

In the opinion of Bond Counsel to the State of California, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is exempt from State of California personal income taxes. See "TAX MATTERS."

\$2,581,595,000
STATE OF CALIFORNIA
GENERAL OBLIGATION BONDS

\$1,045,150,000 VARIOUS PURPOSE GENERAL OBLIGATION BONDS	\$1,536,445,000 VARIOUS PURPOSE GENERAL OBLIGATION REFUNDING BONDS

Dated: Date of Delivery**Due: See "SUMMARY OF THE OFFERING"**

The State of California (the "State") is issuing \$1,045,150,000 Various Purpose General Obligation Bonds (the "Construction Bonds") and \$1,536,445,000 Various Purpose General Obligation Refunding Bonds (the "Refunding Bonds," and together with the Construction Bonds, the "Bonds"), all bearing interest at fixed rates.

The Bonds are general obligations of the State to which the full faith and credit of the State is pledged. The principal of and interest on all State general obligation bonds, including the Bonds, are payable from any moneys in the General Fund of the State, subject under State law only to the prior application of such moneys to the support of the public school system and public institutions of higher education. See "AUTHORIZATION OF AND SECURITY FOR THE BONDS."

Interest on the Bonds is payable on March 1 and September 1 of each year, commencing March 1, 2024, at the respective rates per annum set forth in the "SUMMARY OF THE OFFERING" immediately following this cover page. Beneficial interests in the Bonds may be purchased in principal amounts of \$5,000 or any integral multiple thereof in book-entry form only. See "THE BONDS—General" and APPENDIX B—"THE BOOK-ENTRY ONLY SYSTEM."

Certain of the Bonds are subject to redemption prior to their respective stated maturity dates as described herein. See "THE BONDS—Redemption."

This cover page contains certain information for general reference only. It is not a summary of the security or terms of the Bonds. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

**MATURITIES, PRINCIPAL AMOUNTS,
INTEREST RATES, YIELDS AND CUSIPS**
(See "SUMMARY OF THE OFFERING")

The Bonds are offered when, as and if issued by the State and received by the Underwriters, subject to the approval of validity by the Honorable Rob Bonta, Attorney General of the State of California, and by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the State. Orrick, Herrington & Sutcliffe LLP and Nixon Peabody LLP are serving as Co-Disclosure Counsel to the State with respect to the Bonds. Orrick, Herrington & Sutcliffe LLP and Stradling Yocca Carlson & Rauth, a Professional Corporation, are serving as Co-Disclosure Counsel to the State regarding Appendix A. Certain matters will be passed upon for the Underwriters by their counsel, Katten Muchin Rosenman LLP. Public Resources Advisory Group is serving as the Municipal Advisor to the State with respect to the Bonds. The Bonds are expected to be available for delivery through the facilities of The Depository Trust Company on or about September 14, 2023.

HONORABLE FIONA MA
Treasurer of the State of California

Citigroup
(Joint Senior Manager)

Academy Securities
Barclays
D.A. Davidson & Co.
Hilltop Securities
Loop Capital Markets
Ramirez & Co., Inc.
Stern Brothers & Co.
U.S. Bancorp Investments, Inc.

Blaylock Van, LLC
(Co-Senior Manager)

Alamo Capital
BofA Securities
Goldman Sachs & Co. LLC
J.P. Morgan
Mischler Financial Group, Inc.
Raymond James
Stifel
UBS

RBC Capital Markets
(Joint Senior Manager)

Bancroft Capital, LLC
Cabrera Capital Markets, LLC
Great Pacific Securities
Jefferies
Morgan Stanley
Siebert Williams Shank & Co., LLC
TD Securities
Wells Fargo Corporate & Investment Banking

SUMMARY OF THE OFFERING

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS[†]

\$1,045,150,000 STATE OF CALIFORNIA VARIOUS PURPOSE GENERAL OBLIGATION BONDS

Base CUSIP[†] 13063D:

Maturity Date (September 1)	Principal Amount	Interest Rate	Yield	CUSIP [†] Suffix
2026	\$47,885,000	5.000%	3.080%	4Y1
2033	114,780,000	5.000	3.110	4Z8
2034	78,285,000	5.000	3.180 ^C	5A2
2035	36,315,000	5.000	3.280 ^C	5B0
2036	116,990,000	5.000	3.400 ^C	5C8
2037	122,990,000	5.000	3.510 ^C	5D6
2038	129,290,000	5.000	3.610 ^C	5E4
2053	398,615,000	5.250	4.110 ^C	5F1

^C Priced to September 1, 2033 call date at par.

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (CGS), which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers have been assigned by an independent company not affiliated with the State and are included solely for the convenience of the registered owners of the applicable Bonds. Neither the State nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

\$1,536,445,000
STATE OF CALIFORNIA
VARIOUS PURPOSE GENERAL OBLIGATION REFUNDING BONDS
Base CUSIP[†] 13063D:

Maturity Date (September 1)	Principal Amount	Interest Rate	Yield	CUSIP [†] Suffix
2024	\$255,080,000	5.000%	3.230%	5G9
2025	132,690,000	5.000	3.140	5H7
2026	78,670,000	5.000	3.080	5J3
2027	96,085,000	5.000	3.030	5K0
2028	133,630,000	5.000	3.030	5L8
2029	88,225,000	5.000	3.030	5M6
2030	95,100,000	5.000	3.030	5N4
2031	31,525,000	5.000	3.060	5P9
2032	20,280,000	5.000	3.080	5Q7
2043	325,000,000	4.000	4.170	5S3
2043	280,160,000	5.000	3.890 ^C	5R5

^C Priced to September 1, 2033 call date at par.

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No dealer, broker, salesperson or other person has been authorized by the State or the Underwriters to give any information or to make any representations with respect to the State or the Bonds other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing.

The information set forth herein has been obtained from sources that are believed to be reliable. Estimates and opinions are included and should not be interpreted as statements of fact. Summaries of documents do not purport to be complete statements of their provisions and such summaries are qualified by references to the entire contents of the summarized documents. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made by use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the State since the date hereof.

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with, and may be obtained from, the Electronic Municipal Market Access website of the Municipal Securities Rulemaking Board, currently located at <http://emma.msrb.org>. The information contained on such website is not part of this Official Statement and is not incorporated herein.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED IN THE "SUMMARY OF THE OFFERING" IMMEDIATELY FOLLOWING THE FRONT COVER PAGE HEREOF, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

THE BONDS WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY, AND THE FOREGOING AUTHORITIES HAVE NEITHER REVIEWED NOR CONFIRMED THE ACCURACY OF THIS DOCUMENT.

A wide variety of other information concerning the State, including financial information, is available from State agencies, State agency publications and State agency websites. Such information includes websites operated by the State Department of Finance, the State Controller's

Office and the State Treasurer's Office. None of such websites or information, nor any website mentioned in this Official Statement, is part of this Official Statement or incorporated by reference into this Official Statement, whether or not the address for such website appears as an active hyperlink. No website mentioned in this Official Statement is intended to be an active hyperlink. Readers should not rely upon information other than that provided in this Official Statement, including information presented on any such website, in determining whether to purchase the Bonds.

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OFFICIAL STATEMENT
\$2,581,595,000
STATE OF CALIFORNIA
GENERAL OBLIGATION BONDS

\$1,045,150,000
VARIOUS PURPOSE
GENERAL OBLIGATION BONDS

\$1,536,445,000
VARIOUS PURPOSE
GENERAL OBLIGATION REFUNDING
BONDS

INTRODUCTION

This Introduction contains only a brief summary of the terms of the above-captioned Bonds and a brief description of this Official Statement. A full review should be made of the entire Official Statement, including the Appendices. Summaries of provisions of the Constitution and laws of the State of California (the “State”) or any other documents referred to in this Official Statement do not purport to be complete and such summaries are qualified in their entirety by references to the complete provisions.

Description of the Bonds

This Official Statement describes \$2,581,595,000 aggregate principal amount of (i) various purpose general obligation bonds to be issued by the State in the aggregate principal amount of \$1,045,150,000 (the “Construction Bonds”) and (ii) various purpose general obligation refunding bonds to be issued by the State in the aggregate principal amount of \$1,536,445,000 (the “Refunding Bonds” and, together with the Construction Bonds, the “Bonds”). The Bonds are described further below under “THE BONDS.” The Bonds will be registered in the name of a nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Beneficial interests in the Bonds may be purchased in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. See “THE BONDS—General” and APPENDIX B—“THE BOOK-ENTRY ONLY SYSTEM.”

The issuance of each series of Bonds is authorized by the related general obligation bond act identified in Exhibit 1 to this Official Statement (“Exhibit 1”) (each a “Bond Act,” and collectively, the “Bond Acts”) approved by the voters of the State and by a resolution of the applicable finance committee designated under such Bond Act (each, a “Resolution,” and collectively, the “Resolutions”). On any debt service payment date, all general obligation bonds, including the Bonds, have an equal claim on moneys then in the General Fund of the State Treasury (the “General Fund”) for payment of debt service.

Plan of Finance

Proceeds of the Construction Bonds will be used to: (i) fund projects under certain of the Bond Acts identified in Exhibit 1, (ii) pay certain of the State’s outstanding general obligation commercial paper notes (“CP Notes”) that were initially issued to finance projects under certain

of the Bond Acts identified in Exhibit 1 as they mature, and (iii) pay certain costs of issuance of the Construction Bonds.

Proceeds of the Refunding Bonds will be used to: (i) refund certain of the State's outstanding general obligation bonds for debt service savings, and (ii) pay certain costs of issuance of the Refunding Bonds. See "THE BONDS—Plan of Refunding."

Upcoming General Obligation Bond Sales

In addition to the Bonds described in this Official Statement, the State currently expects to issue additional general obligation bonds before December 1, 2023. The timing and the principal amount of any sale or issuance of additional general obligation bonds and the refunding of any outstanding general obligation bonds are all subject to change based upon legal, market and other factors. For information about future issuance plans, see APPENDIX A— "THE STATE OF CALIFORNIA – STATE INDEBTEDNESS AND OTHER OBLIGATIONS—Future Issuance Plans; General Fund Debt Ratio."

Security and Source of Payment for the Bonds

The principal of and interest on all State general obligation bonds, including the Bonds, are payable from any moneys in the General Fund, subject under State law only to the prior application of moneys in the General Fund to the support of the public school system and public institutions of higher education. See "AUTHORIZATION OF AND SECURITY FOR THE BONDS—Security." Also see APPENDIX A—"THE STATE OF CALIFORNIA—STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—The General Fund" and "—STATE INDEBTEDNESS AND OTHER OBLIGATIONS—Capital Facilities Financing—*General Obligation Bonds*."

Redemption of Bonds

Certain of the Bonds are subject to redemption prior to their respective stated maturity dates as described herein. See "THE BONDS—Redemption."

Information Concerning the State General Fund

Certain information about the financial condition of the General Fund, and other information concerning the State, is provided in APPENDIX A—"THE STATE OF CALIFORNIA." Investors should review the entire Appendix A.

Information Related to this Official Statement

The information set forth herein has been obtained from official sources that are believed to be reliable, but such information is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder or any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the State since the date hereof.

All financial and other information presented or incorporated by reference in this Official Statement has been provided by the State from its records, except for information expressly attributed to other sources. The presentation of historic information, including tables of receipts from taxes and other revenues, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the State. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future. Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements attained to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Any statements made in this Official Statement involving matters of opinion, whether expressly stated or not, are set forth as such and not as representations of fact.

A wide variety of other information concerning the State, including financial information, is available from State agencies, State agency publications and State agency websites. Such information includes websites operated by the State Department of Finance, the State Controller’s Office and the State Treasurer’s Office. None of such websites or information, nor any website mentioned in this Official Statement, is part of this Official Statement or incorporated by reference into this Official Statement, whether or not the address for such website appears as an active hyperlink. No website mentioned in this Official Statement is intended to be an active hyperlink. Readers should not rely upon information other than that provided in this Official Statement, including information presented on any such website, in determining whether to purchase the Bonds.

The information in APPENDIX B— “THE BOOK-ENTRY ONLY SYSTEM” regarding DTC and its book-entry system has been furnished by DTC and no representation is made by the State or the Underwriters as to the accuracy or completeness of such information.

This Official Statement does not constitute an offer to sell the Bonds or the solicitation of an offer to buy, nor shall there be any sale of, the Bonds by any person in any state or other jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale in such state or jurisdiction.

AUTHORIZATION OF AND SECURITY FOR THE BONDS

Authorization

The issuance of each series of Bonds is authorized by the related Bond Act identified in Exhibit 1 approved by the voters of the State and by the related Resolution. Each Bond Act and the State General Obligation Bond Law in Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the California Government Code, as incorporated by reference into each Bond Act, provide for the authorization, sale, issuance, use of proceeds, repayment and refunding of the related series of Bonds.

The Construction Bonds identified on Exhibit 1 as Series AT (the “High-Speed Rail Construction Bonds Series AT”) issued pursuant to the Safe, Reliable, High-Speed Passenger Train Bond Act for the 21st Century are also being issued pursuant to a resolution of the High-Speed Passenger Train Finance Committee (the “High-Speed Rail Resolution”) that was the subject of a final judgment by the Superior Court of the State for Sacramento County in a validation action brought under Section 860 et seq. of the California Code of Civil Procedure (the “Validation Judgment”). Pursuant to the Validation Judgment, bonds, including the High-Speed Rail Construction Bonds Series AT, when executed and delivered pursuant to the High-Speed Rail Resolution, constitute valid and binding general obligations of the State. See “VALIDATION ACTION RELATED TO HIGH-SPEED PASSENGER TRAIN BONDS.”

Security

The Bonds are general obligations of the State, and each series of the Bonds is payable in accordance with the applicable Bond Act and Resolution out of the General Fund, subject under State law only to the prior application of moneys in the General Fund to the support of the public school system and public institutions of higher education. Each Bond Act provides that the State will collect annually in the same manner and at the same time as it collects other State revenue an amount sufficient to pay principal of and interest on the related series of Bonds in that year. Each Bond Act also contains a continuing appropriation from the General Fund of the sum annually necessary to pay the principal of and interest on the related series of Bonds as they become due and payable. No further appropriation by the Legislature is required to pay the principal of and interest on the Bonds. Under the State Constitution, the appropriation to pay the principal of and interest on the Bonds as set forth in the Bond Acts cannot be repealed until the principal of and interest on the related Bonds are paid and discharged.

Each Bond Act provides that the bonds issued thereunder shall be and shall constitute a valid and binding obligation of the State, and the full faith and credit of the State is pledged for the punctual payment of the principal of, and interest on, the bonds as the principal and interest become due and payable. The pledge of the full faith and credit of the State alone does not create a lien on any particular moneys in the General Fund or any other assets of the State, but is an undertaking by the State to be irrevocably obligated in good faith to use its taxing powers as may be required for the full and prompt payment of the principal of and interest on all general obligation bonds as they become due. The only provision of the State Constitution that creates a higher priority for any State fiscal obligation is a provision directing that from all State revenues there will first be set apart the moneys to be applied by the State for the support of the public school system and public institutions of higher education. In the past when cash resources in the General Fund have been constrained, State officials have worked within their powers granted by State law to manage cash resources to ensure that payments to public schools and universities and for general obligation debt service would be made. On any debt service payment date, all general obligation bonds have an equal claim on moneys then in the General Fund for payment of debt service. See APPENDIX A—“THE STATE OF CALIFORNIA—CASH MANAGEMENT” and “—STATE INDEBTEDNESS AND OTHER OBLIGATIONS—Capital Facilities Financing—*General Obligation Bonds*.”

The Bonds are general obligations of the State, and holders of the Bonds do not assume any specific project risk related to any of the projects to be financed or refinanced.

Remedies

Under each Resolution, it is an event of default of the State to fail to pay or cause to be paid, when due, principal of or interest or premium on any Bond issued pursuant thereto or to declare a moratorium on the payment of, or to repudiate, any such Bond.

The Resolutions do not contain any provision providing for the acceleration of the Bonds. Each Resolution states that in the case that one or more events of default occurs, then, and in every such case, the registered Bondholder is entitled to proceed to protect and enforce such registered Bondholder's rights by such appropriate judicial proceeding as such registered Bondholder deems most effectual to protect and enforce any such right, whether by mandamus or other suit or proceeding at law or in equity, for the specific performance of any covenant or agreement contained therein, or in aid of the exercise of any power granted therein, or to enforce any other legal or equitable right vested in the registered Bondholders by the Resolution or the Bonds or by law. Beneficial owners of the Bonds (the "Beneficial Owners") cannot protect and enforce such rights except through the registered Bondholder. See "THE BONDS—General" and APPENDIX B—"THE BOOK-ENTRY ONLY SYSTEM."

Since the State has never failed to make a debt service payment on any general obligation bond when due, the exact steps that would be taken, or the remedies available to Bondholders, have never been tested. There are no cross-default provisions among general obligation bonds, so any default with respect to any particular issue of bonds would not provide any remedy to holders of other bonds that are not affected. The State is not eligible to file for protection under the federal bankruptcy laws.

THE BONDS

General

The Bonds will be registered in the name of a nominee of DTC, which will act as securities depository for the Bonds. Beneficial interests in the Bonds may be purchased in book-entry form only in denominations of \$5,000 or any integral multiple thereof.

The Bonds will be dated and accrue interest from the date of their delivery, and will mature on the dates and in the amounts set forth in the "SUMMARY OF THE OFFERING" immediately following the front cover page hereof. Interest on the Bonds will be calculated on the basis of a 360-day year comprising twelve 30-day months. Interest on the Bonds is payable on March 1 and September 1 in each year, commencing on March 1, 2024, at the rates shown in the "SUMMARY OF THE OFFERING" immediately following the front cover page hereof to the owner as of the record date. The record date for the payment of interest on the Bonds is the close of business on the 15th day of the month immediately preceding an interest payment date, whether or not the record date falls on a Business Day. If any payment on the Bonds is due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and no interest will accrue as a result. "Business Day" means any day other than a Saturday, a Sunday, a State holiday or any other day determined not to constitute a Business Day pursuant to the book-entry only system of DTC. Certain State holidays may fall on days that are not banking holidays and can vary from year to year.

Principal and interest (including the redemption price, if any) is payable by the State Treasurer directly to DTC on behalf of the State. Upon receipt of payments of principal and interest, DTC is to in turn remit such principal and interest to the Direct Participants (as defined in Appendix B) in DTC for disbursement by the Direct Participants or Indirect Participants (as defined in Appendix B) (collectively, “Participants”) to the Beneficial Owners of the Bonds, all in accordance with DTC’s procedures.

Neither the State Treasurer nor the Underwriters can give any assurance that DTC will distribute to Direct Participants, or that Participants or others will distribute to the Beneficial Owners, payment of principal of and interest on the Bonds paid or any redemption or other notices or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the State Treasurer nor the Underwriters are responsible or liable for the failure of DTC or any Participant to make any payments or to give any notice to a Beneficial Owner with respect to the Bonds or for any error or delay relating thereto. See APPENDIX B—“THE BOOK-ENTRY ONLY SYSTEM.”

The information in APPENDIX B—“THE BOOK-ENTRY ONLY SYSTEM” regarding DTC and its book-entry system has been furnished by DTC. No representation is made by the State or the Underwriters as to the accuracy or completeness of such information.

Except as otherwise expressly set forth herein, the terms of each series of Bonds are substantially identical. The State may assign each maturity of the Bonds reflected in the “SUMMARY OF THE OFFERING” to one or more Bond Acts, rather than having all of the Bonds mature proportionally by Bond Act across the entire maturity schedule.

Proceeds of the Bonds may not be borrowed for cash flow management or other budgetary purposes.

Identification, Authorization and Purposes of the Bonds

Construction Bonds. The Construction Bonds are being issued to: (i) fund projects under certain of the Bond Acts identified in Exhibit 1, (ii) pay certain CP Notes that were initially issued to finance projects under certain of the Bond Acts identified in Exhibit 1 as they mature, and (iii) pay certain costs of issuance of the Construction Bonds. The CP Notes to be repaid with the proceeds of the Construction Bonds will be repaid within 90 days after the issuance of the Construction Bonds. The Construction Bonds are being issued as separate series under separate Bond Acts, each authorized by the voters, as set forth in Exhibit 1. Proceeds of the Construction Bonds will be used to finance or refinance capital facilities or other voter approved projects or costs related to the public purpose of the applicable Bond Act. The public purpose of each Bond Act is generally described in Exhibit 1.

Refunding Bonds. The Refunding Bonds are being issued to (i) refund certain of the State’s outstanding general obligation bonds for debt service savings, and (ii) pay certain costs of issuance of the Refunding Bonds. The Refunding Bonds are being issued as separate series under separate Bond Acts, each authorized by the voters, as set forth in Exhibit 1. Proceeds of the Refunding Bonds will be used to refund certain of the State’s outstanding general obligation bonds (the “Refunded Bonds”) that were issued to finance or refinance capital facilities or other voter

approved projects or costs related to the public purpose of the applicable Bond Act. The public purpose of each Bond Act is generally described in Exhibit 1.

Plan of Refunding

The State will deposit a portion of the net proceeds of the sale of the Refunding Bonds in the amount of \$1,611,003,306.86 into a separate account (the “Refunding Escrow Account”) within the refunding escrow fund of the State Treasury established pursuant to Section 16784 of the California Government Code (the “Refunding Escrow Fund”) to refund the Refunded Bonds in an aggregate principal amount of \$1,591,485,000, to pay interest on the Refunded Bonds when due, and to redeem the Refunded Bonds on their redemption date set forth in Exhibit 2 to this Official Statement (“Exhibit 2”). Amounts held in the Refunding Escrow Account will be invested in United States Treasury Securities, or the State Surplus Money Investment Fund, which is a portion of the State’s Pooled Money Investment Account, described in APPENDIX A—“THE STATE OF CALIFORNIA—INVESTMENT OF STATE FUNDS,” or other permitted investments, or held as cash. See “VERIFICATION.”

Proceeds of the Refunding Bonds deposited in the Refunding Escrow Account will be irrevocably dedicated to pay the interest on the Refunded Bonds when due and principal of, premium, if any, and interest on the Refunded Bonds on their redemption date and may only be used for payment of debt service on the Refunded Bonds. Any proceeds of the Refunding Bonds in excess of the amount necessary to pay the Refunded Bonds may be used for certain expenses associated with the issuance of the Refunding Bonds and for other purposes permitted under Section 16782 of the California Government Code.

Exhibit 2 details the principal amounts, maturity dates, interest rates, redemption date and redemption prices of the bonds to be refunded.

