WHEREAS in the 1950s and 1960s, Californians made a phenomenal investment in the state’s highways, water supply systems, schools and universities providing the infrastructure that is now the foundation of the eighth largest economy in the world; and

WHEREAS in 1950s the state’s population was about 13 million, but is now approaching 38 million, and over the next two decades it will increase by another 23 percent; and

WHEREAS the infrastructure investments of a half century ago are showing their age and straining to support a vibrant economy and population much larger than they were designed to accommodate; and

WHEREAS a massive infusion of new infrastructure investment is necessary to ensure the state’s high quality of life and California’s position as a global economic powerhouse; and

WHEREAS on November 7, 2006 the people of California approved a $42.7 billion bond package to partially fund the first phase of an historic twenty-year California Strategic Growth Plan that is intended to build a prosperous future for our children and grandchildren; and

WHEREAS I am proposing an additional $43.3 billion of bond funding to complete the first phase of the Strategic Growth Plan; and

WHEREAS it is the obligation of state government to ensure that the foresight and commitment shown by the voters results in the high quality infrastructure future which they support; and

WHEREAS the essence of that obligation is for state government to be accountable to the people for how Strategic Growth Plan bond proceeds are spent; and

WHEREAS that accountability consists both of ensuring that bond expenditures contribute to long-lasting, meaningful improvements to critical infrastructure, and providing the public with readily accessible information about how the bonds they approved and are paying for are being spent.

NOW, THEREFORE, J. ARNOLD SCHWARZENEGGER, Governor of the State of California, by the virtue of the power and authority vested in me by the Constitution and laws of the State of California, do hereby issue this Executive Order to become effective immediately:

1. All agencies, departments, boards, offices, commissions and other entities of state government (hereinafter referred to “departments”) that are responsible for expending the proceeds of already authorized and future state general obligation bonds and lease revenue bonds shall be accountable for ensuring that those bond proceeds are expended in a manner consistent with the provisions of either the applicable bond act and the State General Obligation Bond Law or laws pertaining to state lease revenue bonds and all other applicable state and federal laws. In addition, departments shall be accountable for ensuring that bond proceeds are spent efficiently, effectively and in the best interests of the people of the State of California.
2. Each department shall establish and document a three-part accountability structure for the Strategic Growth Plan bond proceeds.

Front-End Accountability

Each department shall follow criteria or processes that will govern the expenditure of bond funds, and the outcomes that such expenditures are intended to achieve. Such criteria and outcomes must be defined in, or derived from, one or more of the following:

- Requirements of state or federal law.
- Regulations defining the basis upon which bond proceeds are to be allocated for a program administered by the department.
- A strategic plan for implementing the mission of the department or the pertinent program funded by bond proceeds. Such a strategic plan shall have been duly adopted by the executive officer or governing body of the department and be available to the public.
- A capital outlay program that identifies departmental infrastructure needs and delineates projects or strategies for addressing those needs. Such a program shall have been duly adopted by the executive officer or governing body of the department and be available to the public.
- Performance standards or outcome measures duly adopted by the executive officer or governing body of the department and available to the public.

All projects, grants, loans or other expenditures of bond proceeds must be made consistent with these criteria and processes. In addition, each department shall prepare a list of all projects, grants, loans or other activities funded from bond proceeds that will be made available to the public.

In-Progress Accountability

Each department shall document what ongoing actions it will take to ensure that the infrastructure projects or other permissible activities funded from bond proceeds are staying within the scope and cost that were identified when the decision was made to fund the project or activity. Each department shall make semi-annual reports to the Department of Finance (Finance) of these actions to ensure that the projects and activities funded from bond proceeds are being executed in a timely fashion and achieving their intended purposes.

Follow-Up Accountability

Department expenditures of bond proceeds shall be subject to audit to determine whether the expenditures made from bond proceeds:

- Were made according to the established front-end criteria and processes.
- Were consistent with all legal requirements.
- Achieved the intended outcomes.

Departments shall contract with Finance for the performance of these audits unless alternative audit arrangements are made with the concurrence of Finance.

3. By March 1, 2007, each department shall submit its three-part accountability structure as delineated in paragraph 2 above to Finance for review. Finance shall determine the reasonableness of the structure and ensure its consistency with this Executive Order. No department shall expend bond proceeds until Finance has determined that the department's plan is adequate. However, Finance may authorize a department to expend funds for up to four months prior to approval of its accountability structure in extraordinary cases for an established program for which bond proceeds are continuously appropriated by the terms of a bond measure, or when the necessity of a department's governing board meeting schedule will make the March 1 date an unattainable deadline.

4. Finance shall establish a web site to provide the public with readily accessible information on how proceeds of State general obligation bonds and lease revenue bonds are being utilized. The web site shall include:
The three part accountability structure for each department.

A listing of the projects, programs or other authorized activities being funded under the provisions of each general obligation bond act and a description of each project funded through State lease revenue bonds, and the amounts expended for each.

The ongoing in-progress actions being taken to ensure that bond-funded projects and activities are remaining within scope and cost.

The results of the completed projects, programs or other authorized activities funded from State general obligation and lease revenue bond proceeds.

Each department shall provide Finance the information necessary to support this website in the form and time frame determined by Finance.

IT IS FURTHER ORDERED that State agencies and departments shall cooperate in the implementation of this Order. Other entities of State government not under my direct executive authority, including the California Public Utilities Commission, the University of California, the California State University, California Community Colleges, constitutional officers, and legislative and judicial branches are requested to assist in its implementation.

This Order is not intended to, and does not, create any rights or benefits, substantive or procedural, enforceable at law or in equity, against the State of California, its departments, agencies, or other entities, its officers or employees, or any other person.

I FURTHER DIRECT that as soon as hereafter possible, this Order be filed in the Office of the Secretary of State and that widespread publicity and notice be given to this Order.

IN WITNESS WHEREOF I have hereunto set my hand and caused the Great Seal of the State of California to be affixed this 24th day of January 2007.

[Signature]
ARNO LD SCHWAR ZENEGGER
Governor of California

ATTEST:
[Signature]
DEBRA BOWEN
Secretary of State