholarShare Outreach and Public Education (SCOPE) plan. SCOPE raises awareness of ScholarShare by partnering with organizations and agencies that promote education. A partial list of partners includes the University of California’s Early Academic Outreach Program, CalPERS, California Academy of Sciences, Natural History Museum of Los Angeles County, The Tech Museum of Innovation, Fairytale Town and I Can Afford College.

FOR MORE INFORMATION CONTACT:

The ScholarShare Investment Board
(916) 651-6380
www.treasurer.ca.gov/scholarshare

The ScholarShare College Savings Plan
(800) 544-5248
www.scholarshare.com
The State Treasurer’s Office helps provide California families affordable housing through the California Debt Limit Allocation Committee (CDLAC) and the California Tax Credit Allocation Committee (CTCAC). CDLAC awards tax-exempt bond financing while CTCAC allocates state and federal low-income housing tax credits that create or preserve affordable apartments.

**2007 and 2008**

**CONSTRUCTION/REMODEL**

CTCAC tax credits helped finance 9,064 low income rental units.

**AFFORDABLE APARTMENTS/LOW INTEREST MORTGAGES**

CDLAC tax exempt bonds helped finance 26,000 affordable apartment units, and 8,000 low interest mortgages for first time or low income home buyers.

**TOTAL**

$6.9 BILLION

**Highlights**

**AID FOR DISTRESSED HOUSING MARKET**

CDLAC awarded $1.14 billion in tax exempt bond financing authority provided by the Federal Housing Assistance Tax Act of 2008 (H.R. 3221). The Act aimed to aid the distressed housing market. With the federal allocation, CDLAC helped increase the availability of affordable multifamily rental housing, provide tax exempt bond financing authority to refinance subprime loans and allow first time homebuyers to purchase foreclosed properties. CDLAC adopted an expedited process to distribute the entire $1.14 billion in allocation in five months.

**HELP FOR VETERANS**

CDLAC in 2007 gave $190 million in allocation to the California Department of Veterans Affairs to expand tax exempt bond financing for home loans to all veterans, including those serving in Iraq and Afghanistan.

**FOR MORE INFORMATION CONTACT:**

California Debt Limit Allocation Committee
(916) 653 3255
www.treasurer.ca.gov/cdlac

California Tax Credit Allocation Committee
(916) 654 6340
www.treasurer.ca.gov/ctcac
ECONOMIC DEVELOPMENT

The State Treasurer’s Office stimulates statewide job growth and economic development through three entities: the California Industrial Development Financing Advisory Commission (CIDFAC), the California Pollution Control Financing Authority (CPCFA) and the California Tax Credit Allocation Committee (CTCAC).

**Building and Expanding Manufacturing Plants**
CIDFAC approval of industrial development bond (IDB) financing for 31 projects helped create 1,407 manufacturing jobs.

**Small Business Loans**
CPCFA loan guarantees for 1,223 small businesses helped create or preserve 4,846 jobs.

**Smart Growth Projects**
CPCFA approved 7 Smart Growth Community Grants to help cities and counties plan strategies to prevent blight and urban sprawl.

**Attract/Retain Companies in Urban Renewal Areas**
CTCAC Urban Renewal tax deductions created 450 jobs at 4 projects.

**Total**
**$378.5 Million**

**2007 and 2008**

**$226.63 Million**

**Highlights**

**Bringing Jobs Back to Oakdale** CIDFAC in May 2008 helped the town of Oakdale recover from the closure of the Hershey plant. CIDFAC approved $13.3 million in IDB financing for the Sconza Candy Co. to acquire and renovate the abandoned facility. The financing helped Sconza relocate its operations to Oakdale, bringing 250 much needed jobs to the town.

**Pioneer in Federal Credit Enhancement Program** CIDFAC approved a $9 million IDB deal for a project that became the first in California to use a new federal credit enhancement program. Pocino Foods Company used the proceeds to buy and install new meat processing equipment at its plant in the City of Industry. Under the new federal program, the Federal Home Loan Bank of San Francisco issued a stand by letter of credit on behalf of City National Bank to help Pocino secure the bond financing.

**For More Information Contact:**

The California Pollution Control Financing Authority
(916) 654 5610
www.treasurer.ca.gov/cpcfa

The California Tax Credit Allocation Committee
(916) 654 6340
www.treasurer.ca.gov/ctcac
GREEN INVESTMENTS
The State Treasurer’s Office is committed to keeping California’s environment clean and its economy thriving. That’s why many of the projects that come before the Office’s boards, commissions and authorities for financing must verify their environmental benefits.