Redemption

Optional Redemption. The Bonds maturing on or before September 1, 2033 are not subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after September 1, 2034 are subject to optional redemption prior to their respective stated maturity dates, in whole or in part, in such order of maturity as may be designated by the State Treasurer and by lot within any maturity, on any date on or after September 1, 2033, at a redemption price equal to 100% of the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

Notice of Redemption. When any of the Bonds are to be redeemed, the State Treasurer is to give notice of redemption by mail and/or mutually acceptable electronic means only to DTC (not to the Beneficial Owners of the applicable Bonds) not less than 20 or more than 60 days prior to the date fixed for redemption. DTC, in turn, is to send the notice of redemption to its Participants for distribution to the Beneficial Owners of the Bonds in accordance with its procedures. See APPENDIX B— “THE BOOK-ENTRY ONLY SYSTEM.” The notice from the State Treasurer will state the date of such notice, that the applicable Bonds or a designated portion thereof (in the case of partial redemption of a Bond) are to be redeemed, the dated date of the Bonds to be redeemed, the date fixed for redemption, the maturities of the Bonds to be redeemed, the

redemption price, the place of redemption, the principal amount, the CUSIP numbers (if any) of the Bonds to be redeemed and, if less than all of the Bonds are to be redeemed and no CUSIP numbers are thereon, the distinctive certificate numbers of the Bonds to be redeemed. The notice will also state that after the date fixed for redemption no further interest will accrue on the principal of any Bonds called for redemption. Notice of redemption shall be provided to the Electronic Municipal Market Access (“EMMA”) website of the Municipal Securities Rulemaking Board (“MSRB”), currently located at <http://emma.msrb.org>, or any successor thereto. Notice of optional redemption may be cancelled in whole or in part by the State Treasurer upon written notice no later than five Business Days prior to the date fixed for redemption given in the same manner and to the same persons as notice of redemption.

Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price being held by the State Treasurer, the Bonds so called for redemption shall, on the redemption date designated in such notice, become due and payable at the redemption price specified in such notice, interest on the Bonds so called for redemption shall cease to accrue and the holders of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof (including interest, if any, accrued to the redemption date).

Amendments to Resolutions or Bonds

The State or the State Treasurer may at any time modify or amend any of the Resolutions, including any supplemental certificates thereto setting forth the terms of the Bonds, with respect to any outstanding Bonds and may amend such outstanding Bonds and the rights and obligations of the Bondholders of such outstanding Bonds and of the State, without notice to or the consent of any Bondholder, but only to make such provisions for the purpose of (i) curing any ambiguity or curing, correcting or supplementing any defective provision contained in a Resolution or (ii) complying with requirements of the Internal Revenue Code of 1986, as amended (the “Code”), in order to satisfy the covenants of the State set forth in each Resolution relating to maintaining the tax exemption of interest on the Bonds; in each case as the applicable finance committee or the State Treasurer, respectively, may deem necessary or desirable, and which shall not adversely affect the interests of the Bondholders of the affected Bonds.

Future Refunding of the Bonds

Pursuant to the Bond Acts and the provisions of California Government Code Section 16780 *et seq.* (the “Refunding Law”), refunding bonds may be issued to refund Bonds at or prior to their stated maturity dates. Pursuant to Section 16784 of the Refunding Law, the proceeds of such refunding bonds and other funds as described therein must be deposited into the Refunding Escrow Fund and invested in Permitted Investments (defined below) or held uninvested. The amounts deposited in the Refunding Escrow Fund can be used only for the payment of the principal of, premium, if any, and interest on the refunded Bonds as they come due and for other purposes set forth in Section 16782 of the Government Code, including payment of costs of issuance of the refunding bonds. A separate account or accounts will be created within the Refunding Escrow Fund for each issue of refunding bonds.

“Permitted Investments” means (i) bonds or interest-bearing notes or obligations of the United States, or those for which the faith and credit of the United States is pledged for the payment of principal and interest, including receipts, certificates or any other evidences of an ownership interest in the investments identified in this clause (i) or in specified portions thereof; (ii) bonds or interest-bearing notes or obligations that are guaranteed as to principal and interest by a federal agency of the United States; (iii) pre-refunded municipal bonds which are rated no lower than the investments identified in clause (i) by each rating agency rating such bonds; (iv) bonds, consolidated bonds, collateral trust debentures, consolidated debentures or other obligations issued by federal land banks or federal intermediate credit banks established under the Federal Farm Loan Act, as amended; debentures and consolidated debentures issued by the Central Bank for Cooperatives and banks for cooperatives established under the Farm Credit Act of 1933, as amended; bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act; bonds, debentures and other obligations of the Federal National Mortgage Association established under the National Housing Act as amended and bonds of any federal home loan bank established under that act; obligations of the Federal Home Loan Mortgage Corporation; bonds, notes and other obligations issued by the Tennessee Valley Authority under the Tennessee Valley Authority Act as amended; and bonds, notes and other obligations guaranteed by the Commodity Credit Corporation for the export of California agricultural products under the Commodity Credit Corporation Charter Act as amended, provided, however that the Permitted Investments specified in this clause (iv) shall be rated by at least two of any three rating agencies rating such obligations not lower than the higher of (1) the rating on the Bonds to be refunded at the time of the original issuance thereof and (2) the rating on the Bonds to be refunded at the time of refunding; or (v) deposit in the State Surplus Money Investment Fund.

In any refunding for which proceeds of refunding bonds (and other funds, if any) are deposited into the Refunding Escrow Fund for payment of Bonds greater than 90 days prior to the date of retirement of such Bonds, unless the moneys on deposit are held in the State Surplus Money Investment Fund or as uninvested cash or both and are sufficient to pay when due all of the principal, premium, if any, and interest on such refunded Bonds until maturity or the date fixed for redemption without accounting for investment earnings thereon, the State Treasurer is required to obtain a report from a firm of independent public accountants verifying the sufficiency of such deposit.

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ANNUAL DEBT SERVICE REQUIREMENTS

Construction Bonds. The following table sets forth the scheduled amounts of principal, interest and fiscal year total debt service payments due on the Construction Bonds.

Fiscal Year Ended June 30	Principal	Interest	Fiscal Year Total Debt Service
2024	—	\$ 24,703,956.29	\$ 24,703,956.29
2025	—	53,254,037.50	53,254,037.50
2026	—	53,254,037.50	53,254,037.50
2027	\$ 47,885,000	52,056,912.50	99,941,912.50
2028	—	50,859,787.50	50,859,787.50
2029	—	50,859,787.50	50,859,787.50
2030	—	50,859,787.50	50,859,787.50
2031	—	50,859,787.50	50,859,787.50
2032	—	50,859,787.50	50,859,787.50
2033	—	50,859,787.50	50,859,787.50
2034	114,780,000	47,990,287.50	162,770,287.50
2035	78,285,000	43,163,662.50	121,448,662.50
2036	36,315,000	40,298,662.50	76,613,662.50
2037	116,990,000	36,466,037.50	153,456,037.50
2038	122,990,000	30,466,537.50	153,456,537.50
2039	129,290,000	24,159,537.50	153,449,537.50
2040	—	20,927,287.50	20,927,287.50
2041	—	20,927,287.50	20,927,287.50
2042	—	20,927,287.50	20,927,287.50
2043	—	20,927,287.50	20,927,287.50
2044	—	20,927,287.50	20,927,287.50
2045	—	20,927,287.50	20,927,287.50
2046	—	20,927,287.50	20,927,287.50
2047	—	20,927,287.50	20,927,287.50
2048	—	20,927,287.50	20,927,287.50
2049	—	20,927,287.50	20,927,287.50
2050	—	20,927,287.50	20,927,287.50
2051	—	20,927,287.50	20,927,287.50
2052	—	20,927,287.50	20,927,287.50
2053	—	20,927,287.50	20,927,287.50
2054	398,615,000	10,463,643.75	409,078,643.75
Total	\$1,045,150,000	\$1,014,418,062.54	\$2,059,568,062.54

Refunding Bonds. The following table sets forth the scheduled amounts of principal, interest and fiscal year total debt service payments due on the Refunding Bonds.

Fiscal Year Ended June 30	Principal	Interest	Fiscal Year Total Debt Service
2024	—	\$ 34,129,349.31	\$ 34,129,349.31
2025	\$ 255,080,000	67,195,250.00	322,275,250.00
2026	132,690,000	57,501,000.00	190,191,000.00
2027	78,670,000	52,217,000.00	130,887,000.00
2028	96,085,000	47,848,125.00	143,933,125.00
2029	133,630,000	42,105,250.00	175,735,250.00
2030	88,225,000	36,558,875.00	124,783,875.00
2031	95,100,000	31,975,750.00	127,075,750.00
2032	31,525,000	28,810,125.00	60,335,125.00
2033	20,280,000	27,515,000.00	47,795,000.00
2034	—	27,008,000.00	27,008,000.00
2035	—	27,008,000.00	27,008,000.00
2036	—	27,008,000.00	27,008,000.00
2037	—	27,008,000.00	27,008,000.00
2038	—	27,008,000.00	27,008,000.00
2039	—	27,008,000.00	27,008,000.00
2040	—	27,008,000.00	27,008,000.00
2041	—	27,008,000.00	27,008,000.00
2042	—	27,008,000.00	27,008,000.00
2043	—	27,008,000.00	27,008,000.00
2044	605,160,000	13,504,000.00	618,664,000.00
Total	\$1,536,445,000	\$709,439,724.31	\$2,245,884,724.31

For additional information regarding the debt service payment obligations of the State, see APPENDIX A—“THE STATE OF CALIFORNIA—STATE DEBT TABLES.”

LEGAL MATTERS

The opinion of the Honorable Rob Bonta, Attorney General of the State (the “Attorney General”), approving the validity of the Bonds will be delivered concurrently with the issuance of the Bonds. The opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the State (“Bond Counsel”), approving the validity of the Bonds and addressing certain tax matters will be delivered concurrently with the issuance of the Bonds. The proposed forms of such legal opinions are set forth in APPENDIX D—“PROPOSED FORMS OF LEGAL OPINIONS.” Orrick, Herrington & Sutcliffe LLP and Nixon Peabody LLP are serving as Co-Disclosure Counsel to the State with respect to the Bonds (“Bond Co-Disclosure Counsel”). Orrick, Herrington & Sutcliffe LLP and Stradling Yocca Carlson and Rauth, a Professional Corporation, are serving as Co-Disclosure Counsel to the State regarding Appendix A (“Appendix A Co-Disclosure Counsel”). Certain legal matters will be passed upon for the Underwriters by their counsel, Katten Muchin Rosenman LLP (“Underwriters’ Counsel”).

The Attorney General, Bond Counsel, Bond Co-Disclosure Counsel, Appendix A Co-Disclosure Counsel and Underwriters' Counsel, undertake no responsibility for the accuracy, completeness or fairness of this Official Statement.

TAX MATTERS

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that, for tax years beginning after December 31, 2022, interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX D—"PROPOSED FORMS OF LEGAL OPINIONS."

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and exempt from State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial

Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The State has made certain representations and covenanted to comply with certain restrictions, conditions, and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state, or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the State, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The State has covenanted, however, to comply with the requirements of the Code.

Unless separately engaged, Bond Counsel is not obligated to defend the State or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, Beneficial Owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review

in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the State legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues, may affect the market price for, or the marketability of, the Bonds, and may cause the State or the Beneficial Owners to incur significant expense.

Payments on the Bonds generally will be subject to U.S. information reporting and possibly to “backup withholding.” Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Bonds may be subject to backup withholding with respect to “reportable payments,” which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number (“TIN”) to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a “notified payee underreporting” described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner’s federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

LITIGATION

There is not now pending (with service of process on the State having been accomplished) or threatened any litigation seeking to restrain or enjoin the sale, issuance, execution or delivery of the Bonds or challenging the validity of the Bonds or any proceedings of the State taken with respect to the foregoing.

There are numerous litigation matters pending against the State, which could, if determined adversely to the State, affect the State’s expenditures and, in some cases, its revenues and cash flow. While there can be no assurances as to the ultimate resolution and fiscal impact of such litigation, the State believes that the resolutions of such litigation are unlikely to adversely affect the ability of the State to pay the principal of and interest on the Bonds when due. See APPENDIX A—“THE STATE OF CALIFORNIA— LITIGATION.”

VALIDATION ACTION RELATED TO HIGH-SPEED PASSENGER TRAIN BONDS

The State filed a complaint pursuant to Section 860 et seq. of the California Code of Civil Procedure seeking, among other things, judicial validation of the issuance and sale of all bonds under the High-Speed Rail Resolution. On January 15, 2015, following an appeal and denial of review by the California Supreme Court, judgment was rendered by the Superior Court finding, among other things, that bonds, notes and refunding bonds issued under the High-Speed Rail Resolution (which bonds include the High-Speed Rail Construction Bonds Series AT), when executed and delivered, will constitute valid and binding general obligations of the State (this

judgment is referred to herein as the “Validation Judgment”). On February 15, 2015, the Validation Judgment became binding and conclusive in accordance with California law. The approving opinions of Bond Counsel and the Attorney General rely on, among other things, the Validation Judgment. See APPENDIX D—“PROPOSED FORMS OF LEGAL OPINIONS.”

UNDERWRITING

The Bonds are being purchased by an underwriting group consisting of the underwriters listed on the cover page hereof (the “Underwriters”). Citigroup Global Markets Inc. and RBC Capital Markets, LLC are acting as the representatives of the Underwriters with respect to the Bonds.

The Underwriters have agreed to purchase the Bonds for an aggregate purchase price of \$2,775,793,981.57 (representing the principal amount of the Bonds of \$2,581,595,000.00, plus net original issue premium of \$199,841,811.15, less an Underwriters’ discount of \$5,642,829.58). The initial public offering prices of the Bonds may be changed from time to time by the Underwriters.

The bond purchase contract relating to the Bonds (the “Bond Purchase Contract”) provides that (i) the Underwriters will purchase all (but not less than all) of the Bonds, and (ii) the obligations to make such purchases are subject to certain terms and conditions set forth in such Bond Purchase Contract including, among others, the approval of certain legal matters by counsel.

Several of the Underwriters have provided letters to the State Treasurer relating to their distribution practices or other affiliations for inclusion in this Official Statement, which are set forth in Appendix E. The State does not guarantee the accuracy or completeness of the information contained in such letters and the information therein is not to be construed as a representation of the State or of any Underwriter other than the Underwriter providing such representation.

FINANCIAL STATEMENTS

The State of California Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2021 (the “2021 Annual Comprehensive Financial Report”) is included as Appendix F to this Official Statement. The 2021 Annual Comprehensive Financial Report has been examined by the California State Auditor (the “State Auditor”) to the extent indicated in the Independent Auditor’s Report contained therein. As set forth in more detail in the 2021 Annual Comprehensive Financial Report, the State Auditor issued an unmodified opinion on 10 components of the Basic Financial Statements, including the General Fund, but issued a modified opinion on each of the four remaining components of the Basic Financial Statements (including a disclaimer of opinion for the Unemployment Programs Fund financial statements). For additional information, see APPENDIX A—“THE STATE OF CALIFORNIA—FINANCIAL STATEMENTS.”

Prior to fiscal year 2017-18, the State’s audited financial statements for a fiscal year were generally released on or before March 31 of the subsequent fiscal year. However, the audited financial statements for the fiscal years 2017-18, 2018-19, 2019-20 and 2020-21 were released on June 5, 2019, October 30, 2020, February 2, 2022 and March 31, 2023, respectively. For additional information concerning the delayed release of such audited financial statements, see APPENDIX A—“THE STATE OF CALIFORNIA—FINANCIAL STATEMENTS.”

The cumulative impact of the delays in the completion of the State's Annual Comprehensive Financial Reports for fiscal years 2017-18, 2018-19 and 2019-20, as well as the causes of the delay in the State's ability to produce the 2021 Annual Comprehensive Financial Report by March 31, 2022, have resulted in a significant delay in the issuance of the State of California Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022 (the "2022 Annual Comprehensive Financial Report") beyond March 31, 2023, and are expected to continue to impact the ability of the State to provide basic financial statements by March 31 for one or more subsequent fiscal years. The website of the State Auditor's Office currently has an expected release date for the 2022 Annual Comprehensive Financial Report sometime during the winter of fiscal year 2023-24 (but there can be no assurances that timeline will be achieved). For further discussion, see APPENDIX A—"THE STATE OF CALIFORNIA—FINANCIAL STATEMENTS."

The State Controller's unaudited reports of the General Fund cash receipts and disbursements for the periods from July 1, 2021 through June 30, 2022, July 1, 2022 through June 30, 2023 and July 1, 2023 through August 31, 2023 are included as Exhibit 2 to Appendix A to this Official Statement.

RATINGS

The Bonds have received ratings of "Aa2" by Moody's Investors Service, "AA-" by S&P Global Ratings and "AA" by Fitch Ratings. An explanation of the significance and status of such credit ratings may be obtained from the rating agencies furnishing the same. There is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by any such rating agencies if, in their respective judgments, circumstances so warrant. Any revision or withdrawal of a credit rating could have an effect on the market prices and marketability of the Bonds. The State cannot predict the timing or impact of future actions by the rating agencies.

CONTINUING DISCLOSURE

The State Treasurer will agree on behalf of the State to provide annually certain financial information and operating data relating to the State by not later than April 1 of each year in which any Bonds are outstanding (the "Annual Report"), commencing with the report to be filed on or before April 1, 2024, containing fiscal year 2022-23 financial information, and to provide notice of the occurrence of certain enumerated events. The specific nature of the information to be contained in the Annual Report and the notices of events and certain other terms of the continuing disclosure obligation are set forth in APPENDIX C—"FORM OF CONTINUING DISCLOSURE CERTIFICATE." The State Treasurer has adopted policies and procedures designed to ensure compliance with these undertakings.

The State's Annual Reports for the fiscal years ended June 30, 2019, June 30, 2020, June 30, 2021 and June 30, 2022 filed on the EMMA website, did not include the State's audited or unaudited financial statements. Notices of failure to file a complete annual report due to absence of financial statements were filed on the EMMA website on March 27, 2020, March 29, 2021, March 22, 2022 and March 24, 2023, respectively. The State's audited financial statements for the fiscal years ended June 30, 2019, June 30, 2020, and June 30, 2021, were filed on the EMMA website promptly after they were released. The State Treasurer will agree in the Continuing Disclosure Certificate to be delivered concurrently with the issuance of the Bonds to promptly file audited financial statements for the fiscal year ended June 30, 2022 on the EMMA website when they become available. See APPENDIX C—"FORM OF CONTINUING DISCLOSURE CERTIFICATE." See "FINANCIAL STATEMENTS" and APPENDIX A—"THE STATE OF CALIFORNIA—FINANCIAL STATEMENTS."

The State's Annual Reports and other required reports relating to the Bonds will be available from the EMMA website or on such other website as may be designated by the MSRB or the Securities and Exchange Commission. The information contained on any such website is not part of this Official Statement and is not incorporated herein.

VERIFICATION

Upon delivery of the Bonds, Robert Thomas CPA, LLC, Certified Public Accountant, will deliver a report that the firm has verified the mathematical accuracy of certain computations relating to the adequacy of the deposits to be made to the Refunding Escrow Fund, together with receipts on investments therein, to pay interest on the Refunded Bonds when due and to redeem the Refunded Bonds on their redemption date as described under "THE BONDS — Plan of Refunding."

MUNICIPAL ADVISOR

Public Resources Advisory Group is serving as the Municipal Advisor to the State in connection with the issuance of the Bonds. The Municipal Advisor has not been engaged, nor has it undertaken, to make an independent verification or assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds and of statutes or documents are brief summaries thereof which do not purport to be complete or definitive, and reference is made to such statutes or documents for full and complete statements of the contents thereof. Copies of the Resolutions may be obtained upon written request from the Office of the State Treasurer.

Any statements in this Official Statement involving estimates, forecasts or matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the State and the purchasers or holders of any of the Bonds.

Questions regarding this Official Statement and the issuance of these securities may be addressed to the Office of the Honorable Fiona Ma, Treasurer of the State of California, P.O. Box 942809, Sacramento, California 94209-0001, telephone (800) 900-3873.

STATE OF CALIFORNIA
FIONA MA
Treasurer of the State of California

EXHIBIT 1

BOND ACTS, PURPOSES AND SERIES

CONSTRUCTION BONDS

The Construction Bonds will be issued in the amounts and series, and under the Bond Acts as set forth below. Proceeds of the Construction Bonds will be used to finance or refinance capital facilities or other voter approved projects or costs related to the public purpose of the applicable Bond Act. The public purpose of each Bond Act is generally described below.

Bond Act	Finance Committee	Public Purpose of the Bond Act	Series Designation	Amount (\$)
California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002	California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act Finance Committee	Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection	CW	4,035,000
California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Act of 2018	California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Finance Committee	Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access	V	100,000,000
California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Act of 2018	California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Finance Committee	Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access	W	14,665,000
Children's Hospital Bond Act of 2018	Children's Hospital Bond Act Finance Committee	Children's Hospital	F	29,125,000
Disaster Preparedness and Flood Prevention Bond Act of 2006	Disaster Preparedness and Flood Prevention Bond Finance Committee	Disaster Preparedness and Flood Prevention	BD	66,910,000
Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006	Highway Safety, Traffic Reduction, Air Quality, and Port Security Committee	Highway Safety, Traffic Reduction, Air Quality and Port Security	CX	26,750,000
Kindergarten Through Community College Public Education Facilities Bond Act of 2016	State School Building Finance Committee	K-12 Public Education Facilities	AT	71,935,000

Bond Act	Finance Committee	Public Purpose of the Bond Act	Series Designation	Amount (\$)
Kindergarten Through Community College Public Education Facilities Bond Act of 2016	Higher Education Facilities Finance Committee	Public Higher Education Facilities	AU	200,000,000
Kindergarten Through Community College Public Education Facilities Bond Act of 2016	Higher Education Facilities Finance Committee	Public Higher Education Facilities	AV	47,675,000
Kindergarten-University Public Education Facilities Bond Act of 2006	State School Building Finance Committee	K-12 Public Education Facilities	DH	19,965,000
Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006	Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Finance Committee	Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection	BG	64,030,000
Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Act of 2000 (the Villaraigosa-Keeley Act)	Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection (Villaraigosa-Keeley Act) Finance Committee	Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection	DF	1,485,000
Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century	High-Speed Passenger Train Finance Committee	High Speed Rail	AT	9,745,000
Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century (Only projects to be funded pursuant to Section 2704.095 of the California Streets and Highways Code)	High-Speed Passenger Train Finance Committee	High Speed Rail	AS	3,850,000
Water Quality, Supply, and Infrastructure Improvement Act of 2014	Water Quality, Supply, and Infrastructure Improvement Finance Committee	Water Quality, Supply, and Infrastructure Improvement	AJ	200,000,000
Water Quality, Supply, and Infrastructure Improvement Act of 2014	Water Quality, Supply, and Infrastructure Improvement Finance Committee	Water Quality, Supply, and Infrastructure Improvement	AK	182,345,000
Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002	Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 Finance Committee	Water Security, Clean Drinking Water, Coastal and Beach Protection	CT	2,635,000

REFUNDING BONDS

The Refunding Bonds will be issued in the amounts and series, and under the Bond Acts as set forth below. Proceeds of the Refunding Bonds will be used to refund bonds issued to finance or refinance capital facilities or other voter approved projects or costs related to the public purpose of the applicable Bond Act. The public purpose of each Bond Act is generally described below.

