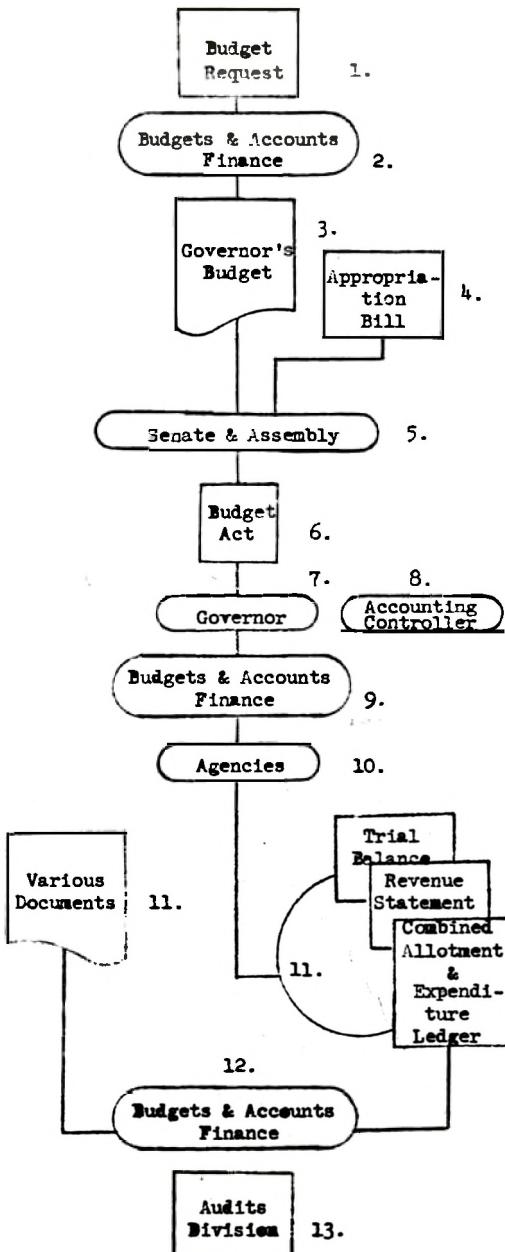


**Exhibit I**  
**MAJOR STEPS IN CALIFORNIA STATE BUDGET PROCESS**



1. Agencies submit to the Department of Finance, Division of Budgets and Accounts, detailed requests reporting expenditures and revenues for the last completed and current fiscal years and proposed expenditures and estimated revenues for the ensuing fiscal year. (Art. IV, Sec. 34, Constitution)
- 2., 3., & 4. The Division of Budgets and Accounts, Department of Finance, reviews the budget requests. The Department of Finance conducts agency hearings. At these hearings policies and requests of the agencies are discussed. Resulting therefrom, revisions upward or downward are made and the Governor's Budget is prepared. An appropriation bill covering such proposed expenditures as require legislative action is then prepared by the Division of Budgets and Accounts. (Art. IV, Sec. 34, Constitution)
5. The Governor's Budget, accompanied by the appropriation bill to be known as the Budget Bill, is sent to the Assembly and the Senate. The Budget Bill must be introduced immediately into each House of the Legislature by the respective chairman of the committees having to do with appropriation measures.
6. After the Budget Bill has been considered and passed by both Houses, it is forwarded to the Governor for signature. Amendments may be made by either House.
7. The Governor may veto the entire bill, or delete or amend downward individual items contained therein. He may not increase items. After approval of the Budget Bill by the Governor, it then becomes known as the Budget Act for the year.
8. The Controller establishes accounts by fund and agency for the various items contained in the Budget Act. (Ch. 5, Art. 2, Sec. 12412 of Gov. Code)
9. & 10. The Division of Budgets and Accounts, Department of Finance, forwards to agencies copies of the Budget Act, accompanied by a booklet containing a list of legislative and executive changes made in the Budget Bill as originally submitted. The agencies then establish their allotment ledgers in accordance with approval of the Department of Finance and within the limitations of the Budget Act. Such allotments are usually in accordance with line items set forth in the Governor's Budget.
11. (a) Personnel documents establishing new positions or changing an employee's classification require approval by the Division of Budgets and Accounts. The division determines the necessity of the position, the duties to be performed and funds availability.
- (b) Funds for service agreements and leases are verified by the Division of Budgets and Accounts before final action by the Director of Finance. Out-of-state travel must be approved by the Governor and Director of Finance. Certain other operating expenditure items are approved or disapproved by the Department of Finance in accordance with rules and regulations prescribed by the State Board of Control.
- (c) Equipment purchases, within certain dollar limitations, require prior review by the Division of Budgets and Accounts. Orders for specific types of printing also require such prior review.
12. Periodic financial statements, including trial balance, budget allotment, expenditure and revenue statements, are furnished the Division of Budgets and Accounts. These statements are reviewed to determine if agencies are operating within legislative limitations and allotment authorization.
13. The Department of Finance, Division of Audits, examines and audits the books of state agencies at least once each year, and as often as the Director of Finance deems necessary.