The California Pollution Control Financing Authority (CPCFA) and the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) are most prominently involved with financing green projects. These projects focus on environmental cleanup, pollution reduction, energy efficiency and renewable energy generation.

Other financing authorities including the California Industrial Development Financing Advisory Commission (CIDFAC) and the California Tax Credit Allocation Committee (CTCAC) help produce environmental benefits. During their application and competitive scoring processes, CIDFAC and CTCAC reward projects that use sustainable building methods or create green jobs.

2007 and 2008

TAX EXEMPT BONDS FOR POLLUTION CONTROL $553 MILLION
CPCFA approved tax exempt bonds for 24 green projects that improved fuel efficiency, cleaned air and water, improved waste and recycling collection, and provided renewable energy equipment, among other benefits.

GREEN AFFORDABLE HOUSING PROJECTS $86 MILLION
CTCAC approved 4 projects that meet sustainable building standards under LEED (Leadership in Energy and Environmental Design), Green Communities or GreenPoint program guidelines.

ALTERNATIVE AND RENEWABLE ENERGY PROJECTS $20 MILLION
CAEATFA approved the issuance of clean renewable energy bonds for CalTrans to install photovoltaic solar panels in 70 of its buildings throughout the state. The projects will save taxpayers more than $1.5 million a year in energy costs.

BROWNFIELD CLEANUP $55.6 MILLION
CPCFA awarded nearly $54 million to 32 projects for brownfield cleanup under its CALReUSE Remediation program. The cleanup will pave the way for mixed use and residential developments that will create approximately 115,000 construction and permanent jobs and 32,000 housing units. CPCFA also approved 14 loans totaling approximately $1.7 million to assess contamination at brownfield sites under the CALReUSE Assessment Program.

TOTAL $701.5 MILLION

Highlights

PARTNERING TO IMPROVE AIR QUALITY CPCFA developed a new partnership with the California Air Resources Board (ARB) to provide loan assistance to off-highway diesel equipment operators. Using funds from ARB enforcement settlements, construction and other equipment in the Central Valley will be upgraded to meet air quality goals.

SOLAR POWER CTCAC financed the first all solar powered housing development in California with $465,629 in low income housing tax credits. Solara, a 56 unit development in the City of Poway represents a new milestone in green building. Developed by Community HousingWorks of San Diego, Solara earned a credit on its electricity bills in its first months of operation. This award-winning project exemplifies California’s commitment to fighting climate change.

CLEANUP CREATES HOUSING, JOBS The Sacramento railyard project was awarded a $5 million grant from CPCFA’s CALReUSE Remediation Program to assist in brownfield cleanup that will facilitate 197 housing units in an overall 12,000 unit mixed use complex. The development will create 19,000 permanent jobs and 2,800 annual construction jobs (for 20 years).

FIRST EVER GREEN MANUFACTURING CERTIFICATION CIDFAC in April 2007 approved $10 million in IDB financing for Contessa Premium Foods, Inc. to buy new food processing equipment for its manufacturing facility in Commerce. The facility became the world’s first frozen food manufacturing plant to win LEED certification from the U.S. Green Building Council.

SPURRING ZERO EMISSIONS CAEATFA approved a state sales tax exemption policy to encourage the production of zero emission vehicles in California.

FOR MORE INFORMATION CONTACT:
California Pollution Control Financing Authority (916) 654 5610
www.treasurer.ca.gov/cpcfa

California Tax Credit Allocation Committee (916) 654 6340
www.treasurer.ca.gov/ctcac

California Industrial Development Financing Advisory Commission (916) 653 3643
www.treasurer.ca.gov/cidfac

California Alternative Energy & Advanced Transportation Financing Authority (916) 651 8157
www.treasurer.ca.gov/caeatfa
Boards, Authorities and Commissions
the Treasurer Chairs

- California Alternative Energy & Advanced Transportation Financing Authority (CAEATFA)
- California Debt and Investment Advisory Commission (CDIAC)
- California Debt Limit Allocation Committee (CDLAC)
- California School Finance Authority (CSFA)
- California Educational Facilities Authority (CEFA)
- California Health Facilities Financing Authority (CHFFA)
- California Industrial Development Financing Advisory Commission (CIDFAC)
- California Pollution Control Financing Authority (CPCFA)
- California Tax Credit Allocation Committee (CTCAC)
- California Urban Waterfront Area Restoration Financing Authority (CUWARFA)
- Local Investment Advisory Board (LIAB)
- Pooled Money Investment Board (PMIB)
- ScholarShare Investment Board (SIB)