Bond Act	Finance Committee	Public Purpose of the Bond Act	Series Designation	Amount (\$)
Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998	State School Building Finance Committee	K-12 Public Education Facilities	FS	82,710,000
Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998	State School Building Finance Committee	K-12 Public Education Facilities	FT	46,915,000
Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998	Higher Education Facilities Finance Committee	Public Higher Education Facilities	FU	29,165,000
Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998	Higher Education Facilities Finance Committee	Public Higher Education Facilities	FV	39,265,000
Clean Air and Transportation Improvement Bond Act of 1990	Transportation Improvement Finance Committee	Clean Air & Transportation Improvement	DJ	4,105,000
Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006	Highway Safety, Traffic Reduction, Air Quality, and Port Security Committee	Highway Safety, Traffic Reduction, Air Quality and Port Security	CY	526,690,000
Kindergarten-University Public Education Facilities Bond Act of 2002	Higher Education Facilities Finance Committee	Public Higher Education Facilities	FJ	41,215,000
Kindergarten-University Public Education Facilities Bond Act of 2002	State School Building Finance Committee	K-12 Public Education Facilities	FK	199,520,000
Kindergarten-University Public Education Facilities Bond Act of 2004	State School Building Finance Committee	K-12 Public Education Facilities	EK	33,855,000

Bond Act	Finance Committee	Public Purpose of the Bond Act	Series Designation	Amount (\$)
Kindergarten-University Public Education Facilities Bond Act of 2006	State School Building Finance Committee	K-12 Public Education Facilities	DJ	239,610,000
Kindergarten-University Public Education Facilities Bond Act of 2006	Higher Education Facilities Finance Committee	Public Higher Education Facilities	DK	115,695,000
Safe, Clean, Reliable Water Supply Act	Safe, Clean, Reliable Water Supply Finance Committee	Safe, Clean and Reliable Water Supply	CN	22,215,000
Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Act	Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Finance Committee	Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection	CQ	39,290,000
Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Act of 2000 (the Villaraigosa-Keeley Act)	Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection (Villaraigosa-Keeley Act) Finance Committee	Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection	DG	5,975,000
Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Act of 2000 (the Villaraigosa-Keeley Act)	Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection (Villaraigosa-Keeley Act) Finance Committee	Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection	DH	4,735,000
Seismic Retrofit Bond Act of 1996	Seismic Retrofit Finance Committee	Seismic Retrofit	CN	5,000,000
Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002	Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 Finance Committee	Water Security, Clean Drinking Water, Coastal and Beach Protection	CU	100,485,000

EXHIBIT 2

REFUNDED BONDS

The following table is a list of the bonds to be refunded with proceeds of the Refunding Bonds. The amounts in the column “Principal Amount of Refunded Bonds” represent the respective amounts of such bonds to be refunded. Any difference between the amounts in the column “Aggregate Principal Amount Outstanding” and the column “Principal Amount of Refunded Bonds” represent the bonds not selected by the State Treasurer to be refunded with proceeds of the Refunding Bonds, which amount of bonds will remain outstanding after the redemption date.

Dated Date	CUSIP† (13063)	Aggregate Principal Amount Outstanding (\$)	Principal Amount of Refunded Bonds (\$)	Maturity Date	Interest Rate (%)	Redemption Date	Redemption Price (%)
9/10/2013	CEP1	15,000,000	15,000,000	9/1/2024	5.000	12/13/2023	100.00
9/10/2013	CEU0	23,300,000	400,000	9/1/2024	5.000	12/13/2023	100.00
9/10/2013	CEQ9	35,000,000	35,000,000	9/1/2025	5.000	12/13/2023	100.00
9/10/2013	CER7	35,000,000	35,000,000	9/1/2026	5.000	12/13/2023	100.00
9/10/2013	CEV8	70,415,000	70,415,000	9/1/2028	5.000	12/13/2023	100.00
9/10/2013	CET3	35,000,000	35,000,000	9/1/2029	5.250	12/13/2023	100.00
9/10/2013	CEW6	61,990,000	61,990,000	9/1/2030	5.250	12/13/2023	100.00
11/5/2013	CHC7	69,875,000	5,065,000	11/1/2024	5.000	12/13/2023	100.00
11/5/2013	CFV7	19,000,000	19,000,000	11/1/2025	5.000	12/13/2023	100.00
11/5/2013	CHD5	94,170,000	29,975,000	11/1/2025	5.000	12/13/2023	100.00
11/5/2013	CHE3	20,015,000	8,250,000	11/1/2026	5.000	12/13/2023	100.00
11/5/2013	CGS3	87,075,000	79,330,000	11/1/2027	5.000	12/13/2023	100.00
11/5/2013	CGT1	62,540,000	32,065,000	11/1/2028	5.000	12/13/2023	100.00
11/5/2013	CGA2	80,000,000	36,760,000	11/1/2029	5.000	12/13/2023	100.00
11/5/2013	CGV6	7,630,000	7,520,000	11/1/2030	5.000	12/13/2023	100.00
11/5/2013	CGW4	7,990,000	7,880,000	11/1/2031	5.000	12/13/2023	100.00
11/5/2013	CGX2	22,250,000	22,250,000	11/1/2032	4.500	12/13/2023	100.00
11/5/2013	CFQ8	35,625,000	35,625,000	11/1/2043	4.875	12/13/2023	100.00
11/5/2013	CFT2	364,375,000	364,375,000	11/1/2043	5.000	12/13/2023	100.00
3/27/2014	CHU7	26,905,000	26,905,000	12/1/2024	4.000	12/13/2023	100.00
3/27/2014	CJG6	113,255,000	113,255,000	12/1/2024	5.000	12/13/2023	100.00
3/27/2014	CJT8	106,880,000	98,195,000	12/1/2024	5.000	12/13/2023	100.00
3/27/2014	CHV5	20,000,000	20,000,000	12/1/2025	5.000	12/13/2023	100.00
3/27/2014	CJU5	112,435,000	34,160,000	12/1/2025	5.000	12/13/2023	100.00
3/27/2014	CHW3	20,000,000	20,000,000	12/1/2026	5.000	12/13/2023	100.00
3/27/2014	CJV3	18,910,000	18,910,000	12/1/2026	5.000	12/13/2023	100.00
3/27/2014	CHX1	20,000,000	20,000,000	12/1/2027	5.000	12/13/2023	100.00
3/27/2014	CHY9	20,000,000	20,000,000	12/1/2028	5.000	12/13/2023	100.00
3/27/2014	CJX9	21,745,000	21,745,000	12/1/2028	5.000	12/13/2023	100.00

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (CGS), which is managed on behalf of the American Bankers Association by FactSet Research Systems, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers have been assigned by an independent company not affiliated with the State and are included solely for the convenience of the registered owners of the applicable Bonds. Neither the State nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

Dated Date	CUSIP† (13063)	Aggregate Principal Amount Outstanding (\$)	Principal Amount of Refunded Bonds (\$)	Maturity Date	Interest Rate (%)	Redemption Date	Redemption Price (%)
3/27/2014	CJY7	34,040,000	22,865,000	12/1/2029	5.000	12/13/2023	100.00
3/27/2014	CJA9	30,000,000	30,000,000	12/1/2030	5.000	12/13/2023	100.00
3/27/2014	CJZ4	23,385,000	3,450,000	12/1/2030	5.000	12/13/2023	100.00
3/27/2014	CKA7	10,335,000	6,505,000	12/1/2031	4.000	12/13/2023	100.00
3/27/2014	CKH2	33,040,000	20,595,000	12/1/2031	5.000	12/13/2023	100.00
3/27/2014	D3D8	228,000,000	153,000,000	12/1/2043	4.500	12/13/2023	100.00
3/27/2014	D3E6	91,000,000	61,000,000	12/1/2043	5.000	12/13/2023	100.00
			<u>1,591,485,000</u>				

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (CGS), which is managed on behalf of the American Bankers Association by FactSet Research Systems, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers have been assigned by an independent company not affiliated with the State and are included solely for the convenience of the registered owners of the applicable Bonds. Neither the State nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

APPENDIX A

THE STATE OF CALIFORNIA



September 7, 2023

NOTE: Since the date of the Preliminary Official Statement, certain information in Appendix A has been updated, shown in italics on the following pages: A-5, A-6, A-7, A-17, A-33, A-36 and A-103.

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INTRODUCTION TO APPENDIX A

APPENDIX A is the part of this Official Statement that provides investors with information concerning the State of California. The following section of APPENDIX A titled “OVERVIEW” is intended to give readers a very brief overview of some of the main topics covered in APPENDIX A. Investors are advised to read the entire Official Statement, including APPENDIX A and its Exhibits, to obtain information essential to making an informed investment decision. See “Certain Defined Terms” at the end of the “OVERVIEW” section for certain defined terms used in APPENDIX A.

APPENDIX A is divided into two Parts. PART I contains information regarding the 2023 Budget Act, including background on the state’s economic and financial condition. As the state (including certain of its agencies) issues bonds from time to time, PART I of APPENDIX A (including EXHIBIT 2) is updated as needed to provide the most current material information.

PART II of APPENDIX A (including EXHIBIT 1—“PENSION SYSTEMS”) contains information on the structure of the state’s finances, including historical details on revenues and transfers, expenditures, reserves, cash management, and outstanding indebtedness, among other information. The information in PART II is generally updated twice per year: following release of the Governor’s budget proposal in January, and again following enactment of the annual state budget act. The update following enactment of the annual state budget act includes revenue and economic forecasts presented in the May Revision of the Governor’s January budget proposal (the “May Revision”).

The principal of and interest on the securities offered in this Official Statement are payable either primarily or secondarily from moneys deposited in, or available for transfer to, the General Fund as more particularly described in the front part of this Official Statement and in APPENDIX A. Accordingly, information concerning the state’s finances that does not materially impact the availability of moneys deposited in, or available for transfer to, the General Fund, or the expenditure of such moneys, and, in each case, material risks related thereto, is generally not included in APPENDIX A or, if included, is not described in detail.

APPENDIX A is provided specifically for use in connection with the sale of the securities offered in this Official Statement. APPENDIX A may not be copied or used by any person for any other purpose or in connection with the sale of any other securities without the express written permission of the State Treasurer.

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PART I

OVERVIEW

Population and Economy of the State

California is by far the most populous state in the nation, with an estimated 39 million residents as of July 2022. Its population is approximately 30 percent larger than that of the second most populous state, and California contains approximately 12 percent of the total U.S. population. While the state’s population decreased slightly in 2022, it is projected to grow marginally over the long term, albeit more slowly than in the past, to 39.5 million residents by 2060. See “ECONOMY AND POPULATION.”

California’s economy accounted for nearly 15 percent of the U.S. Gross Domestic Product (“GDP”) in 2022. The state has a diverse economy with major components in high technology, trade, entertainment, manufacturing, government, tourism, construction, and services.

Demographic and economic statistical information and a discussion of economic assumptions are included in APPENDIX A under “CURRENT STATE BUDGET—Economic Assumptions Underlying the 2023 Budget Act” and “ECONOMY AND POPULATION.”

Certain Information Regarding the Financial Condition of the State’s General Fund, Budget Reserves and Risks to General Fund

The 2023 Budget Act continues modestly building reserves and reducing retirement liabilities. The state’s rainy day fund, the Budget Stabilization Account (“BSA”), reached its constitutional maximum mandatory deposit limit in fiscal year 2022-23, and under the 2023 Budget Act there will be no transfer to the BSA in fiscal year 2023-24. The \$37.8 billion in total budgetary reserves projected in the 2023 Budget Act is comprised of:

- \$22.3 billion in the Budget Stabilization Account;
- \$10.8 billion in the Public School System Stabilization Account;
- \$900 million in the Safety Net Reserve Fund; and
- \$3.8 billion in the state’s Special Fund for Economic Uncertainties (“SFEU”).

See “STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—Budget Reserves.”

Risks to the state’s General Fund include the potential for further deterioration in the state’s revenues in future years due to an economic recession, and persistent significant unfunded liabilities of the two main retirement systems managed by state entities, the California Public Employees’ Retirement System (“CalPERS”) and the California State Teachers’ Retirement System (“CalSTRS”). See Table 6 and “ECONOMIC AND BUDGET RISKS.”

There can be no assurances that adverse changes in the state or national economies or in state or federal policies will not materially adversely affect the financial condition of the state's General Fund. See "ECONOMIC AND BUDGET RISKS."

General Fund Revenues, Expenditures, and Cash Management

The moneys of the state are segregated into the General Fund and over 1,000 other funds, including special, bond, federal, and other funds. The General Fund consists of revenues received by the State Treasury that are not required by law to be credited to any other fund, as well as earnings from the investment of state moneys not allocable to another fund of the state. The General Fund is the principal operating fund for the majority of governmental activities of the state and is the depository of most of the major tax revenue sources of the state. For additional financial data relating to the General Fund, see the State Controller's unaudited report of General Fund cash receipts and disbursements attached to APPENDIX A as EXHIBIT 2. Also see "CURRENT STATE BUDGET," "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES" and "FINANCIAL STATEMENTS."

The state receives revenues from taxes, fees and other sources, the most significant of which are the personal income tax, sales and use tax, and corporation tax (which collectively constitute over 90 percent of total General Fund revenues and transfers). The state expends money on a variety of programs and services. Significant elements of state expenditures include education (both kindergarten through twelfth grade ("K-12") and higher education), health and human services, and public safety programs. For a discussion of the sources and uses of the General Fund, see "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES."

Over the years, a number of laws and constitutional amendments have been enacted, often through voter initiatives, which have made it more difficult for the state to raise taxes, restricted the use of the General Fund or special fund revenues, or which otherwise limit the Legislature and the Governor's discretion in enacting budgets, including capping the amount of appropriations under certain conditions. In the future, additional laws and constitutional amendments may be enacted, including by voter initiative, which could place additional limitations on the ability of the state to increase and/or collect taxes or otherwise restrict the use of the General Fund or special fund revenues, or otherwise limit the Legislature and the Governor's discretion in enacting budgets. See "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—Restrictions on Raising or Using General Fund Revenues."

The state manages its cash flow requirements during the fiscal year primarily with internal borrowing by the General Fund from over 800 special funds, as needed. If necessary or otherwise advisable, the state may also utilize external borrowing. See "CASH MANAGEMENT—Traditional Cash Management Tools—*External Borrowing*" for a description of the priority of payment of the state's obligations, including the repayment of internal and external borrowing. See also "CASH MANAGEMENT—Inter-Fund Borrowings."

Because the principal of and interest on the securities being offered in this Official Statement are payable either primarily or secondarily from moneys deposited in, or available for transfer to, the General Fund, the financial information contained in APPENDIX A relates

principally to revenues deposited in, or available for transfer to, the General Fund and expenditures of such moneys and, in each case, material risks related thereto.

State Indebtedness and Other Obligations

As of July 1, 2023, the state had approximately \$78.5 billion of outstanding general obligation bonds and lease revenue bonds payable principally from the state's General Fund or from lease payments paid from the operating budget of the respective lessees, which operating budgets are primarily, but not exclusively, derived from the General Fund. As of July 1, 2023, there were approximately \$25.8 billion of authorized and unissued long-term voter-approved general obligation bonds which, when issued, will be payable principally from the General Fund and approximately \$6.9 billion of authorized and unissued lease revenue bonds. See "STATE INDEBTEDNESS AND OTHER OBLIGATIONS—Future Issuance Plans; General Fund Debt Ratio."

Certain state agencies and authorities issue revenue obligations for which the General Fund has no liability. These revenue obligations are either payable from state revenue-producing enterprises and projects, and not payable from the General Fund, or are conduit obligations payable only from revenues paid by local governments or private users of facilities financed by the revenue obligations.

The state has always paid when due the principal of and interest on its general obligation bonds, general obligation commercial paper notes, lease revenue obligations and short-term obligations, including revenue anticipation notes and revenue anticipation warrants.

Detailed information regarding the state's long-term debt appears in the sections "STATE INDEBTEDNESS AND OTHER OBLIGATIONS" and "STATE DEBT TABLES."

State Pension Systems and Retiree Health Care Costs

The two main state pension funds (CalPERS and CalSTRS) each continue to face unfunded future liabilities in the tens of billions of dollars. It is unknown how significantly market volatility may ultimately impact unfunded pension liabilities and the state's annually determined General Fund pension contributions. For fiscal year 2022-23, the actuarially determined General Fund pension contributions to CalPERS and CalSTRS were approximately \$4.6 billion and \$3.7 billion, respectively. For fiscal year 2023-24, the actuarially determined General Fund pension contributions to CalPERS and CalSTRS are approximately \$4.7 billion and \$3.9 billion, respectively. See "EXHIBIT 1—PENSION SYSTEMS—CalPERS—Funding Status and EXHIBIT 1—PENSION SYSTEMS—CalSTRS—Funding Status" for information on the funding status of CalPERS and CalSTRS, respectively.

Through the enactment of Chapter 33, Statutes of 2019 (SB 90) and subsequent enactment of Chapter 859, Statutes of 2019 (AB 118), the state's budget for fiscal year 2019-20 included discretionary pension payments from the General Fund and the Motor Vehicle Account to be made to CalPERS and CalSTRS over a multi-year period. The entire \$7.4 billion (\$7.3 billion General Fund) in discretionary pension payments has been paid as of June 30, 2023.

The 2023 Budget Act includes Proposition 2 debt-repayment funding in fiscal year 2023-24 to reduce the state's unfunded liabilities for CalPERS in the amount of \$1.7 billion. This payment is in addition to the actuarially determined and statutorily required state pension contribution to CalPERS. See "STATE FINANCES—OTHER ELEMENTS—Pension Systems." See also EXHIBIT 1—"PENSION SYSTEMS" for more information with respect to this payment.

The state also provides retiree health care and dental benefits to retired state employees and their eligible dependents and almost exclusively utilizes a "pay-as-you-go" funding policy. These benefits are referred to as "Other Postemployment Benefits" or "OPEB." The state has reported its liability for OPEB in its financial statements under the Governmental Accounting Standards Board ("GASB") Statement No. 75.

The state's latest OPEB actuarial valuation report, as of June 30, 2022, was prepared in compliance with the GASB OPEB standards with the objective of determining the liabilities associated with OPEB provided to the state's employees and to develop the actuarial funding costs assuming the full-funding policy. Under these standards, the total OPEB liability ("TOL") is estimated to be \$87.5 billion as of June 30, 2022 as compared to a TOL of \$99.5 billion estimated as of June 30, 2021. For details regarding the changes in this liability, see "STATE FINANCES—OTHER ELEMENTS—Retiree Health Care Costs."

Financial Statements

The State of California Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2021 (the "2021 Annual Comprehensive Financial Report"), is included as an appendix to this Official Statement and incorporated into APPENDIX A. The 2021 Annual Comprehensive Financial Report includes a Financial Section that includes an Independent Auditor's Report, Management's Discussion and Analysis, and Basic Financial Statements of the state for the Fiscal Year Ended June 30, 2021 (the "Basic Financial Statements"). The Financial Section also contains required supplementary information and combining financial statements and schedules. As set forth in more detail in the 2021 Annual Comprehensive Financial Report, the State Auditor issued an unmodified opinion on 10 components of the Basic Financial Statements, including the General Fund, but issued a modified opinion on each of the four remaining components of the Basic Financial Statements (including a disclaimer of the Unemployment Programs Fund financial statements). See "FINANCIAL STATEMENTS."

In addition, EXHIBIT 2 to APPENDIX A contains the State Controller's unaudited reports of General Fund cash receipts and disbursements for the periods from July 1, 2021 through June 30, 2022, July 1, 2022 through June 30, 2023, and July 1, 2023 through August 31, 2023. Information which may appear in APPENDIX A from the Department of Finance concerning monthly receipts of "agency cash" may differ from the State Controller's report of cash receipts for the same period generally because of timing differences. Agency cash represents cash received by agencies. The State Controller's report represents cash received by agencies as reported to and recorded by the State Controller, which may be a day or so later than when cash is received by agencies.

Certain Defined Terms

The following terms and abbreviations are used in APPENDIX A:

“Administration” means the Governor’s Office and those individuals, departments, and offices reporting to it (including the Department of Finance).

“BSA” or “Budget Stabilization Account” means the Budget Stabilization Account (or “rainy day fund”) created under Proposition 58 and amended by Proposition 2. See “STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—Budget Reserves.”

“EXHIBIT 2” means the State Controller’s Unaudited Statement of General Fund Cash Receipts and Disbursements for the periods from July 1, 2021 through June 30, 2022, July 1, 2022 through June 30, 2023, and July 1, 2023 through *August* 31, 2023, as attached to APPENDIX A as EXHIBIT 2.

“PMIA” means the state’s Pooled Money Investment Account.

“Proposition 2” means a legislative constitutional amendment that amended the provisions governing the BSA, which was approved by the voters in the November 2014 statewide general election. See “STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—Budget Reserves.”

“Proposition 30” means The Schools and Local Public Safety Protection Act of 2012, an initiative measure, which was approved by the voters in the November 2012 statewide general election. See “STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—Sources of Tax Revenue.”

“Proposition 55” means The California Children’s Education and Health Care Protection Act of 2016, an initiative measure, which was approved by the voters in the November 2016 statewide general election. See “STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—Sources of Tax Revenue.”

“Proposition 56” means The California Healthcare, Research and Prevention Tax Act of 2016, an initiative measure, which was approved by the voters in the November 2016 statewide general election. See “STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—Sources of Tax Revenue.”

“PSSSA” or “Public School System Stabilization Account” means the special fund created by Proposition 2, which serves as a Proposition 98 reserve, and requires a deposit into the fund under specified conditions.

“Safety Net Reserve Fund” means the account created by the Legislature in 2018 to protect against cuts to certain health and welfare programs during recessions.

“SFEU” means the Special Fund for Economic Uncertainties, established pursuant to Government Code Section 16418 to protect the state from unforeseen revenue reductions and/or unanticipated expenditure increases.

“2022 Budget Act” means the Budget Act for fiscal year 2022-23, enacted on June 27, 2022, as amended June 30, 2022.

“2022-23 Budget” means the 2022 Budget Act plus related legislation to implement the budget.

“2022-23 Governor’s Budget” means the proposed Governor’s Budget for fiscal year 2022-23, released on January 10, 2022.

“2023 Budget Act” means the Budget Act for fiscal year 2023-24, enacted on June 27, 2023, as amended July 10, 2023.

“2023-24 Budget” means the 2023 Budget Act plus related legislation to implement the budget.

“2023-24 Governor’s Budget” means the proposed Governor’s Budget for fiscal year 2023-24, released on January 10, 2023.

Reference to the “state” as a noun or adjective means the State of California, following the practice of the Department of Finance.

RECENT DEVELOPMENTS

The following are certain significant recent developments concerning the state:

The 2023 Budget Act

On June 27, 2023, the Governor signed the 2023 Budget Act and, on July 10, 2023, the Governor signed a bill with significant amendments to the 2023 Budget Act. See “CURRENT STATE BUDGET.”

Recent Cash Receipts

In July 2023, the Department of Finance reported that preliminary General Fund agency cash receipts for fiscal year 2022-23 were \$954 million above the 2023 Budget Act forecast of \$167.627 billion. The overage was driven by higher Pass-Through Entity elective tax (“PTE Elective Tax”) payments of \$1.251 billion and higher personal income tax withholding payments of \$929 million, as well as higher other revenues and sales tax receipts that cumulatively offset shortfalls in other revenue sources.

In August 2023, the Department of Finance reported that preliminary General Fund agency cash receipts for July, the first month of fiscal year 2023-24, were \$1.268 billion below the 2023 Budget Act forecast of \$9.748 billion. The shortfall included lower personal income tax withholding payments of \$404 million, lower corporation tax receipts of \$412 million, and lower sales and use tax receipts of \$453 million. *The July shortfall in personal income tax withholding was due to timing as the July deficit partially offset strong year-over-year withholding growth of 12.4 percent in June. Additionally, reduced sales tax revenue is attributable to over \$650 million*

in higher-than-expected receipts that shifted from July to August due to larger-than-anticipated processing delays of end-of-the-month transactions.

Franchise Tax Board Filing and Payment Deadline Extensions

The Franchise Tax Board (“FTB”) extended various filing and payment deadlines for individuals and businesses in California residing in counties impacted by winter storms to October 16, 2023, in line with tax relief announced by the Internal Revenue Service (“IRS”). The extension applies to 55 counties comprising over 99 percent of Californians and is expected to significantly alter the timing of state revenue collections as various payments and returns originally due between January and September 2023 are now due on October 16, 2023. A total of \$42 billion is projected to shift from earlier months to October, including \$28.4 billion in personal income tax and \$13.3 billion in corporation tax revenues (including \$8.3 billion related to the PTE Elective Tax). While projections are modeled closely after past events, there is significant uncertainty around the actual percentage of individuals and businesses taking advantage of the extended deadlines.

The Department of Finance’s monthly cashflow reflects the expected impact of delayed payment and filing deadlines to October 16, 2023. The Department of Finance will continue to assess the impact of the October 16, 2023, extension, but the state has significant borrowable resources so it does not expect the extension to substantially impact the state’s ability to meet its expenditure obligations as reflected in the 2023 Budget Act. October 2023 tax receipts could come in substantially lower or higher than assumed in the 2023 Budget Act. See “ECONOMIC AND BUDGET RISKS—Delayed Tax Deadline.”

CalPERS Investment Return for Fiscal Year 2022-23

On July 19, 2023, CalPERS reported a preliminary 5.8 percent net return on investment for the fiscal year ending June 30, 2023. The return falls below the system’s actuarially assumed 6.8 percent rate of return for the fiscal year. Using a 6.8 percent discount rate and these preliminary fiscal year returns, the funded status of the overall Public Employees' Retirement Fund (PERF) as of June 30, 2023, is an estimated 72 percent. See EXHIBIT 1—“PENSION SYSTEMS—CalPERS.”

CalSTRS Investment Return for Fiscal Year 2022-23

On July 27, 2023, CalSTRS reported a preliminary 6.3 percent net return on investment for the fiscal year ending June 30, 2023. The return falls below the system’s actuarially assumed 7 percent rate of return for that fiscal year. CalSTRS funded status was 74.4 percent as of June 30, 2022. See EXHIBIT 1—“PENSION SYSTEMS—CalSTRS.”

CURRENT STATE BUDGET

The 2023 Budget Act preserves key investments from previous budgets in education, healthcare, climate crisis mitigation, housing, and infrastructure while employing a variety of measures to close a projected \$31.7 billion shortfall in General Fund revenues. These measures include shifting sources of funding for certain programs from the General Fund to other funds (\$9.3 billion), expenditure reductions (\$8.1 billion), delays in certain program funding from

fiscal year 2023-24 to future fiscal years (\$7.9 billion), special fund borrowing and renewal of the Managed Care Organization Tax (\$6.1 billion), and other reductions in expenditures which would be restored if it is determined in connection with preparing the Governor’s Budget to be released in January 2024 that funding is available for such expenditures (\$340 million). The Budget Act does not propose to withdraw any funds from the BSA to address the shortfall.

The projected shortfall is primarily due to revenues declining more quickly than previously projected driven by a declining stock market, persistently high inflation, and rising interest rates. Following historic growth of around 29 percent in fiscal year 2020-21 and of nearly 20 percent in fiscal year 2021-22, revenues excluding transfers are projected in the 2023 Budget Act to decline by around 8 percent to \$206.3 billion in fiscal year 2022-23. Revenues excluding transfers are projected to remain at approximately that level in fiscal year 2023-24, which is over 40 percent higher than pre-pandemic levels (fiscal year 2018-19) and implies an annual growth rate of 7.4 percent per year over the 5-year period from fiscal years 2018-19 through 2023-24.

The 2023 Budget Act avoids new significant ongoing spending commitments and maintains a record \$37.8 billion in total budgetary reserves. A high-level overview of the 2023 Budget Act’s main programs in fiscal year 2023-24 appears below. For information on how fiscal year 2022-23 budget estimates have been updated since the enactment of the 2022 Budget Act, see “Fiscal Year 2022-23 Revised Estimates in the 2023 Budget Act”.

- K-12 Education under Proposition 98 — total funding of \$95 billion, of which \$68 billion is from the General Fund and the remainder of which is from other funds, including local property taxes. “STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—State Expenditures—*K-14 Education Under Proposition 98*.”
- Higher Education — total funding of \$27.8 billion for all major segments of higher education, including \$22.5 billion from the General Fund. The remaining funds include amounts from special and bond funds. “STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—State Expenditures—*Higher Education*.”
- Health and Human Services — total funding of \$113.5 billion, of which \$73.9 billion is from the General Fund and \$39.7 billion is from special funds. See “STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—State Expenditures—*Health and Human Services*.”
- Corrections and Rehabilitation — total funding of \$18.5 billion, of which \$14.7 billion is from the General Fund and \$3.8 billion is from special funds. See “STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—State Expenditures—*Public Safety*.”

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The following table compares the General Fund Budget estimate as of the 2023 Budget Act to the General Fund Budget estimate as of the 2022 Budget Act:

TABLE 1
GENERAL FUND BUDGET SUMMARY
(Dollars in Millions)

Fiscal Year:	As of 2022 Budget Act	As of 2023 Budget Act	
	2022-23	2022-23	2023-24
Prior Year Balance	\$ 22,450	\$ 55,810	\$ 26,352
Revenues and Transfers	219,707	205,134	208,688
Total Resources Available	\$ 242,157	\$ 260,944	\$ 235,040
Non-Proposition 98 Expenditures	152,054	156,475	147,533
Proposition 98 Expenditures	83,312	78,117	78,395
Total Expenditures	\$ 234,366	\$ 234,592	\$ 225,928
Fund Balance	\$ 7,791	\$ 26,352	\$ 9,112
Reserve for Liquidation of Encumbrances	4,276	5,272	5,272
Special Fund for Economic Uncertainties	3,514	21,080	3,840
Public School System Stabilization Account	\$ 9,514	\$ 9,929	\$ 10,831
Safety Net Reserve Fund	\$ 900	\$ 900	\$ 900
Budget Stabilization Account/“Rainy Day Fund”	\$ 23,288	\$ 22,252	\$ 22,252

Source: State of California, Department of Finance.

Note: Numbers may not add due to rounding.

See Table 5 for certain information on General Fund revenues by source and General Fund expenditures by agency for fiscal years 2022-23 and 2023-24.

Development of Revenue Estimates

The state develops revenue estimates twice per year – at the end of November, for purposes of the Governor’s Budget (released by January 10) (defined below) for the next fiscal year, and at the end of April, for purposes of the May Revision of the Governor’s Budget (released by May 14), which precedes adoption of the forthcoming fiscal year’s budget. The revenue estimates reflect the point in time at which they were prepared. The state does not update revenue estimates except in connection with the development of the Governor’s Budget and the May Revision. The May Revision forecast is incorporated into the Budget Act.

This section contains the latest economic information compiled in connection with the preparation of the May Revision related to fiscal year 2023-24 (the “2023-24 May Revision”) and is intended to show the major assumptions used in the development of the revenue estimates contained therein. The revenue estimates will not be revised or updated until late November 2023 for use in the preparation of the Governor’s Budget for fiscal year 2024-25.

Development of the forecast for the major General Fund revenue sources begins with a forecast of national economic activity prepared by an independent economic forecasting firm. The Department of Finance’s Economic Research Unit, under the direction of the Chief Economist, adjusts the national forecast for California; the national economic forecast is used to develop a forecast of similar economic indicators for California activity.

After finalizing the forecasts of major national and California economic indicators, revenue estimates are generated using proprietary revenue forecasting models developed and maintained by the Department of Finance. With each forecast, adjustments are made for any legislative, judicial, or administrative changes, as well as for recent cash flow results.

The COVID-19 pandemic resulted in downturns in nearly every industry. In general, low-income wage earners were primarily affected, whereas high-income earners were largely unaffected, which exacerbated existing pre-pandemic income inequality in the state. Personal income tax withholding receipts grew 7.4 percent year-over-year in 2020, despite record unemployment and overall wage declines, and then grew an additional 20.2 percent year-over-year in 2021. However, this trend reversed in 2022, with personal income tax withholding receipts declining 1.2 percent year-over-year, as it appears that high-income taxpayers, who have a higher share of their overall wages attributed to bonuses and stock-based compensation, were negatively impacted by declining financial markets and asset prices in 2022. Withholding receipts continued to be weak in early 2023 and contracted by 0.3 percent year-over-year in the first quarter of 2023.

Data on whether there has been out-migration of high-income taxpayers due to the \$10,000 state and local taxes (“SALT”) deduction limitation on personal income taxes imposed under the federal Tax Cuts and Jobs Act of 2017, or other reasons, is incomplete and inconclusive. State tax return data through 2021, which became available in April 2023 and was revised in July 2023, continues to show growth in the number of personal tax returns with Adjusted Gross Income (“AGI”) of \$1 million or more. For example, the number of personal tax returns reporting more than \$1 million of income was 69,000 in 2016, 81,000 in 2017, 89,000 in 2018, 96,000 in 2019, 115,000 in 2020, and 158,000 in 2021. Such data, however, is not fully indicative of in-migration of high-income taxpayers because the numbers also reflect increases from incomes inflating above \$1 million due to factors such as increasing asset prices driving higher capital gains and business income.

On the other hand, IRS Statistics of Income data based on federal tax returns of taxpayers filing timely returns in two consecutive years relies on an incomplete portion of total resident tax returns filed in 2021 (84 percent or 15.2 million out of 18 million resident returns in 2021) but shows a small decline in personal taxpayers with AGI above \$200,000. For example, based on a portion of the number of tax returns filed in 2021, personal taxpayers with AGI above \$200,000 moving out of California is estimated to have exceeded the number of similar taxpayers moving

into California by around 27,000 in 2021, up from 19,000 in 2020, 9,000 in 2019, 8,000 in 2018, 7,000 in 2017, and 2,000 in 2016. The IRS data and calculated net out-migration figures are estimates and are limited by methodology that requires the matching of two consecutive years of tax returns by a taxpayer's identification number. Further, 2020 and 2021 were unusual years distorted by the pandemic and work-from-home policies and may not be indicative of longer-run trends.

The PTE Elective Tax was enacted in the 2021-22 Budget in response to the SALT deduction limitation. The PTE Elective Tax, effective from tax year 2021 through tax year 2025, allows taxpayers who have income from pass-through entities to electively shift tax liability from the individual's state personal income tax to the business entity, which helps them reduce federal tax liability by avoiding having this elective payment amount counted against the \$10,000 cap on SALT deductions. See "Multi-Year Budget Projection" and "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—Sources of Tax Revenue—Corporation Tax."

The 2023 Budget Act economic forecast incorporates, to the extent possible, developments and authorized policies through April 2023, including monetary policy responses to persistently high inflation and instability in the banking system and international affairs. The economic forecast for the Governor's Budget for fiscal year 2024-25 (to be issued in January 2024) will be updated to include any developments between April 2023 and November 2023.

National Economy.

The U.S. labor market continues to add jobs, but at a slower rate as it moves beyond the period of rapid recovery from pandemic-induced losses and approaches steady-state levels consistent with historical trends. The nation reached its record-low (since 1953) unemployment rate of 3.4 percent in January 2023 and was at 3.5 percent as of March 2023. The U.S. added an average of 399,000 jobs monthly in 2022 and 312,000 jobs monthly in the first quarter of 2023, considerably less than the 561,000 average monthly jobs added in the first quarter of 2022, but above the 199,000 average monthly job gain in the first quarter of the five years from 2015 to 2019.

As the labor market remained relatively strong, inflation also remained elevated even as the Federal Reserve increased target interest rates by 5 percentage points between March 2022 and the 2023-24 May Revision forecast. U.S. inflation decelerated to 5 percent year-over-year as of March 2023 compared to a 5.9 percent March 2023 projection and a peak of 9.1 percent in June 2022. Port and trucking congestion, fuel prices, and microchip shortages all eased in late 2022, contributing to lower inflation for most goods, although inflation in most services remained elevated as demand shifted away from goods. As of the 2023-24 May Revision, shelter inflation, the largest component of services, had not yet begun to fall on a year-over-year basis despite recent declines in market rents, and continued to accelerate through early 2023, reflecting rapid rent increases during the last two years. The shelter component is projected to ease to historical rates of slightly above 2 percent by late 2024.

In 2022, real GDP grew by 2.1 percent, despite negative growth in the first half of the year. The U.S. economy then grew by 1.1 percent (as estimated when the 2023-24 May Revision forecast was released) in the first quarter of 2023, even as uncertainties grew surrounding highly publicized tech sector layoffs and a banking crisis earlier in 2023 that saw three of the four largest bank failures in U.S. history in March and April 2023. The first quarter growth was buoyed by strong consumption as consumers have remained resilient. The 2023-24 May Revision forecast projects consumption to drive growth in the U.S. economy, with U.S. real GDP growth slowing to an average 0.5 percent growth in the second and third quarters amidst tighter financial conditions and high interest rates which are projected to dampen consumer and business demand. Both high interest rates and increasingly cautious lending in the wake of recent major bank failures are expected to limit interest-sensitive spending such as business expansions and building construction. Credit conditions are projected to ease in line with the Federal Reserve's projected easing of monetary policy by the end of 2023 as inflation is projected to continue cooling. U.S. GDP is projected to recover to steady-state growth rates of between 1.5 and 2 percent through 2026.

The immediate actions of the Treasury Department, the Federal Reserve, and central banks around the world prevented a systemic contagion effect from the banking crisis, and the 2023-24 May Revision forecast does not project any further drags on the economy as a result. However, the continued uncertain trajectory of inflation and the monetary policy response continue to pose short-term risks and may further affect economic growth. See "ECONOMIC AND BUDGET RISKS." The economic forecast for the Governor's Budget for fiscal year 2024-25 will incorporate additional economic developments arising between April and November of 2023. See "CURRENT STATE BUDGET—Economic Assumptions Underlying the 2023 Budget Act."

California Economy. California remained the fifth largest economy in the world in 2022, with a GDP of nearly \$3.6 trillion. According to the annual benchmark revisions to California labor market data released in March 2023, California recovered all of the nearly 2.8 million nonfarm payroll jobs lost at the onset of the COVID-19 pandemic in March and April 2020 by June 2022. The stronger nonfarm job recovery was driven by gains in high-wage sectors which recovered to their pre-pandemic February 2020 level in April 2022, followed by low-wage sectors in July 2022. (High- and low-wage sectors are defined as industry sectors with average wages above or below the 2019 statewide average wage for all industries.) California added on average nearly 45,000 nonfarm jobs monthly in 2022, and 32,700 nonfarm jobs monthly during the first quarter of 2023. That was less than half the monthly average gain of 68,200 nonfarm jobs from a year ago in the first quarter of 2022, but higher-than-average monthly gains of 23,100 nonfarm jobs in the first quarter of each year during the period of 2015 to 2019. The state's nonfarm job gains accounted for 11.2 percent of the 4.8 million U.S. jobs added in 2022 and 10.8 percent of national gains in the first quarter of 2023, slightly below its historical share of U.S. nonfarm employment of around 12 percent. California's nonfarm job growth is projected to slow in 2023 into early 2024, in line with the slowing of U.S. real GDP growth. Nonfarm employment growth has shown indications of reverting to historical trends and entering a new normal after the rapid post-pandemic recovery period. Also, the current high interest rate environment and more cautious lending by banks are projected to create tighter credit conditions that would curtail job growth in credit-sensitive sectors.

Unlike the state's nonfarm jobs recovery, California's labor force has yet to recover to its pre-pandemic level as of March 2023 after growing by 1.4 percent in 2022. Only 77.7 percent of the just over 1 million people who left the workforce in the first three months of the COVID-19 pandemic had returned as of March 2023, even as the labor force grew at twice the 2019 pre-pandemic growth of 0.7 percent. The slow growth in the labor force has contributed to a rapid decline in unemployment despite tepid household employment growth. California's labor force is projected to continue growing, though at a slower rate of 1 percent in 2023 as it approaches its pre-pandemic level. Thereafter, it is projected to slow to 0.5 percent growth in 2026 partially due to revised population projections, especially for working-age individuals between the ages of 16 and 64. California's unemployment rate averaged 4.2 percent in 2022. Following annual benchmark revisions to labor market data, the state's unemployment rate fell to its record-low of 3.8 percent in July and August 2022. The state's unemployment rate is projected to increase through early 2025 as current tight financial conditions soften the labor market. The unemployment rate is projected to peak in early 2025 at 5.2 percent before moderating to 5 percent thereafter.

As with the nation, inflation in the state became more broad-based in 2022 with an annual inflation rate of 7.4 percent, as it spread to other components including food and shelter. California's inflation peaked at 8.3 percent in June 2022 and decelerated to 5.4 percent by February 2023, the latest available data when finalizing the 2023-24 May Revision economic forecast. Inflation remained broad-based and increasingly driven by backward-looking shelter inflation, based on rental contracts over a fixed period (for example, 6 months or 12 months) and represents about one-third of the overall inflation index. Therefore, shelter inflation tends to lag other components. Shelter inflation is projected to ease, slowing to historical rates of slightly above 3 percent by late 2024.

California headline inflation is projected to decelerate as the labor market cools due to the Federal Reserve's tight monetary policy, supply chain issues resolve, and contract rents decrease. California inflation is projected to return to about 1 percentage point higher than U.S. inflation beginning in 2024, consistent with pre-pandemic trends. The state's inflation rate generally exceeds the nation's due to consistently higher increases in housing and energy costs. The economic forecast for the Governor's Budget for fiscal year 2024-25 will be updated to include relevant developments occurring between April 2023 and November 2023.

The state's highest paying sectors (information and finance in particular) saw significant wage declines in 2022, due largely to much lower levels of irregular payments such as bonuses and options, as rising interest rates contributed to a 19.4 percent decline in the S&P 500 stock index over the course of the year. Thus, California's average wage growth fell to just 0.1 percent in 2022 after strong growth of 11.1 percent in 2020 and 7.5 percent in 2021. The 2023-24 May Revision projects California average wage growth to recover to around 3 percent growth in 2023 and 2024, as the Federal Reserve winds down its current tight monetary policy, inflation eases, and employment growth slows. Wage growth in the highest-paying sectors is projected to be very slow in 2023 as companies adjust to the post-pandemic period and irregular payments remain at fairly low levels. As these sectors recover somewhat, average wages are then projected to grow by around 4 percent in 2025 and 2026, similar to the growth in 2018 and 2019, before the COVID-19 pandemic began. Consequently, total wages and salaries saw a \$14 billion downward revision in 2022, but it is still projected to drive headline personal income growth as it

makes up more than half of total personal income. However, growth is projected to slow as high interest rates hamper nonfarm job growth in 2023 and 2024. Weaker job growth is also projected to slightly slow growth in proprietors' income, or the profits of non-corporate businesses.

Property income, which is comprised of interest, rental, and dividend income, is generally driven by interest income. Interest income is projected to grow in line with the projected trajectory of the Federal Reserve's interest rate increases, peaking in 2023 with growth of 10.5 percent. Rental income, which is a lagging indicator as it represents contract rents from leases signed over the previous 12 months and tends to follow shelter inflation, is projected to peak in 2023 due to increases in asking rents in late 2021 into 2022 and to remain elevated through early 2024, then decelerate through the remainder of the forecast window in line with slowing shelter inflation. Dividend income growth is projected to slow as higher interest rates lead to more risk and increased investor uncertainty in the stock market and as economic activity slows impacting business income. The economic forecast assumes California personal income growth reverts to its historical growth trends beginning in 2024, averaging 4.4 percent through 2026.

Nearly 114,000 residential housing units were authorized by building permits in California in 2022, in line with pre-pandemic levels of permitting. However, residential permit growth is projected to slow in 2023 as interest rates remain high and to rebound beginning in 2024 through 2026 once monetary policy eases. The 2023-24 May Revision projects total permits for new residential housing construction will average around 121,000 units annually between 2024 and 2026, which could increase the gap between supply and demand and exacerbate the housing crisis. See "CURRENT STATE BUDGET—Economic Assumptions Underlying the 2023 Budget Act."

See "ECONOMIC AND BUDGET RISKS" for a discussion of certain economic risks which would affect future performance of the state economy.

Economic Assumptions Underlying the 2023 Budget Act

The revenue and expenditure estimates and projections incorporated into the 2023 Budget Act are based upon certain assumptions concerning the performance of the United States, California, and global economies in general in calendar years 2022 through 2026. These underlying economic assumptions are set forth below. There can be no assurance that these assumptions relating to future economic conditions will be achieved. See also "ECONOMY AND POPULATION." These assumptions were finalized in late April 2023 and will not be updated until late November 2023 for use in the 2024-25 Governor's Budget, which will be released in January 2024.

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TABLE 2
Selected United States and California Economic Data

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
<u>United States</u>							
Nominal gross domestic product, \$ in billions	\$21,061	\$23,315	\$25,465	\$26,751	\$27,908	\$28,980	\$30,129
Real gross domestic product, percent change	-2.8%	5.9%	2.1%	1.0%	1.5%	1.5%	1.7%
<i>Contributions to real GDP growth</i>							
Personal consumption expenditures	-2.0%	5.5%	1.9%	1.0%	0.7%	0.9%	1.3%
Gross private domestic investment	-1.0%	1.6%	0.7%	-1.0%	0.5%	0.4%	0.3%
Net exports	-0.3%	-1.3%	0.4%	0.8%	0.2%	0.0%	0.0%
Government purchases of goods and services	0.5%	0.1%	-0.1%	0.4%	0.2%	0.1%	0.1%
Personal income, \$ in billions	\$19,8328	\$21,295	\$21,806	\$22,870	\$23,946	\$25,008	\$26,119
Corporate profits, percent change	-5.9%	22.6%	8.4%	-1.0%	-0.1%	-0.1%	2.9%
Housing permits, thousands ⁽¹⁾	1,471	1,737	1,665				
Housing starts, thousands	1,395	1,605	1,556	1,182	1,248	1,368	1,397
Median sales price of existing homes ⁽²⁾	\$300,200	\$357,100	\$392,800				
Federal funds rate, percent	0.4%	0.1%	1.7%	5.1%	4.6%	3.2%	2.6%
Consumer price index, percent change	1.2%	4.7%	8.0%	4.2%	2.1%	2.0%	2.1%
Unemployment rate, percent	8.1%	5.4%	3.6%	3.6%	4.1%	4.4%	4.5%
Civilian labor force, millions	160.8	161.2	164.3	166.3	166.9	167.4	167.9
Nonfarm employment, millions	142.2	146.3	152.6	155.1	154.4	154.1	154.3
<u>California</u>							
Personal income, \$ in billions	\$2,791	\$3,006	\$3,019	\$3,158	\$3,286	\$3,437	\$3,594
Exports of goods, percent change ⁽¹⁾	-10.3%	12.2%	6.5%				
Housing permits, thousands	106	120	114	109	115	121	129
Housing unit net change, thousands	156	79	113	123			
Median sales price of existing homes ⁽²⁾	\$659,380	\$786,750	\$822,320				
Consumer price index, percent change	1.7%	4.3%	7.4%	4.3%	3.1%	2.9%	3.0%
Unemployment rate, percent	10.2%	7.3%	4.2%	4.6%	5.1%	5.2%	5.0%
Civilian labor force, in millions	19.0	19.0	19.2	19.4	19.6	19.7	19.8
Nonfarm employment, in millions	16.2	16.8	17.7	18.0	18.1	18.2	18.4
<i>Percent of total nonfarm employment</i>							
Mining and logging	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Construction	5.3%	5.3%	5.2%	5.1%	5.1%	5.1%	5.1%
Manufacturing	7.8%	7.7%	7.6%	7.5%	7.5%	7.4%	7.4%
Trade, transportation, and utilities	17.9%	18.1%	17.7%	17.4%	17.2%	17.1%	17.0%
Information	3.3%	3.4%	3.4%	3.3%	3.3%	3.3%	3.3%
Financial activities	5.1%	5.0%	4.8%	4.7%	4.7%	4.7%	4.6%
Professional and business services	16.1%	16.2%	16.2%	16.2%	16.2%	16.2%	16.2%
Educational and health services	16.9%	16.8	16.6%	16.9%	17.1%	17.2%	17.4%
Leisure and hospitality	9.2%	9.8%	10.9%	11.3%	11.4%	11.4%	11.5%
Other services	3.0%	3.0%	3.2%	3.2%	3.2%	3.2%	3.3%
Government	15.4%	14.7%	14.3%	14.3%	14.3%	14.2%	14.2%

Note: Forecast based on data available as of April 2023.

Note: Percent changes calculated from unrounded data.

(1) Source: U.S. Census Bureau. No data after 2022.

(2) Source: California Association of Realtors. No data after 2022.

Source: Except as otherwise noted, CA Department of Finance, 2023-24 May Revision forecast.

Multi-Year Budget Projection

As required by Proposition 2, in connection with the 2023 Budget Act, the Department of Finance prepared a multi-year budget projection. The projection is based on current law as of June 2023, when the projection was finalized. The projection also reflects a variety of policies included in the 2023 Budget Act, including assumptions concerning revenues, expenditures, and forecasted future economic conditions. There can be no assurances that such assumptions will be achieved.

As shown in Table 3, the multi-year projection in the 2023 Budget Act reflects a balanced budget in fiscal years 2022-23 and 2023-24, and projects that operating deficits, excluding one-time investments included in previous budgets and adjusted as part of the balanced budget package, would occur over the remaining multi-year period. *Operating deficits projected in the outyear forecast are not uncommon and have been significant during past economic downturns.* Various measures employed to close the \$31.7 billion General Fund revenue shortfall include adjustments to the one-time investments by shifting investments to another fund source, reducing the investments, delaying the investment to another fiscal year, and other measures. The larger than normal prior-year carry-in balance in fiscal year 2023-24 reflected in Table 3 of approximately \$26.4 billion is the result of one-time resources provided in previous fiscal years being carried forward for expenditure in fiscal year 2023-24. In previous budgets, significant one-time investments were expected to be expended over multiple fiscal years. The balance of one-time investments not fully expended in the year of appropriation are carried forward to the following fiscal year.

On a year-over-year basis, revenues and transfers, excluding transfers to the BSA, are projected to decline 14.2 percent, or \$33.9 billion, in fiscal year 2022-23, due in large part to a \$16.9 billion transfer from the State Fiscal Recovery Funds (“SFRF”) (funded from federal COVID-19 relief funds) in fiscal year 2021-22 that did not recur in fiscal year 2022-23, as well as declining personal income and corporation income tax. The PTE Elective Tax is also projected to result in net personal and corporate income taxes that are estimated at \$1.3 billion lower in fiscal year 2022-23 as compared to fiscal year 2021-22. Excluding transfers to the BSA, revenues and transfers are projected to increase 1.5 percent, or \$3 billion as continued declines in personal income tax revenues from decreasing capital gains revenue are offset by increases in revenues from federal reimbursements in fiscal year 2023-24 and from internal borrowing from special fund balances as part of the 2023 Budget Act solutions to provide a balanced budget. Revenue growth in subsequent fiscal years is projected to average 0.6 percent through fiscal year 2026-27 due to expectations of moderating economic growth and as capital gains revenues are projected to decline through fiscal year 2025-26, and federal reimbursements substantially decrease in fiscal year 2025-26. In addition, while the PTE Elective Tax is assumed to result in a slight net revenue gain over its lifetime, the expiration of the PTE Elective Tax at the end of 2025 is projected to result in \$1.1 billion in revenue loss in fiscal year 2025-26 and \$1 billion in revenue loss in fiscal year 2026-27. Once the PTE Elective Tax ends, elective payments will end, while credit carryforwards will continue to be claimed, reducing the personal income tax revenue. Furthermore, PTE Elective Tax overpayments will either be refunded or be applied against future business entity tax liabilities, reducing the corporate income tax revenue.

Although fiscal years 2019-20 and 2021-22 are not shown in the following table, revenues and transfers (excluding transfers to the BSA) for fiscal year 2021-22 were 66.7 percent above fiscal year 2019-20, reflecting a very strong rebound from the lows of the COVID-19 pandemic. This substantial increase in revenues was primarily driven by the strong rebound in economic activity as well as increases in the stock market through the end of 2021 and wage gains that disproportionately benefited high-income earners, which in turn benefited the state's revenues due to its progressive tax structure. Negative growth in fiscal year 2022-23 and slower revenue growth in subsequent years reflect moderation and normalization following two years of exceptionally strong growth in fiscal years 2020-21 and 2021-22.

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TABLE 3
General Fund Multi-Year Projection
(Dollars in Millions)

<u>Fiscal Year:</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>
Prior Year Balance	\$ 55,810	\$ 26,352	\$ 9,112	\$ (9,069)	\$ (25,542)
Revenues and Transfers ^(a)	205,678	208,688	207,280	206,180	212,205
Transfer from/(to) the BSA ^(b)	(544)	(0)	(180)	(244)	(546)
Total Resources Available	\$260,944	\$235,040	\$216,212	\$196,867	\$186,117
Proposition 98 Expenditures	78,117	77,457	79,739	81,675	83,849
Proposition 28 Arts and Music Education	--	938	--	--	--
Non-Proposition 98 Expenditures	154,306	145,196	143,935	139,431	141,977
Prop 2 infrastructure deferred maintenance ^(c)	2,169	2,337	1,607	1,303	1,129
Total Expenditures	\$234,592	\$225,928	\$225,281	\$222,409	\$226,955
Fund Balance:	\$ 26,352	\$ 9,112	\$ (9,069)	\$(25,542)	\$(40,838)
Reserve for Encumbrances	\$ 5,272	\$ 5,272	\$ 5,272	\$ 5,272	\$ 5,272
Reserves (SFEU, Safety Net, and PSSSA)	\$ 31,909	\$ 15,571	\$ (2,610)	\$(19,083)	\$(34,379)
Budget Stabilization Account/ ("Rainy Day Fund")	\$ 22,252	\$ 22,252	\$ 22,432	\$ 22,676	\$ 23,222
Operating Surplus/(Deficit) with BSA Transfer	\$(29,458)	\$(17,240)	\$(18,181)	\$ (16,472)	\$(15,296)
One-Time Investments (Prior Years)	\$ 32,414	\$ 27,785	\$ 13,873	\$ 8,242	\$ 0
One-Time Investments (One-time/Solutions)	\$ (6,361)	\$(11,952)	\$ (2,109)	\$ (2,688)	\$ 972
Operating Surplus/(Deficit) with BSA Transfer – Excluding One-Time Investments	\$ (3,404)	\$ (1,407)	\$ (6,417)	\$(10,918)	\$(14,324)

Note: Totals may not add due to rounding.

(a) The Proposition 30 and Proposition 55 revenue amounts projected in the 2023 Budget Act are shown below (in millions):

	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>
Prop 30/55 – Income Tax	\$10,659	\$10,072	\$10,187	\$10,324	\$10,672

(b) Transfers to/from the BSA include transfers made pursuant to Proposition 2. See “STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—Budget Reserves.”

(c) Consists of transfers pursuant to Proposition 2 after transfers of required amounts to the BSA. See “DEBTS AND LIABILITIES UNDER PROPOSITION 2.”

Source: State of California, Department of Finance.

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Fiscal Year 2022-23 Revised Estimates in the 2023 Budget Act

Four estimates of the General Fund's condition and activity during fiscal year 2022-23 have been updated to reflect the latest economic forecast prepared in connection with the 2023-24 May Revision and incorporated into the 2023 Budget Act. These four revised estimates include the projected beginning and ending balances of the General Fund for fiscal year 2022-23, as well as the revised estimates of revenues (including net transfers) and expenditures for fiscal year 2022-23.

Beginning Fund Balance. In the 2023 Budget Act, the estimate of the beginning General Fund balance for fiscal year 2022-23 is \$33.3 billion higher than was previously estimated in the 2022 Budget Act (\$55.8 billion compared to \$22.5 billion). This increase in beginning fund balance for fiscal year 2022-23 is primarily due to prior year (i.e., fiscal year 2021-22) adjustments to non-Proposition 98 spending that decrease the estimate of spending by \$26.2 billion, and a revised estimate of revenues in the prior year increasing revenues by \$5.5 billion.

Revenues and Transfers. As shown in Table 1, the 2023 Budget Act estimate for fiscal year 2022-23 General Fund revenues and transfers has decreased by \$14.6 billion as compared to the 2022 Budget Act forecast (\$205.1 billion compared to \$219.7 billion), primarily due to lower tax revenues, with the personal income tax revenue estimate having decreased by \$14.7 billion.

Expenditures. Also shown in Table 1, the 2023 Budget Act estimate of General Fund expenditures for fiscal year 2022-23 increased \$0.2 billion from the 2022 Budget Act estimate (\$234.6 billion compared to \$234.4 billion); a \$7.6 billion increase in Natural Resources spending, which was largely due to reappropriation of funding from fiscal year 2021-22 to 2022-23, and which was offset by a \$6.3 billion decrease in Health and Human Services expenditures, among other changes.

Ending Fund Balance. The 2023 Budget Act estimates an ending balance in the SFEU of \$21.1 billion for fiscal year 2022-23; that is, \$17.6 billion higher than the 2022 Budget Act estimate of \$3.5 billion. The increase in the ending fund balance is due primarily to the increase in beginning fund balance, all of which is not estimated to be spent in fiscal year 2022-23. See "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—Budget Reserves—Special Fund for Economic Uncertainties."

Summary of General Fund Revenues, Expenditures, and Fund Balance

Certain information concerning General Fund revenues, expenditures, and fund balances is presented below. The table below includes actual, estimated, and projected fund balance, revenues, and expenditures for fiscal years 2019-20 through 2023-24. In the table below the State Controller provides actual accounting information (for fiscal years 2019-20 and 2020-21), and the Department of Finance provides estimated and projected budget information from the 2023 Budget Act (for fiscal years 2021-22 through 2023-24).

The increases in expenditures beginning in fiscal year 2020-21 reflects in part the fact that, after the 2020 Budget Act was enacted, the economic outlook and revenues improved significantly as the fiscal effects of the pandemic were more understood and federal financial

relief arrived. The increased revenues in fiscal years 2020-21 and 2021-22, as compared to baseline estimates, allowed the state to significantly increase expenditures over a few years, mainly on one-time investments and critical state programs. As both prior-year General Fund carry-in balances and revenue estimates return to more historical values, expenditure growth slows to more normal patterns in ensuing years.

Consistent with historical practice, the estimated beginning General Fund balance of any given fiscal year may be updated from time to time to reflect revisions in preceding fiscal years' activity and the latest revised estimates.

TABLE 4
General Fund Beginning Balance, Revenues, Expenditures,
and Ending Fund Balance by Fiscal Year – Budgetary-Legal Basis^(a)
(Dollars in Millions)

	2019-20	2020-21	Estimated 2021-22	Estimated 2022-23	Enacted 2023-24
Fund Balance—Beginning of Period^(b)	\$ 10,206	\$ 3,437	\$ 31,940	\$ 55,810	\$ 26,352
Prior Year Adjustment	(1,010)	1,311	8,117	—	—
Adjusted Beginning Fund Balance	\$ 9,196	\$ 4,748	\$ 40,057	\$ 55,810	\$ 26,352
Revenues	\$ 124,209	\$ 187,472	\$ 223,503	\$ 206,299	\$ 206,277
Other Financing Sources					
Transfers from Other Funds ^(c)	1,591	13,384	9,034	(1,165)	411
Other Additions	153	113	—	—	—
Total Revenues and Other Sources	\$ 125,953	\$ 200,969	\$ 232,537	\$ 205,134	\$ 208,688
Expenditures					
State Operations ^(d)	\$ 39,386	\$ 39,306	\$ 68,814	\$ 59,159	\$ 54,094
Local Assistance ^(e)	105,056	128,072	148,241	172,173	171,331
Capital Outlay ^(f)	220	(15)	726	3,260	502
Unclassified	—	—	(996)	—	—
Other Uses	—	—	—	—	—
Transfer to Other Funds ^(c)	8,045	6,414	—	—	—
Total Expenditures and Other Uses	\$ 152,707	\$ 173,777	\$ 216,785	\$ 234,592	\$ 225,928
Revenues and Other Sources Over or (Under) Expenditures and Other Uses	\$ (26,754)	\$ 27,192	\$ 15,752	\$ (29,458)	\$ (17,240)
Fund Balance					
Reserve for Encumbrances	4,276	5,272	5,272	5,272	5,272
Reserve for Unencumbered Balances of Continuing Appropriations ^(g)	4,993	5,381	—	—	—
SFEU ^(h)	—	13	50,538	21,080	3,840
Unreserved—Undesignated ^(h)	(26,827)	21,274	—	—	—
Fund Balance—End of Period	\$ (17,558)	\$ 31,940	\$ 55,810	\$ 26,352	\$ 9,112

General Note: Totals may not add due to rounding.

- (a) These figures have been calculated on a budgetary-legal basis in accordance with state law and the state's usual modified accrual accounting methods. Please note accounting adjustments are necessary to produce statements that comply with full accrual accounting methods required by generally accepted accounting principles ("GAAP"). See "FINANCIAL STATEMENTS."
- (b) Fiscal year 2019-20 General Fund revenues did not reflect \$21 billion postponed personal income taxes and corporation taxes that were received in July 2020 due to the COVID-19 pandemic, leading to the General Fund ending fund balance being understated. The fiscal year 2020-21 General Fund beginning fund balance was restated accordingly.
- (c) For the State Controller's Office accounting purposes, the actuals reflect transfers to and/or from the BSA as expenditure transfers on the Transfer to Other Funds line. However, the Department of Finance nets the Transfers to and from Other Funds on the Transfers from Other Funds line. Significantly, the Department of Finance treats those transfers (e.g., to and/or from the Budget Stabilization Account) as revenue transfers.

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- (d) Includes debt service cost on general obligation bonds of approximately \$5.1 billion for fiscal year 2023-24, net of various offsets, including a federal Build America Bonds subsidy, various reimbursements to the General Fund from other funds, and amounts included in UC and CSU support budgets for debt service on UC and CSU debt. Total offsets equal approximately \$2 billion in fiscal year 2023-24. These offset the General Fund debt service costs of certain General Obligation bonds. See “STATE INDEBTEDNESS AND OTHER OBLIGATIONS—Capital Facilities Financing—*Build America Bonds*.” Debt service amounts for earlier years are set forth in the table titled “Outstanding State Debt Fiscal Years 2017-18 through 2021-22” under “STATE DEBT TABLES.”
- (e) Includes transfer to the PSSSA, begun in fiscal year 2020-21.
- (f) The fiscal year 2020-21 negative balance in Capital Outlay expenditures is due to cash being transferred back to the General Fund from a Capital Outlay appropriation in the Natural Resources and Parks Preservation Fund, per a provision of the 2020 Budget Act.
- (g) For purposes of determining whether the General Fund budget, in any given fiscal year, is in a surplus or deficit condition, see Government Code Section 13307. Under this law, the unencumbered balances of continuing appropriations, which exist when no commitment for expenditure of the unspent balance is made, should be an item of disclosure, but the amount shall not be deducted from the fund balance. In accordance with Government Code Section 12460, the State Controller’s Office *Budgetary/Legal Basis Annual Report* reflects a specific reserve for the encumbered balance for continuing appropriations.
- (h) SFEU: Finance includes in its SFEU estimates the items which are reported as actual amounts in the State Controller’s Office “Unreserved-Undesignated” figures. The amount in the SFEU at the end of any fiscal year may differ materially from the amount originally projected at the time the related Budget Act was adopted.

Source: Actual amounts for fiscal years 2019-20, and 2020-21 provided by State of California, Office of the State Controller. Estimated and enacted amounts for fiscal years 2021-22 through 2023-24 provided by State of California, Department of Finance.

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General Fund Revenue and Expenditure Assumptions

The table below presents previous estimates from the 2022 Budget Act, and revised estimates and projections from the 2023 Budget Act.

TABLE 5
General Fund Revenues by Source, and General Fund Expenditures by Agency
(Dollars in Millions)

General Fund Revenue Source	Fiscal Year		
	2022-23 Enacted June 2022	2022-23 Revised June 2023	2023-24 Enacted June 2023
Personal Income Tax	\$ 137,506	\$ 122,769	\$ 118,161
Sales and Use Tax	33,992	33,072	33,336
Corporation Tax	38,464	42,091	42,081
Insurance Tax	3,667	3,673	3,881
Alcoholic Beverage Taxes and Fees	435	433	438
Cigarette Tax	49	47	43
Motor Vehicle Fees	37	37	37
Other ^(a)	8,525	3,556	10,681
Subtotal	\$ 222,675	\$ 205,678	\$ 208,688
Transfer from/(to) the Budget Stabilization Account "Rainy Day Fund"	(2,968)	(544)	--
Total General Fund Revenues and Transfers	\$ 219,707	\$ 205,134	\$ 208,688

General Fund Expenditures by Agency	2022-23 Enacted June 2022	2022-23 Revised June 2023	2023-24 Enacted June 2023
Legislative, Judicial and Executive	\$ 14,501	\$ 18,116	\$ 9,756
Business, Consumer Services & Housing	2,393	3,984	2,739
Transportation	1,275	1,986	1,390
Natural Resources	8,162	15,738	7,474
Environmental Protection	1,174	3,893	589
Health and Human Services	67,925	61,590	73,852
Public Safety (includes Corrections and Rehabilitation)	14,747	15,696	14,750
K-12 Education	78,205	77,038	79,100
Higher Education	23,619	22,102	22,715
Labor and Workforce Development	1,478	1,274	864
Government Operations	5,865	6,892	4,010
General Government			
Non-Agency Departments	2,065	2,551	1,822
Tax Relief/Local Government	667	668	595
Statewide Expenditures ^(b)	12,291	3,064	6,272
Total General Fund Expenditures	\$ 234,366	\$ 234,592	\$ 225,928

(a) Generally, consists of transfers and loans, and various smaller amounts for miscellaneous fees, taxes, unclaimed property and other sources. The variance in this revenue source is primarily due to certain FEMA reimbursements being shifted from fiscal year 2022-23 to fiscal year 2023-24 and certain budgetary loans in fiscal year 2023-24.

(b) Amounts generally include unallocated funds for statewide expenditures such as for deferred maintenance, employee compensation increases/decreases, and employee benefits costs that will soon be distributed to departments.

Source: State of California, Department of Finance.

Note: Totals may not add due to rounding.

ECONOMIC AND BUDGET RISKS

The 2023 Budget Act, including the most recent economic forecast from the 2023-24 May Revision, is based on a variety of estimates and assumptions. If actual results materially differ from those estimates and assumptions, the state's financial condition may be materially different than anticipated and as described herein. The state faces certain risks with potentially significant adverse General Fund impact including, but not limited to, the following:

- Inflation. Historically, California inflation rates have generally been higher than the nation's inflation rates due to the state's faster increases in housing and energy prices. After slowing from 3 percent in 2019 to 1.7 percent in 2020, California inflation accelerated to 4.2 percent in 2021 and 7.4 percent in 2022 but has decelerated to 4.2 percent as of April 2023 (the latest available data). Elevated inflation in 2021 was driven by pent-up demand after suppression of economic activity at the onset of the COVID-19 pandemic; for example, prices of gasoline, air travel, and hotel rooms skyrocketed, and supply chain disruptions (e.g., the global semiconductor chip shortage) and various shortages drove up the prices of durable goods. In 2022, inflation became more broad-based, spreading to food, shelter, and other components. While inflation has slowed, it has not yet returned to pre-pandemic levels.

The Federal Reserve has responded to elevated inflation by increasing the target federal funds rate eleven times from March 2022 to July 2023 to a target range of 5.25 percent to 5.5 percent and has indicated that it will maintain high target rates until inflation slows to its target threshold of around 2 percent. The uncertain extent of future monetary tightening contributes to economic risk.

- Threat of Recession. Inflation in 2022 became more broad-based, affecting food, shelter, and other components, compared to 2021 when it was concentrated in energy and transportation. The recent tightening of U.S. monetary policy, aimed at reducing inflation to the Federal Reserve's target inflation rate of around 2 percent, has the potential to limit household and business borrowing and induce a deeper economic slowdown than projected. The collapse of three large banks in the spring of 2023 caused concerns about the stability of the U.S. banking system and in particular about banks with high concentrations of poorly performing commercial real estate loans. While no banks have failed since May 1, 2023, many banks have tightened lending standards to reassure markets, and this slowing of lending could increase the risk of a recession. Layoffs at California-based technology companies surged early in 2023 before subsiding to normal levels in the spring, but the industry's near-term outlook is still unsettled as credit conditions remain tight and the possibility of another surge in layoffs poses a risk to the state economy. The 2023-24 May Revision economic forecast projects no further major financial or tech industry-related disruptions within the forecast window (fiscal years 2022-23 through 2026-27).

The revenue forecast prepared in connection with the 2023 Budget Act is based on a scenario that assumes continued but slowing economic growth and does not assume a recession. Even in a mild recession, revenue declines below the 2023 Budget Act forecast could be significant. The magnitude of the revenue loss would depend upon

the depth and duration of a recession, as well as its relative impact on higher-income individuals. A mild recession could lead to General Fund potential revenue losses of over \$20 billion relative to the 2023 Budget Act forecast. In case of a moderate recession, revenues could decrease by approximately \$40 billion in fiscal year 2023-24, compared to the 2023 Budget Act forecast, and would remain significantly lower through fiscal year 2026-27. A more severe recession could lead to significantly larger revenue losses. If impacts on the stock market and on high-income earners are larger than assumed, it could also lead to significantly larger revenue losses.

- Capital Gains Volatility. A significant amount of the state’s tax revenue is derived from capital gains, whose share of total General Fund tax revenue has ranged from around 10 percent to 13.1 percent since fiscal year 2014-15 but fell to as low as 3.4 percent in fiscal year 2009-10. The revenue forecast for the 2023 Budget Act projects capital gains realizations to account for 13.1 percent of total General Fund tax revenue in fiscal year 2021-22 before moderating to 10.3 percent in fiscal year 2022-23 and 9 percent in fiscal year 2023-24. Capital gains, the state’s most volatile revenue source, are heavily reliant on stock market performance. The S&P 500 averaged over 4,200 in the second quarter of 2023—approximately 3 percent above the 2023 Budget Act assumption of around 4,090 for that quarter. Proposition 2 mitigates some of the state’s exposure to capital gains volatility by requiring spikes in capital gains tax revenue to be used to repay the state’s debts and liabilities and to be deposited in the BSA. See “STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—Sources of Tax Revenue—*Personal Income Tax*” and “—Budget Reserves.”
- Delayed Tax Deadlines. In connection with tax relief announced by the IRS, the FTB has extended various filing and payment deadlines for individuals and businesses in California residing in counties impacted by winter storms to October 16, 2023. The extension is in place for 55 counties comprising over 99 percent of Californians and is expected to significantly alter the timing of state revenue collections as various payments and returns originally due between January and September are now due on October 16, 2023. Projected shifts are based on actual cash receipts through April 2023 as well as payments patterns from 2021, when the FTB extended the tax filing deadline for final payments from April to May in response to ongoing impacts of the COVID-19 pandemic. A total of \$42 billion is projected to shift from earlier months to October, including \$28.4 billion in personal income tax and \$13.3 billion in corporation tax revenues (including \$8.3 billion related to the PTE Elective Tax). While projections are modeled closely after past events, there is significant uncertainty around the actual percentage of individuals and businesses taking advantage of the extended deadlines. October 2023 tax receipts could come in substantially lower or higher than assumed in the 2023 Budget Act. See “RECENT DEVELOPMENTS—Franchise Tax Board Filing and Payment Deadline Extensions.”

- Global Relations and Trade. Markets for goods, services, and financial assets are globalized, and economic slowdowns in other countries or regions, geopolitical tensions, deteriorating international trade relations, and continuing global impacts of the COVID-19 pandemic (such as travel restrictions and supply chain disruptions) may hamper the national and state economies. The course of the Russian invasion of Ukraine remains uncertain, although the war does not appear to have significantly affected the state's economy or budget to date. The 2023-24 May Revision incorporates increased food and energy costs which have been a consequence of international actions but does not project any worsening disruptions throughout the forecast window.

Material changes in federal trade policy, including new or revised tariffs on the state's trading partners, could directly and indirectly impact the state's economy. The 2019 U.S. tariffs of up to 25 percent on \$250 billion worth of Chinese products, equivalent to half of the nation's imports from China, remain in place. These tariffs triggered Chinese retaliatory tariffs of 25 percent on over \$50 billion worth of U.S. exports. Because California is a transport hub, and China is the state's largest trading partner by total trade value of goods (based on 2022 annual average data), an ongoing trade war could negatively impact the state's economy.

Potential trade disruptions could create supply chain problems like those caused by shutdowns of facilities during the COVID-19 pandemic. These effects could potentially reduce wages and employment in the short run and could trigger a change in the business model of companies that until now have based significant investment decisions on the assumption of generally free global trade.

- Health Care Costs. The state's Medicaid program ("Medi-Cal") is one of the state's largest expenditures. The state also provides health benefits to its own employees and retirees. General Fund spending on health care costs is thus heavily dependent upon the rate of health care cost inflation. If this inflation rises faster than expected, annual General Fund spending could quickly rise by hundreds of millions of dollars. See "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—State Expenditures—Health and Human Services."
- Housing Constraints. California continues to face a critical housing shortage despite authorizing about 113,100 residential housing units in 2022, a modest decline from the 2021 total of about 119,600 which was the highest annual figure since 2006. Exceptionally strong housing demand driven by high-income earners in 2021 through early 2022 contributed to record high home prices. The California median sales price for an existing single-family home reached a record-high of \$900,170 in May 2022. However, as interest rate hikes pushed up mortgage rates, the demand for housing in the second half of 2022 began to fall, and the median sale prices for housing also fell. The May 2023 median sale price of \$836,110 was 7.1 percent below the May 2022 peak.

Low and moderate income Californians face increasing affordability issues affecting their decisions about where to live and work. Given the state's structural housing supply constraints and shortage, they will be especially vulnerable to housing price increases both in the rental and ownership markets. Furthermore, certain businesses may relocate to the extent that their location decisions are influenced by the ability of their employees and customers to live nearby.

- Debts and Liabilities. Since the end of the Great Recession (in 2009), the state repaid all budgetary debts and implemented plans to pay down the remaining unfunded portions of all major state pension and retiree healthcare liabilities over the next three decades (See "DEBTS AND LIABILITIES UNDER PROPOSITION 2"). The state's past budget challenges were often addressed by use of debt, deferrals, and budgetary obligations accumulated during periods of economic recession in the prior two decades. There can be no assurance that any future budget challenges would not be addressed in a similar manner. The state still faces hundreds of billions of dollars in long-term pension and retiree healthcare cost pressures. See "STATE FINANCES—OTHER ELEMENTS—Retiree Health Care Costs" and EXHIBIT 1—"PENSION SYSTEMS."
- Climate Change. Historically, the state has been susceptible to wildfires and hydrologic variability. As greenhouse gas emissions continue to accumulate, climate change will intensify and increase the frequency of extreme weather events, such as coastal storm surges, drought, wildfires, floods, and heat waves, and raise sea levels along the coast. Over the past several years, the state has already experienced the impacts of climate change through a multi-year drought, flooding, and unprecedented wildfires.

The previous drought was a five-year event from 2012 to 2016, and the state recently suffered a multi-year drought that ended in early 2023, following winter storms. Dry weather increases wildfire risk, and future drought conditions may impact future economic forecasts. Hotter and drier weather conditions spurred by climate change could reduce California's water supply by up to 10% by the year 2040. The state has outlined various goals to support water recycling and additional water supplies by 2030 and 2040, respectively. At roughly \$15,000 an acre-foot in 2022, it was estimated that it would require state, local, and federal investments aggregating approximately \$10 billion to achieve the 2030 goal and \$27 billion to achieve the 2040 goal of recycling an additional 1.8 million acre-feet of water.

The Administration has taken actions to address drought conditions, including encouraging water conservation, facilitating water management where possible, and providing funding for critical water infrastructure projects.

During the 2022-23 winter, the state experienced significant storms leading to severe flooding in various locations throughout the state, and by April 2023 the flooding had caused the state to declare emergencies in 51 of the state's 58 counties. The winter storms brought historic levels of snow and the associated snowmelt as temperatures increased through the spring resulting in significant flooding in various regions of the

state. The state continues to support a comprehensive approach to water management intended to be responsive to drastic shifts in precipitation levels caused by climate change.

All these factors create challenges for regional growth and housing construction, especially if water is not available and wildfires and flooding continue to be destructive. In 2020, a record 4 million acres burned in California, more than twice the previous record of approximately 2 million acres in 2018. Although wildfire incidents declined in 2021 and 2022, with nearly 2.6 million acres and over 360,000 acres burned respectively, destruction of housing increases the demand for construction resources for rebuilding and worsens the state's housing imbalances. Further, as mentioned above, the winter storms have demonstrated the unpredictable impact of climate change on the state.

The increasing frequency of natural disasters within the state, particularly wildfires, has led to rising home insurance premiums, as well as resulted in some insurers either limiting or discontinuing issuance of policies, which could further weaken housing development in the state and exacerbate the ongoing housing shortage. Additional costs incurred by insurance companies could likely get passed down to existing or prospective policyholders, which may amplify the state's lack of housing affordability.

The specific timing and severity of future fiscal impacts of climate change on the state budget is difficult to predict but could be significant. However, the state is in the process of implementing various resilience measures to reduce the impacts of climate change, including significant investments in wildfire prevention, water infrastructure projects, and workforce development. The ability of the state to take actions to mitigate any future fiscal impact of climate change on the state budget is limited and there can be no assurances that the current or any future resilience measures will be effective in materially mitigating the impact of climate change on the state.

- Energy Risks. Another result of the unprecedented climate-induced weather events that include drought, extreme heat events, and wildfires, is stress on California's electrical system. The future fiscal impact of stresses to the energy grid caused by climate is difficult to predict but could be significant. In recent years, California has taken numerous steps to increase resiliency to be better prepared to meet the state's electricity demands. California is now taking additional immediate actions by expanding demand response programs, creating additional incentives to move large energy users to back-up power generation to address reliability concerns, and implementing longer-term actions such as suspending certain permitting requirements to allow greater energy production.
- Cybersecurity Risks. The state, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations. The state's reliance on this environment has increased due to higher rates of telework as initially mandated by public health measures during the COVID-19 pandemic. As a recipient and provider of personal, private, and/or sensitive information, the state is

subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems.

Entities or individuals may attempt to gain unauthorized access to the state's digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage. For example, in December 2022, the Department of Finance experienced a significant cyber intrusion. While there were disruptions to the department's operations in the near term, there was no impact to the security of the state's funds or fiscal operations. The statewide security operations center established in 2017 to protect against malicious activity targeting critical technology infrastructure and coordinate activities of the California Office of Emergency Services, the California Highway Patrol, the Department of Technology and Department of Military, was critical in the investigation and quick recovery of the department's core functions from the incident. No assurances can be given that the state's efforts to manage future cyber threats and attacks will be as successful or that any such attack will not materially impact the operations or finances of the state.

- Pandemics. California's pandemic state of emergency ended on February 28, 2023, and the 2023-24 May Revision economic forecast assumes that COVID-19 will not create any further major disruptions to national and international economies. Nevertheless, a new pandemic or a surge in COVID-19 cases such as from a more severe new variant could slow labor force and employment growth and cause supply chain disruptions similar to fiscal year 2020-21, among other negative impacts. No assurances can be given that the state would receive federal aid similar to the aid it received in 2020 and 2021 in the case of a future pandemic.

DEBTS AND LIABILITIES UNDER PROPOSITION 2

Voters approved Proposition 2 in November 2014, which revised the state's method of funding the BSA, the state's "rainy day fund." For fiscal years 2015-16 through 2029-30, 1.5 percent of annual General Fund revenues, plus the excess of capital gains tax receipts above a certain level not necessary to fund Proposition 98, is applied equally to funding the BSA (to its constitutional maximum balance) and paying down state debts and liabilities. See "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—Budget Reserves."

Debts and liabilities eligible under Proposition 2 include certain budgetary borrowing and specified payments over and above the base payments for state level pensions and retiree health costs. The two main retirement systems managing state level pensions, CalPERS and CalSTRS, each have substantial unfunded liabilities. See EXHIBIT 1—"PENSION SYSTEMS." The state also has a substantial unfunded liability relating to postemployment healthcare benefits for state employee retirees. See "STATE FINANCES—OTHER ELEMENTS—Retiree Health Care Costs." Table 6 displays the categories of debts and liabilities the Administration considers eligible for accelerated payments under Proposition 2.

The 2023 Budget Act applies Proposition 2 debt repayment funding to prefund state retiree health benefits (\$390 million), make a repayment toward the \$6 billion loan applied to the

fiscal year 2017-18 supplemental pension payment to CalPERS, as further described below (\$290 million), and make a supplemental pension payment toward the unfunded liability of CalPERS state plans (\$1.7 billion).

The 2022 Budget Act used Proposition 2 debt repayment funding to prefund state retiree health benefits (\$365 million), make a repayment toward the \$6 billion loan applied to the fiscal year 2017-18 supplemental pension payment to CalPERS (\$143 million), and make a supplemental pension payment toward the unfunded liability of the state employee pension plans (\$2.9 billion).

The total amount of supplemental pension payments to CalPERS and CalSTRS since the 2017-18 Budget Act is approximately \$19.2 billion. Of this total, Proposition 2 funded \$12.9 billion.

Pursuant to Senate Bill 84, Chapter 50, Statutes of 2017, the 2017-18 Budget included a \$6 billion supplemental pension payment to CalPERS from proceeds of a loan from the Surplus Money Investment Fund (a state fund managed by the State Treasurer's Office as part of the Pooled Money Investment Account to invest surplus cash from funds held by state departments) that is expected to reduce unfunded liabilities and stabilize state contribution rates (the "SB 84 Loan"). As of the 2023 Budget Act, the Department of Finance projects the supplemental pension payment will save an estimated \$5.5 billion (net of principal and interest on the SB 84 Loan) in state contributions to CalPERS from all state funded sources over the next two decades.

The amount of estimated savings allocable to each such fund will generally be proportionate to its share of the payments on the SB 84 Loan. Approximately half of the total SB 84 Loan payments are expected to come from the General Fund. The state will realize savings if the supplemental pension payment invested by CalPERS earns a higher return than the interest required to be paid on the loan. The projected savings are based on CalPERS achieving its assumed rate of return, which exceeds the projected interest rate on the SB 84 Loan. There is a risk that the difference between CalPERS returns and the interest rate on the loan (as described below) will be less, perhaps significantly, than projected in any given year. This occurrence, if not otherwise offset by a difference between CalPERS returns and the interest rate on the loan greater than estimated over the life of the loan, could result in a lower than anticipated benefit to the state as compared to the estimate. The SB 84 Loan will be repaid at a variable interest rate, equal to the quarter-to-date yield at the two-year constant maturity U.S. Treasury rate (the "Two-year Treasury Rate").

The SB 84 Loan is required to be repaid from the General Fund and other funds no later than June 30, 2030. From fiscal year 2017-18 through fiscal year 2021-22, a total of \$2.231 billion in General Fund repayments have been made. A sixth General Fund repayment of \$143 million (interest and principal) was made during fiscal year 2022-23. The General Fund's share of the repayment of the SB 84 Loan over the expected term of the loan is eligible under Proposition 2's debt repayment requirements, as reflected in Table 6. The remaining balance is to be repaid from other funds that contribute to CalPERS and are expected to benefit from the supplemental pension payment.

TABLE 6
Debts and Liabilities under Proposition 2
2023 Budget Act
(Dollars in Millions)

	Fiscal Year				
	Outstanding Amount July 1, 2023 ^(a)	2023-24 Pay Down	Projected 2024-25 Pay Down	Projected 2025-26 Pay Down	Projected 2026-27 Pay Down
State Retirement Liabilities (Unfunded Actuarial Estimate)					
State Retiree Health	\$ 82,413	\$ 390	\$ 400	\$ 410	\$ 420
State Employee Pensions—SB 84 Loan ^(b)	--	290	836	590	556
State Employee Pensions ^(c)	70,818 ^{(d) (e)}	1,657	551	547	699
Teachers' Pensions	85,803 ^(f)	0	0	0	0
Judges' Pensions	2,771	0	0	0	0
Total	\$ 241,805	\$ 2,337	\$ 1,787	\$ 1,547	\$ 1,675

(a) These amounts reflect unfunded actuarial liabilities measured as of June 30, 2022.

(b) As of June 30, 2023, the outstanding balance of the SB 84 Loan from all funds was \$2.8 billion. The outstanding balance does not include the interest cost on the loan, which is calculated using the quarterly 2-year constant maturity U.S. Treasury rate. The pay down amounts reflect the repayment of the General Fund's share of the \$6 billion SB 84 Loan described in this section. The first column of this table reflects estimates of unfunded actuarial state retirement liabilities. The outstanding amount of the SB 84 Loan is not an estimate of unfunded actuarial state retirement liabilities and, accordingly, the outstanding balance of the SB 84 Loan is not included in that column.

(c) The pay down amounts under State Employee Pensions reflect supplemental payments towards the unfunded liabilities of the CalPERS state plans.

(d) The amount includes the unfunded liability for the 1959 Survivor Benefit Program, which is an estimated \$36 million as of June 30, 2022.

(e) The amount does not reflect the reduction in the outstanding amount as a result of the pay down amounts described in this section and in footnote (c). The effect of supplemental pension payments made on the liability will subsequently be amortized by CalPERS according to its policy and will be incorporated in the next actuarial valuation report.

(f) The state portion of the unfunded liability for teachers' pensions is \$10.256 billion.

LITIGATION

Introduction

The state is a party to numerous litigation matters. See "LITIGATION" in the forepart of this Official Statement.

The following describes only those litigation matters that are pending with service of process on the state accomplished and that have been identified by the state as having a potentially significant fiscal impact upon revenues or expenditures of the state's General Fund or the amount of state funds available to be borrowed by the General Fund.

This description was developed by the state with the participation of the Office of the Attorney General and other state entities. The Office of the Attorney General does not represent the state, its subdivisions, departments, agencies and other units in all matters, and accordingly there may be litigation matters of which the Office of the Attorney General is not aware. The

state does not conduct a docket search of federal or state court litigation filings to identify pending litigation matters, and no inquiry has been made into administrative claims and matters. There may be claims and matters with potentially significant fiscal impacts that have not been described below.

The state makes no representation regarding the likely resolution of any specific litigation matter described below.

Oroville Dam Litigation

The California Department of Water Resources (the “Department”) administers the State Water Project, which encompasses a complex of dams, reservoirs, pumping facilities, power plants, aqueducts and pipelines owned and operated by the state, including the Oroville Dam. The State Water Project provides water to 29 public agencies, and the Department is compensated by those agencies, under contracts with the Department.

On February 7, 2017, erosion was discovered on the lower portion of the main spillway of the Oroville Dam. Because of successive severe storms (caused by atmospheric rivers) impacting Northern California, releases down the damaged main spillway were unable to prevent the reservoir from overtopping. Water flowed down the emergency spillway, triggering the evacuation of more than 180,000 people downstream of Lake Oroville on February 11, 2017.

Only one remaining lawsuit is pending, the Butte County District Attorney’s suit seeking imposition of up to \$51 billion in civil penalties upon the Department for allegedly violating Fish and Game Code Section 5650, which regulates the deposit of materials deleterious to fish and other plant and animals into state waters. (*People of the State of California v. California Department of Water Resources*, Butte County Superior Court, Case No. 18CV00415.) On December 18, 2020, the superior court granted the Department’s motion for summary judgment of the Butte County District Attorney’s entire case. The Butte County District Attorney appeal of the summary judgment is pending.

At this time, it is unknown what future net financial impact this litigation may have on the state’s General Fund.

Tax Cases

A pending case challenges the validity of California Code of Regulations, title 18, Section 1585, which requires the sales tax on mobile telephones to be based on the full “unbundled” price of the telephone rather than any discounted price that is contingent on a service plan commitment, as applied to cellular device sales in carrier-operated stores. In *Bekkerman et al. v. California Department of Tax and Fee Administration* (Sacramento County Superior Court, Case No. 34-2015-80002242), the superior court ruled that the regulation is inconsistent with statute and therefore invalid. The California Department of Tax and Fee Administration has appealed and the matter is fully briefed. (Court of Appeal, Third App. Dist., Case No. C093763). Petitioners filed a second action, a class action lawsuit seeking refunds of any excess sales tax paid, *Bekkerman et al. v. California Department of Tax and Fee Administration, et al.* (Sacramento County Superior Court, Case No. 34-2016-80002287). The superior court dismissed the state defendants from the second action on the basis that the class

action claim for sales tax refunds was premature, and stayed the action pending the result in the first action. In April 2022, petitioners filed a third action, also a class action tax refund claim. On November 4, 2022, the superior court stayed the third class action pending the outcome of the appeal. (Sacramento County Superior Court, Case No. 34-2022-80003814.) In the new class action, the court could order sales tax refunds potentially exceeding \$1 billion.

Medi-Cal Reimbursements

In *Perea, et al. v. Dooley, et al.* (Alameda County Superior Court, Case No. RG-17-867262), plaintiffs allege that access to care under Medi-Cal is inadequate because reimbursement rates to doctors and clinicians under Medi-Cal are insufficient to attract enough providers, and that this has a disparate impact on and constitutes intentional discrimination against Latino beneficiaries. Plaintiffs sought a writ of mandate and declaratory and injunctive relief that could require defendants to raise Medi-Cal reimbursement rates. After the superior court dismissed plaintiffs' disparate-impact claim on defendants' motion, plaintiffs voluntarily dismissed their remaining causes of action without prejudice. The court entered judgment against plaintiffs on June 29, 2022, and plaintiffs have appealed. It is unknown what future financial impact this litigation may have on the state's General Fund.

School Funding

In *Atkins v. State of California* (Sacramento County Superior Court, Case No. 34-2020-80003436), plaintiffs allege that recent amendments to the Education Code unfairly restrict new enrollment at charter schools. They argue that the requirements that schools be funded in fiscal year 2020-21 according to their average daily attendance during fiscal year 2019-20, and that charter schools offer fewer days of instruction compared to non-charter public schools, violate various provisions of the California Constitution, including the right to due process and the contracts clause. Plaintiffs seek a writ of mandate and declaratory and injunctive relief.

In *Reyes v. State of California* (Sacramento County Superior Court, Case No. 34-2020-80003489), plaintiffs filed a class action suit, alleging that recent amendments to the Education Code requiring that non-classroom-based schools be funded in fiscal year 2020-21 according to their average daily attendance during fiscal year 2019-20 unfairly restricts new enrollment at these schools in violation of various provisions of the California Constitution, including the right to due process and the contracts clause. Plaintiffs seek relief similar to that sought in the *Atkins* case described above. On March 10, 2021, the court certified non-classroom-based schools as a class.

The trial court denied all claims on the merits in both Atkins and Reyes and entered final judgment in each case. Plaintiffs appealed in both cases, and the appeals were consolidated. The Court of Appeal affirmed the trial court's judgments and filed its opinion on August 29, 2023, which shall become final 30 days thereafter. (Court of Appeal, Third Appellate District, Case Nos. C095084, C095085.) The deadline to file and serve a petition for review to the California Supreme Court is 10 days after the Court of Appeal decision is final.

At this time, it is unknown what future financial impact this litigation may have on the state's General Fund.

Medical Information Privacy

Plaintiffs in a class action suit, *Harkey-Kirk, et al. v. California Department of Public Health* (Sacramento County Superior Court, Case Number 34-2019-00260616.), sought and received prenatal testing for the detection of birth defects from the California Department of Public Health through its Prenatal Screening Program (PNS Program). Following the testing, the PNS Program mailed correspondence to plaintiffs at the mailing addresses they voluntarily provided to the PNS Program for the purpose of receiving communications regarding their testing. In correspondence to the plaintiffs, the Department used the program's statutorily given name in its return address: Prenatal Screening Program. Plaintiffs allege that anyone viewing the outside of the Department's correspondence would be apprised of their pregnancy. Plaintiffs allege this constitutes disclosure of "private medical information" and seek damages for violations of their rights under the Confidentiality of Medical Information Act. On December 9, 2021, the court certified the class as: "All persons enrolled as patients in Defendant's prenatal screening program who were sent U.S. Mail by Defendant California Department of Public Health with an address driver containing the phrase 'Prenatal Screening Program,' in an envelope with a plastic window, at any time from four years prior to the filing of this action." Notification to the class has been completed. Based on the estimated current class size, the court could award damages potentially exceeding \$1 billion.

FINANCIAL STATEMENTS

The State of California Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2021(the "2021 Annual Comprehensive Financial Report") was released on March 31, 2023. It is included as an appendix to this Official Statement and incorporated into APPENDIX A. The 2021 Annual Comprehensive Financial Report includes a Financial Section that includes an Independent Auditor's Report, Management's Discussion and Analysis, and the Basic Financial Statements. The Financial Section also contains required supplementary information and combining financial statements and schedules. Only the Basic Financial Statements have been audited, as described in the Independent Auditor's Report. A description of the accounting and financial reporting standards set by the Governmental Accounting Standards Board and used in the Basic Financial Statements is contained in Note 1 of the Basic Financial Statements.

In accordance with state law, each year the State Auditor's Office releases an audit report concerning its review of the state's basic financial statements. As set forth in more detail in the 2021 Annual Comprehensive Financial Report, including the Independent State Auditor's Report contained therein, the California State Auditor (the "State Auditor") issued an unmodified opinion on 10 components of the Basic Financial Statements, including the General Fund, but issued a modified opinion on each of the four remaining components of the Basic Financial Statements. A modified opinion, comprised of a disclaimer of opinion, was issued for the Unemployment Programs Fund financial statements. A modified opinion, comprised of a qualified opinion, has been issued for each of the Federal Fund financial statements, the Governmental Activities component and the Business-Type activities component of the

government-wide financial statements. The modified opinions are the result of ongoing challenges primarily related to the federally funded pandemic unemployment insurance program administered by the state's Employment Development Department ("EDD"). EDD was unable to provide complete and accurate accounting information and was also unable to estimate potentially fraudulent claims. See "STATE FINANCES—OTHER ELEMENTS—Unemployment Insurance." For a more detailed explanation of these modified opinions see the Independent Auditor's Report beginning on the first page of the Financial Section of the 2021 Annual Comprehensive Financial Report. The State Auditor also issued modified opinions on certain components of the State of California Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2020 (the "2020 Annual Comprehensive Financial Report") but issued an unmodified opinion on the General Fund.

According to the Independent State Auditor's Report, the financial statements contained in the 2021 Annual Comprehensive Financial Report, except for the Federal Fund and the Unemployment Programs Fund, present fairly, in all material respects, the respective financial position of each major fund.

On March 31, 2023, the State Auditor's Office issued its report titled "State of California Internal Control and Compliance Audit Report for the Fiscal Year Ended June 30, 2021" (the "Auditor's 2021 Internal Control and Compliance Report"). The Auditor's 2021 Internal Control and Compliance Report includes conclusions of the State Auditor's Office regarding EDD's deficiencies in its accounting processes that contributed to a delay in the release of the 2021 Annual Comprehensive Financial Report and led to the issuance of the modified opinions mentioned above. The Auditor's 2021 Internal Control and Compliance Report is available on the website of the State Auditor at <https://www.auditor.ca.gov>. This report is not part of or incorporated into APPENDIX A.

Prior to fiscal year 2017-18, the state's basic financial statements for a fiscal year were generally released on or before March 31 of the subsequent fiscal year and the audit report of the State Auditor's Office is released contemporaneously with the related basic financial statements.

On January 2, 2023, Malia Cohen was sworn in as California State Controller. In connection with the release of the 2021 Annual Comprehensive Financial Report, the State Controller noted that it was the fourth consecutive year that the state's Annual Comprehensive Financial Report was released well beyond March 31 of the subsequent fiscal year. According to the State Controller, the delay in completion of the state's Annual Comprehensive Financial Report began when state departments and the Office of the State Controller began transitioning to a new statewide accounting, budget, cash management and procurement information technology system called the Financial Information System for California ("FI\$Cal"). Since this transition began, multiple state departments have not been able to submit timely and accurate financial reports to the Office of the State Controller and to reconcile their accounting records.

The cumulative impact of the delays in the completion of the state's Annual Comprehensive Financial Reports for fiscal years 2017-18, 2018-19 and 2019-20, as well as the causes of the delay in the state's ability to produce the 2021 Annual Comprehensive Financial Report by March 31, 2022, have resulted in a significant delay in the issuance of the State of California Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022 (the

“2022 Annual Comprehensive Financial Report”), beyond March 31, 2023, and are expected to continue to impact the ability of the state to provide basic financial statements by March 31 for one or more subsequent fiscal years. The website of the State Auditor’s Office currently has an expected release date for the 2022 Annual Comprehensive Financial Report sometime during the winter of fiscal year 2023-24 (but there can be no assurances that timeline will be achieved).

The State Controller is committed to restoring the timely issuance of the Annual Comprehensive Financial Report and is engaging in collaborative discussions with the Legislature, other state officials and state departments, including the State Auditor’s Office, to evaluate, initiate, and monitor the efforts needed to increase the timeliness of the release of the state’s basic financial statements.

The 2021 Annual Comprehensive Financial Report describes certain financial information of the state as of June 30, 2021. This Appendix A contains more current financial information relating to the General Fund essential to making an informed investment decision. Potential investors are therefore advised to read the entire Appendix A, including without limitation “RECENT DEVELOPMENTS,” “CURRENT STATE BUDGET,” “ECONOMIC AND BUDGET RISKS,” “STATE DEBT TABLES,” and “EXHIBIT 1—PENSION SYSTEMS.”

In addition, the State Controller issues a monthly report on General Fund cash receipts and disbursements. These reports are available on the State Controller’s website and are normally released by the 10th day of every calendar month for the period ended on the last day of the prior month. The State Controller’s unaudited reports of General Fund cash receipts and disbursements for the periods July 1, 2021 through June 30, 2022, July 1, 2022 through June 30, 2023 and July 1, 2023 through *August* 31, 2023, are included as EXHIBIT 2 to APPENDIX A. If the State Controller issues such a monthly report between the date on which a preliminary offering document for the securities offered in connection with this APPENDIX A is delivered and the date on which the related final offering document is delivered, such monthly report will be included in such final offering document.

Periodic reports on revenues and/or expenditures during the fiscal year are issued by the Administration, the State Controller’s Office and the Legislative Analyst’s Office. These are available on the internet at websites maintained by those agencies and by contacting the agencies at their offices in Sacramento, California. Such reports and any other information on such websites or on any other websites referenced in this APPENDIX A, are not part of or incorporated into APPENDIX A. The Department of Finance issues a monthly bulletin, available by accessing the internet website of the Department of Finance (www.dof.ca.gov), which reports the most recent revenue receipts as reported by state departments, comparing those receipts to budget projections. The Administration also formally updates its budget projections three times during each fiscal year, in January, May, and at the time of budget enactment. Investors are cautioned that interim financial information is not necessarily indicative of results for a fiscal year. Information which may appear in APPENDIX A from the Department of Finance concerning monthly receipts of “agency cash” may differ from the State Controller’s reports of cash receipts for the same periods generally because of timing differences. Agency cash represents cash received by agencies. The State Controller’s report represents cash received by agencies as reported to and recorded by the State Controller, which may be a day or so later than when cash is received by agencies.

PART II

STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES

The Budget Process

The state's fiscal year begins on July 1 and ends on June 30 of the following year. The state's General Fund budget operates on a legal basis, generally using a modified accrual basis of accounting for its General Fund, with revenues credited in the period in which they are measurable and available, and expenditures debited in the period in which the corresponding liabilities are incurred.

The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "Governor's Budget"). Under state law and the state Constitution, the annual Governor's Budget proposal cannot provide for projected expenditures in excess of projected resources for the ensuing fiscal year. Following the submission of the proposed Governor's Budget, the Legislature takes up the proposal. The voter-approved Balanced Budget Amendment (Proposition 58) requires the Legislature to pass a balanced budget bill, which means that for the ensuing fiscal year, projected General Fund expenditures must not exceed projected General Fund revenues plus the projected beginning General Fund balance. Those projections must be set forth in the budget bill. Proposition 58 also provides for mid-year adjustments in the event the budget falls out of balance and the Governor calls a legislative special session to address the shortfall. The use of general obligation bonds, revenue bonds, and certain other forms of borrowing are prohibited to cover fiscal year end budget deficits. The restriction does not apply to certain other types of borrowing, such as: (i) short-term borrowing to cover cash shortfalls in the General Fund (including RANs or RAWs as described in "CASH MANAGEMENT—Traditional Cash Management Tools"), or (ii) inter-fund borrowings.

Under the state Constitution, money may be drawn from the State Treasury only through an appropriation made by law. The primary source of annual expenditure appropriations is the annual budget act as approved by the Legislature and signed by the Governor (the "Budget Act"). Pursuant to Proposition 25, approved by the voters in November 2010, the Budget Act (and other appropriation bills / "trailer bills" which are related to the budget) must be approved by a majority vote of each house of the Legislature, and legislators must forfeit their pay during any period in which the Legislature fails to pass the budget bill on time. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or by the state Constitution. The Governor may reduce or eliminate specific line items in the Budget Act or other bills that amend the Budget Act without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds vote of each house of the Legislature.

Revenues may be appropriated in anticipation of their receipt, and funds necessary to meet an appropriation are not required to be in the State Treasury at the time an appropriation is enacted.

The General Fund

The state's money is segregated into the General Fund and over 1,000 other funds, including special, bond, federal, and other funds. The General Fund consists of all revenues received by the State Treasury that are not required by law to be credited to any other fund, as well as earnings from the investment of state moneys not allocable to another fund.

The General Fund is the principal operating fund for most governmental activities and is the depository of most of the major tax revenue sources of the state. For additional financial information on the General Fund, see the State Controller's unaudited report of General Fund cash receipts and disbursements attached to APPENDIX A as EXHIBIT 2. See also the other information in "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES" and "FINANCIAL STATEMENTS."

The General Fund may be expended because of appropriation measures enacted by the Legislature and approved by the Governor (including the annual Budget Act and related legislation), as well as other appropriations made pursuant to various constitutional authorizations and initiative statutes. See "STATE FINANCES—OTHER ELEMENTS—State Appropriations Limit."

Because the principal of and interest on the securities being offered in this Official Statement are payable either primarily or secondarily from moneys deposited in, or available for transfer to, the General Fund, and not from special, bond, federal, and other funds of the state, the description of state finances in APPENDIX A primarily includes information relating to revenues deposited in, or available for transfer to, the General Fund and expenditures of such moneys.

Restrictions on Raising or Using General Fund Revenues

Over the years, several laws and constitutional amendments have been enacted that reduced the state's overall budgetary flexibility by making it more difficult for the state to raise taxes or restricting or earmarking the use of certain tax revenues for specific purposes. The following examples illustrate these restrictions.

Proposition 13, approved by the voters in 1978, makes it more difficult for the state to raise taxes by requiring that any change in state taxes enacted for the purpose of increasing revenues, whether by increased rates or changes in computation, be approved by a two-thirds vote in each house of the Legislature. A related measure, Proposition 4, approved by the voters in 1979, limits government spending by establishing an annual limit on the appropriation of proceeds of taxes.

Proposition 26, approved by the voters in 2010, requires a two-thirds vote of both houses of the Legislature for any increase in any tax on any taxpayer, eliminating the prior practice where a tax increase coupled with a tax reduction could be adopted by majority vote. It also provides that any increase in a fee beyond the amount needed to provide the specific service or benefit is deemed a tax, thereby requiring two-thirds vote of approval for passage.

Proposition 98, enacted in 1988, requires a minimum portion of General Fund tax revenues to support K-12 schools and community colleges. Proposition 49, approved by the voters in 2002, requires additional funding for before and after school programs in the state's public elementary, middle and junior high schools. These expenditures are part of the Proposition 98 minimum funding guarantee for K-14 education and cannot be reduced, except in certain low revenue years. See "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—State Expenditures—*K-14 Education under Proposition 98.*"

Proposition 10, approved by the voters in 1998, raised taxes on tobacco products and mandated how the additional revenues would be expended. Proposition 56, approved by the voters in 2016, further raised taxes on tobacco products and again specified how the additional revenues could be expended.

Proposition 63, approved by the voters in 2004, imposed a 1 percent tax surcharge on taxable income above \$1 million for purposes of funding and expanding mental health services. Proposition 63 prohibits the Legislature or the Governor from redirecting these funds or from reducing General Fund support for mental health services below the levels provided in fiscal year 2003-04.

Proposition 30, approved by the voters in 2012, provided temporary increases in personal income tax rates for high-income taxpayers and in the state sales tax rate, and required the additional revenues be expended to support K-12 public schools and community colleges as part of the Proposition 98 guarantee. Proposition 30 also placed into the state Constitution the current statutory provisions transferring 1.0625 percent of the state sales tax to local governments to fund certain realigned public safety programs.

Proposition 55, approved by the voters in 2016, extended the personal income tax rates for high-income taxpayers included in Proposition 30, which were set to expire on December 31, 2018, through tax year 2030. Under specified conditions, beginning in fiscal year 2018-19, Proposition 55 also authorizes the use of up to \$2 billion in a fiscal year from these revenues for health care. See "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—Sources of Tax Revenue."

Proposition 2, approved by the voters in 2014, directs the transfer of specified amounts of General Fund revenues to the BSA and to pay down specified debts and liabilities. It also requires spending on infrastructure including deferred maintenance once the BSA reaches the constitutional maximum balance for a fiscal year of 10 percent of General Fund tax revenues. Proposition 2 also created the "PSSSA" or "Public School System Stabilization Account" that serves as a Proposition 98 reserve and requires a deposit into the fund under specified conditions. See "DEBTS AND LIABILITIES UNDER PROPOSITION 2" and "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—Budget Reserves—*Budget Stabilization Account.*"

Sources of Tax Revenue

In calendar year 2020, there was a dramatic decline in economic activity in the second quarter, including in the state, due to the COVID-19 pandemic, followed by an uneven recovery for the remainder of the year. For calendar year 2021, the economy, buoyed by multiple rounds of federal stimulus, an accommodative monetary policy, and the reopening of businesses, showed very strong growth. Despite the downturn and record unemployment in calendar year 2020, personal income tax withholding receipts in calendar year 2020 increased by 7.4 percent year-over-year compared to calendar year 2019, and then grew an additional 20.2 percent in calendar year 2021. This exceptionally strong growth in personal income tax withholding indicates that high-wage taxpayers that are subject to higher tax rates have received a disproportionately larger share of the wage gains than lower-wage taxpayers and were, on a wage basis, less impacted by the COVID-19 pandemic. However, these wage trends reversed in calendar year 2022 and this reversed trend continued through the first few months of 2023 with declining stock market and asset prices in most of 2022. Withholding receipts declined 1.2 percent year-over-year in 2022, even as overall wages increased by 5.6 percent in the same calendar year, indicating that wage declines were likely concentrated at the top end of the income spectrum.

Because the economic hardship of the COVID-19 pandemic largely impacted low-income taxpayers, and because of California's progressive tax structure, California's revenues only suffered a moderate and temporary slowdown in fiscal year 2019-20 with revenues and transfers increasing a modest 0.2 percent year-over-year. However, General Fund revenues and transfers surged 39 percent year-over-year in fiscal year 2020-21 and increased by 20 percent in fiscal year 2021-22. This reflects strong economic growth and rising asset prices through the end of 2021. However, revenues and transfers are projected to decline by 11.8 percent in fiscal year 2022-23 due primarily to projected declines in personal income and corporation tax receipts as asset prices significantly declined and economic growth slowed and due to lower federal reimbursements compared to fiscal year 2021-22. In fiscal year 2023-24, revenues and transfers are projected to increase by 1.7 percent, however this is largely a result of an increase in transfers and solutions (consisting primarily of \$2.7 billion in loans and borrowing from special funds to the General Fund) as revenues excluding transfers are projected to stay flat. In particular, projected continued declines in personal income tax revenues from declining capital gains revenue are projected to be offset by increases in revenues from federal reimbursements in fiscal year 2023-24.

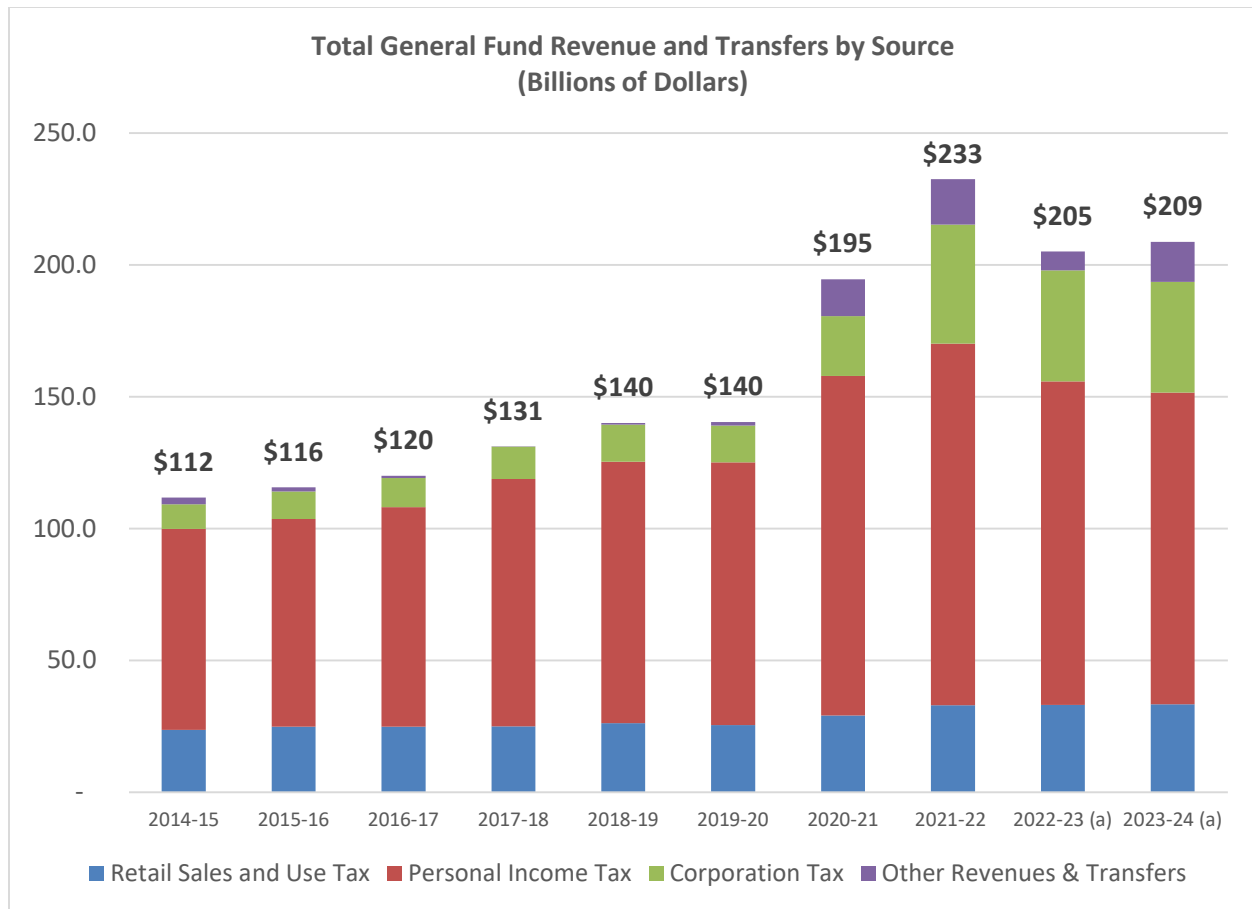
In response to severe winter storms impacting California counties in early January 2023, the Internal Revenue Service (IRS) extended various personal income tax and corporation tax deadlines from January 2023 through September 2023 to October 16, 2023. This impacts over 99 percent of Californians and is projected to significantly alter the timing of state revenue collections. A total of \$42 billion is projected to shift from earlier months to October, including \$28.4 billion in personal income tax and \$13.3 billion in corporation tax revenues. While the extension leads to additional uncertainty for the 2023 Budget Act revenue forecast, the delayed deadlines do not impact reporting of budgetary revenues because October collections that are attributed to the prior fiscal year will be budgetarily scored as part of fiscal year 2022-23 revenues.

The following is a summary of the state’s major tax revenues and transfers. In fiscal years 2022-23 and 2023-24, as in recent years, the vast majority of the state’s General Fund revenues and transfers are projected to be derived from three sources: personal income taxes, sales and use taxes, and corporation taxes. For a ten-year period, the bar chart and table below show total General Fund revenues and transfers by the three major revenue sources, and all other revenues and transfers, including transfers to the BSA beginning in fiscal year 2014-15, and between the Safety Net Reserve Fund and the General Fund in fiscal years 2018-19, 2020-21, 2021-22, 2022-23, and 2023-24, that are represented as reductions in the total amount of other General Fund revenues and transfers. Transfers represented as a reduction in the total amount of other General Fund revenues and transfers can result in a negative amount.

Cost recovery revenues for federal reimbursement of expenses related to the COVID-19 pandemic and wildfires increased General Fund revenues and transfers by \$1.9 billion in fiscal year 2021-22, \$194 million in fiscal year 2022-23 (the relatively smaller amount received in fiscal year 2022-23 is due to the timing of receipt of these revenues, amounts initially projected to be received in fiscal year 2022-23 are now projected to be received in the two following fiscal years) and \$4 billion in fiscal year 2023-24 (estimated). General Fund revenues and transfers in fiscal year 2021-22 reflect a \$7.1 billion transfer to the BSA, \$596 million in loan repayments to special funds and a \$450 million transfer to the Safety Net Reserve Fund. General Fund revenues and transfers in fiscal year 2022-23 reflect a \$544 million transfer to the BSA and \$608 million in loan repayments to special funds. General Fund revenues and transfers in fiscal year 2023-24 reflect \$66 million in loan repayments from special funds. There is no transfer to the BSA projected for fiscal year 2023-24.

For additional information regarding the BSA, see “STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—Budget Reserves—*Budget Stabilization Act* (“BSA”).”

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(a) Projected.

Note: Chart reflects yearly transfers from the General Fund to the BSA of \$1.6 billion in fiscal year 2014-15, \$2.1 billion in fiscal year 2015-16, \$3 billion in fiscal year 2016-17, \$4.1 billion in fiscal year 2017-18, \$3.2 billion in fiscal year 2018-19, \$3.1 billion in fiscal year 2019-20, \$5.1 billion in fiscal year 2020-21, \$7.1 billion in fiscal year 2021-22, and \$544 million in fiscal year 2022-23. The chart also reflects a withdrawal from the BSA of \$7.8 billion in fiscal year 2020-21 (resulting in a net transfer from the BSA in fiscal year 2020-21 of \$2.7 billion). The chart also reflects a deposit of \$900 million to the Safety Net Reserve Fund in fiscal year 2018-19, a withdrawal of \$450 million to the General Fund from the Safety Net Reserve Fund in fiscal year 2020-21, and a deposit of \$450 million to the Safety Net Reserve Fund in fiscal year 2021-22. Transfers reduce General Fund revenues and transfers by the amounts of the transfers while withdrawals increase General Fund revenues and transfers by the amounts of the withdrawals.

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TABLE 7
General Fund Revenues and Transfers
(Includes Percentage of Total General Fund Revenues and Transfers)
(Dollars in Millions)

Fiscal Year	Personal Income Tax^{(b)(d)}		Sales & Use Tax^(b)		Corporate Income Tax^(c)		Other Revenues and Transfers^{(d)(e)(f)}		Total
2014-15	\$ 76,169	68.1%	\$23,682	21.2%	\$ 9,417	8.4%	\$ 2,521	2.3%	\$111,789
2015-16	78,735	68.1	24,871	21.5	10,460	9.0	1,595	1.4	115,661
2016-17	83,264	69.4	24,874	20.7	11,020	9.2	823	0.7	119,982
2017-18	93,776	71.5	24,974	19.0	12,313	9.4	53	0.0	131,116
2018-19	99,189	70.8	26,150	18.7	14,075	10.0	645	0.5	140,060
2019-20	99,599	70.9	25,509	18.2	13,954	9.9	1,339	1.0	140,400
2020-21	128,856	66.2	29,073	14.9	22,591	11.6	14,055	7.2	194,575
2021-22	136,762	58.5	32,915	14.1	45,298	19.4	18,917	8.1	233,891
2022-23 ^(a)	128,905	61.7	32,851	15.7	38,482	18.4	8,646	4.1	208,883
2023-24 ^(a)	126,725	60.3	33,599	16.0	39,308	18.7	10,542	5.0	210,174

(a) Projected.

(b) Reflects the passage of Proposition 30, which temporarily increased tax rates on the highest income Californians through December 31, 2018, and temporarily increased the sales and use tax rate by 0.25 percent through December 31, 2016. Proposition 55 extended the three personal income tax brackets added by Proposition 30 through tax year 2030. For fiscal year 2020-21, includes -\$2.9 billion for tax refunds related to the Golden State Stimulus I, which provided stimulus payments to families who qualified for the California Earned Income Tax Credit or filed with an Individual Taxpayer Identification Number. Reflects -\$19 billion in fiscal year 2021-22, -\$18 billion in fiscal year 2022-23, and -\$18.7 billion in fiscal year 2023-24 for tax credits related to the PTE Elective Tax.

(c) Reflects the suspension of Net Operating Losses and the limitation on the use of business incentive tax credits for tax years 2020 and 2021. Reflects \$21.6 billion in fiscal year 2021-22, \$19.3 billion in fiscal year 2022-23, and \$19.3 billion in 2023-24 related to the PTE Elective Tax.

(d) Beginning in fiscal year 2014-15, reflects transfers from the General Fund to the BSA for rainy day purposes and a deposit of \$900 million in fiscal year 2018-19 to the Safety Net Reserve Fund. Fiscal year 2020-21 includes a \$7.8 billion withdrawal from the BSA, a \$5.1 billion deposit into the BSA, and a \$450 million withdrawal from the Safety Net Reserve Fund. Fiscal year 2021-22 includes a \$7.1 billion deposit into the BSA and a transfer of \$450 million to the Safety Net Reserve Fund. Fiscal year 2022-23 includes a \$544 million deposit into the BSA.

(e) Includes over \$700 million in cost recovery revenues for federal reimbursement of FEMA-related expenses related to COVID-19 and wildfires in fiscal year 2019-20, \$741 million in fiscal year 2020-21, \$1.9 billion in fiscal year 2021-22, \$194 million in fiscal year 2022-23, and \$4 billion in fiscal year 2023-24.

(f) Includes \$2 billion in loans and loan repayments to the General Fund in fiscal year 2020-21, \$596 million in General Fund loans and loan repayments to special funds in fiscal year 2021-22, \$608 million in General Fund loans and loan repayments to special funds in fiscal year 2022-23, and \$66 million in General Fund loans and loan repayments from special funds in fiscal year 2023-24.

Note: Percentages may not add to 100 percent because of rounding.

Source: State of California, Department of Finance.

1. Personal Income Tax

California personal income tax (“PIT”) is imposed on net taxable income; that is, gross income less exclusions and deductions, with rates ranging from 1 percent to 12.3 percent. In addition, the state imposes a 1 percent surcharge on taxable income above \$1 million and dedicates the proceeds from this surcharge to the state’s Mental Health Services Fund. The PIT brackets, along with other tax law parameters, are adjusted annually for inflation. Personal, dependent, and other credits are allowed against the gross tax liability. Taxpayers may be subject to the state’s alternative minimum tax (“AMT”). California’s PIT structure is highly progressive. For example, the Franchise Tax Board (“FTB”) estimates that the top 1 percent of state income taxpayers paid 49.9 percent of the state’s total PIT in tax year 2021.

Proposition 30 and Proposition 55, passed in 2012 and 2016, respectively, provided for a 1 percent increase in the PIT rate for joint filing taxpayers with income above \$500,000 and equal to or below \$600,000; a 2 percent increase for incomes above \$600,000 and equal to or below \$1,000,000; and a 3 percent increase for incomes above \$1,000,000 in calendar years 2012 to 2030. For single filers these tax rate increases start at incomes one-half those for joint filers. The brackets for these higher rates are indexed for inflation each year. The 2023 Budget Act projects the revenue from these additional tax brackets to be \$13.2 billion in fiscal year 2021-22, \$10.7 billion in fiscal year 2022-23, and \$10.1 billion in fiscal year 2023-24.

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The next table shows actual and projected PIT revenues for ten fiscal years, including a breakout of capital gains income tax revenue:

TABLE 8
Personal Income Tax General Fund Revenues
(Includes Percentage of Total General Fund Revenues and Transfers)
(Dollars in Millions)

Fiscal Year^(a)	Capital Gains		All Other PIT		Total PIT	
2014-15	\$11,469	10.3%	\$ 64,700	57.9%	\$ 76,169	68.1%
2015-16 ^(c)	11,713	10.1	67,022	57.9	78,735	68.1
2016-17 ^(c)	12,255	10.2	71,010	59.2	83,264	69.4
2017-18 ^(c)	14,457	11.0	79,319	60.5	93,776	71.5
2018-19 ^(c)	15,082	10.8	84,107	60.1	99,189	70.8
2019-20 ^(c)	16,274	11.6	83,324	59.3	99,599	70.9
2020-21 ^{(c)(d)}	24,636	12.7	104,220	53.6	128,856	66.2
2021-22 ^{(b)(c)(e)}	30,355	13.1	106,789	45.9	137,144	59.0
2022-23 ^{(b)(c)(e)}	21,063	10.3	101,706	49.6	122,769	59.8
2023-24 ^{(b)(c)(e)}	18,716	9.0	99,444	47.7	118,161	56.6

- (a) Includes revenue from the higher rates imposed by Proposition 30 and Proposition 55 that are dedicated to the Education Protection Account. See “STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—State Expenditures—*K-14 Education under Proposition 98*.”
- (b) Estimated. For fiscal year 2021-22, only the portion of total PIT attributable to capital gains remains subject to possible further revision.
- (c) Reflects a reduction of revenues due to the Earned Income Tax Credit and the Young Child Tax Credit of \$200 million in fiscal year 2015-16, \$205 million in fiscal year 2016-17, \$348 million in fiscal year 2017-18, \$394 million in fiscal year 2018-19, \$1.1 billion in fiscal year 2019-20, \$1.3 billion in fiscal year 2020-21, \$1.1 billion in fiscal year 2021-22, \$1.4 billion in fiscal year 2022-23, and \$1.5 billion in fiscal year 2023-24.
- (d) Reflects a reduction of revenues of \$2.9 billion in fiscal year 2020-21 due to tax refunds issued related to Golden State Stimulus I.
- (e) Reflects a decrease in revenues of \$19 billion in fiscal year 2021-22 and \$18 billion in fiscal year 2022-23, and \$18.7 billion in fiscal year 2023-24 from the PTE Elective Tax enacted in the 2021 Budget Act. See “Corporation Tax” below.

Note: Percentages may not add to 100 percent because of rounding.

Source: State of California, Department of Finance. Estimated calendar year capital gains revenues based on actual capital gains realizations for 2014 through 2021, and estimated realizations for 2022 and forward. Fiscal year totals for capital gains shown in this table are estimated by adding 70 percent of calendar year total in first half of fiscal year to 30 percent of calendar year total in second half of fiscal year.

Income taxes on capital gains realizations, which are linked to stock market and real estate performance, can add significant volatility to PIT receipts. Although it is not shown in the above table, during the Great Recession capital gains tax receipts dropped from nearly \$9 billion in fiscal year 2007-08 to just under \$3 billion in fiscal year 2009-10, a 67 percent decline. The 2023 Budget Act projects that capital gains would account for 13.1 percent of the total General Fund revenues and transfers in fiscal year 2021-22, 10.3 percent in fiscal year 2022-23, and 9

percent in fiscal year 2023-24. The volatility in these percentages is primarily due to an underlying volatility in the level of capital gains tax revenues, rather than to volatility in other General Fund revenues and transfers. See “ECONOMIC AND BUDGET RISKS.”

The PTE Elective Tax enacted in the 2021 Budget Act is projected to decrease personal income tax revenues by an estimated \$19 billion in fiscal year 2021-22, \$18 billion in fiscal year 2022-23, and \$18.7 billion in fiscal year 2023-24, with roughly equivalent offsetting revenue gains in corporate income taxes.

2. Sales and Use Tax

California imposes a sales tax on retailers (including online retailers) for the privilege of selling tangible personal property in the state. Most retail sales and leases are subject to the tax. However, exemptions have been provided for certain essentials such as food for home consumption, prescription drugs, gas delivered through mains, and electricity. Other exemptions provide relief for a variety of sales ranging from custom computer software to aircraft.

California imposes a use tax at the same rates as the regular sales tax on consumers of tangible personal property that is used, consumed, or stored in this state. Use tax applies to purchases from out-of-state vendors that did not collect tax on their sales. Use tax also applies to most leases of tangible personal property.

The breakdown for the uniform statewide state and local sales and use tax (referred to herein as the “sales tax”) rate of 7.25 percent is as follows (many local jurisdictions have additional sales taxes for local purposes):

- 3.9375 percent imposed as a state General Fund tax;
- 1.0625 percent dedicated to local governments for realignment purposes (Local Revenue Fund 2011);
- 0.5 percent dedicated to local governments for health and welfare program realignment (Local Revenue Fund);
- 0.5 percent dedicated to local governments for public safety services (Local Public Safety Fund); and
- 1.25 percent local tax imposed under the Uniform Local Sales and Use Tax Law, with 0.25 percent dedicated to county transportation purposes and 1 percent for city and county general-purpose use.

Proposition 30 constitutionally guaranteed that 1.0625 percent of the sales tax rate is dedicated to the cost of the realignment of certain defined public safety services programs from the state to the counties and explicitly states that this sales tax revenue does not constitute General Fund revenue for purposes of the Proposition 98 guarantee. The 1.0625 percent of the sales tax rate is projected to generate \$9.3 billion in fiscal years 2022-23 and 2023-24.

Existing law provides that 0.25 percent of the base state and local sales tax rate will be suspended in any calendar year upon certification by the Director of the Department of Finance that specified conditions exist. There are two sets of tests, each with two conditions. The first set of tests examines whether the actual SFEU balance as of June 30 exceeds 4 percent of the current fiscal year's General Fund revenues, and whether the projected SFEU balance as of June 30 of the next fiscal year, excluding the impact from the 0.25 percent sales tax rate, exceeds 4 percent of the next fiscal year's projected General Fund revenues. The second set of tests observes whether the projected SFEU balance as of June 30, excluding the impact from the 0.25 percent sales tax rate, exceeds 3 percent of current year General Fund revenues, and whether the actual revenues in May through September of the current calendar year equal or exceed the May Revision forecast. If both conditions in either set of tests are met as certified by the Director of the Department of Finance, then the 0.25 percent rate will be suspended. The Department of Finance estimated that the reserve level would be insufficient to trigger a suspension of the 0.25 percent rate for calendar year 2023. See "CURRENT STATE BUDGET" for a projection of the SFEU balance for fiscal years 2022-23 and 2023-24.

The 2022-23 Budget included a one-year pause on the General Fund sales tax rate (3.9375 percent) on diesel fuel beginning October 1, 2022, which is projected to reduce sales tax revenues by \$366 million in fiscal year 2022-23 and \$128 million in fiscal year 2023-24.

3. Corporation Tax

Corporation tax revenues are derived from the following taxes:

- The franchise tax and the corporate income tax are levied at an 8.84 percent rate on profits. The former is imposed on corporations for the privilege of doing business in California, while the latter is imposed on corporations that derive income from California sources but are not sufficiently present to be classified as doing business in the state.
- Banks and other financial corporations are subject to the franchise tax plus an additional tax at the rate of 2 percent on their net income. This additional tax is in lieu of personal property taxes and business license taxes.
- In general, the AMT is based on a higher level of net income computed by adding back certain tax preferences. This tax is imposed at a rate of 6.65 percent.
- A minimum franchise tax of up to \$800 is imposed on corporations and Sub-Chapter S corporations. Limited partnerships ("LPs"), limited liability partnerships ("LLPs"), and LLCs are also subject to the \$800 minimum franchise tax. New corporations are exempted from the minimum franchise tax for the first year of incorporation.
- Sub-Chapter S corporations are taxed at 1.5 percent of profits.

Fees and taxes paid by LLCs and partnerships are estimated to be \$1.3 billion in fiscal year 2022-23.

The 2021 Budget Act included a state tax change effective starting with tax returns for calendar year 2021 that generally allows taxpayers who have income from pass-through entities to electively pay a tax at the business entity level and receive state personal income tax credit for the same amount (the PTE Elective Tax). This election shifts tax liability from the individual's state personal income tax to the business entity (i.e. the taxpayer elects to pay elective amount(s) as a corporation tax rather than as a personal income tax), which enables the taxpayer to reduce his/her federal tax liability by avoiding having this elective payment amount counted against the \$10,000 state and local tax deduction limitation on a taxpayer's federal personal income taxes. Accordingly, every dollar received from the PTE Elective Tax paid generates a dollar of personal income tax credit.

The PTE Elective Tax is estimated to increase corporate income tax revenues by \$21.6 billion in fiscal year 2021-22, \$19.3 billion in fiscal year 2022-23, and \$19.3 billion in fiscal year 2023-24, with roughly equivalent offsetting revenue losses in personal income tax revenues.

4. Insurance Tax

The majority of insurance written in California is subject to a 2.35 percent gross premium tax. For insurers, this premium tax takes the place of all other state and local taxes except those on real property and motor vehicles. Exceptions to the 2.35 percent rate are certain pension and profit-sharing plans which are taxed at the lesser rate of 0.5 percent, surplus lines and non-admitted insurance at 3 percent and ocean marine insurers at 5 percent of underwriting profits. The insurance tax is estimated to have generated General Fund revenues of \$3.5 billion in fiscal year 2021-22 and is projected to generate \$3.7 billion in fiscal year 2022-23 and \$3.9 billion in fiscal year 2023-24.

5. Special Fund Revenues

The state Constitution and statutes specify the uses of certain revenues. Such receipts are accounted for in various special funds. While these funds are not directly available to repay state general obligation bonds, the General Fund may, when needed to meet cash flow needs, temporarily borrow from certain special funds. See "CASH MANAGEMENT—Inter-Fund Borrowings." In general, special fund revenues comprise three categories of income:

- Receipts from tax levies, which are allocated to specified functions, such as motor vehicle taxes and fees and certain taxes on tobacco products.
- Charges for certain services provided by the state government to individuals, businesses, or organizations, such as fees for the provision of business and professional licenses.
- Rental royalties and other receipts designated for particular purposes (e.g., oil and gas royalties).

Motor vehicle-related taxes and other fees were projected to account for nearly one-third of all special fund revenues in fiscal year 2023-24. Principal sources of this income are motor vehicle fuel taxes, registration and weight fees, and vehicle license fees. In fiscal year 2023-24, approximately \$21.1 billion of special fund revenues are projected to come from the ownership or operation of motor vehicles, which includes an increase to existing taxes and new fees from

the Road Repair and Accountability Act of 2017, Chapter 5, Statutes of 2017 (SB 1), which began collection in fiscal year 2017-18. For a discussion of Proposition 1A of 2004, which replaced a portion of vehicle license fees with increased property tax revenues, see “STATE FINANCES—OTHER ELEMENTS—Local Government Impacts on State Finances.”

The following table displays major special fund revenues (actual and as estimated in January 2023).

TABLE 9
Comparative Yield of State Taxes – Special Funds
(Modified Accrual Basis)
(Dollars in Millions)

Fiscal Year	Sales and Use^(b)	Personal Income^(c)	Tobacco^(d)	Cannabis	Motor Vehicle Fuel^(e)	Motor Vehicle Fees^(f)	Managed Care Organization Tax^(g)	ISR Penalty^(h)
2013-14	\$20,168	\$1,282	\$ 747	--	\$6,063	\$6,205	\$ 828	--
2014-15	20,567	1,831	746	--	5,711	6,489	1,464	--
2015-16	22,128	1,870	755	--	4,957	6,809	1,656	--
2016-17	22,144	1,757	1,155	--	4,843	7,166	2,578	--
2017-18	23,271	2,119	2,080	\$ 85	6,352	8,549	2,469	--
2018-19	24,481	2,297	1,990	299	7,558	9,848	2,456	--
2019-20	24,049	2,268	1,906	484	7,798	9,735	1,672	--
2020-21	26,351	3,111	1,909	770	7,811	10,641	2,318	--
2021-22	31,001	4,946	1,778	813	8,455	10,717	2,517	--
2022-23 ^(a)	31,636	3,205	1,592	485	8,959	11,213	2,066	--
2023-24 ^(a)	31,941	2,741	1,449	496	9,747	11,694	8,269	\$362

^(a) Projected.

^(b) These figures include allocations to Public Transportation Account, SFRF, Local Public Safety Fund, both Local Revenue Funds (1991 and 2011 Realignment), and the Bradley-Burns tax, which is dedicated to city and county operations. The 0.25 percent SFRF rate was in operation from July 1, 2004 to December 31, 2015, and the Bradley-Burns tax rate was temporarily reduced by 0.25 percentage point during the same time period.

^(c) These figures include the revenue estimate for a 1 percent surcharge on taxpayers with taxable income over \$1 million, with the proceeds funding mental health programs pursuant to Proposition 63.

^(d) Figures include allocations to the California Children and Families First Trust Fund, Breast Cancer Research Fund, the Cigarette and Tobacco Products Surtax Fund, the California Healthcare, Research and Prevention Tobacco Tax Act of 2016 Fund beginning in fiscal year 2016-17, and the Electronic Cigarette Excise Tax Fund beginning in fiscal year 2022-23.

^(e) Beginning in fiscal year 2017-18, amounts include an additional 4 percent sales tax on diesel and an additional 20-cent per gallon excise tax on diesel, and an additional 12-cent per gallon excise tax on gasoline, starting November 1, 2017. All gasoline and diesel excise tax rates are indexed for inflation beginning July 1, 2020.

^(f) Registration and weight fees, motor vehicle license fees and other fees. Includes \$800 million in fiscal year 2017-18, \$1.7 billion in each of fiscal year 2018-19 and 2019-20, \$1.9 billion in fiscal year 2020-21, \$2 billion in fiscal year 2021-22, \$2.1 billion in fiscal year 2022-23, and \$2.3 billion in fiscal year 2023-24 from a new graduated fee at \$25 to \$175 per vehicle that is indexed to inflation beginning January 1, 2020. See “STATE FINANCES—OTHER ELEMENTS—Local Government Impacts on State Finances.”

^(g) Reflects renewal of the Managed Care Organization tax in 2024 as adopted in the 2023 Budget Act. Figures are on a cash basis.

^(h) Penalties assessed due to the Individual Shared Responsibility (“ISR”) Penalty. Under the 2023 Budget Act, revenues go to the Health Care Affordability Reserve Fund beginning in fiscal year 2023-24. Previously, penalty revenue went to the General Fund.

Note: This table includes only Non-General Fund revenue accruing to special funds. Some revenue sources are dedicated to local governments.

Source: State of California, Department of Finance.

6. Taxes on Tobacco Products

Cigarette and tobacco taxes primarily affect special funds, with \$54 million going to the General Fund and \$1.8 billion going to special funds in fiscal year 2021-22. Proposition 56 increased the excise tax rate on cigarettes, tobacco products, and electronic cigarettes, effective April 1, 2017. The excise tax increased by \$2 from 87 cents to \$2.87 per pack of cigarettes. The equivalent excise tax on the distribution of other tobacco products such as cigars, chewing tobacco, pipe tobacco, and snuff also increased by \$2 from a \$1.37-equivalent to a \$3.37-equivalent tax, effective July 1, 2017. Proposition 56 also imposed the \$3.37-equivalent tobacco products tax on electronic cigarettes, which had previously not been subject to a tobacco products tax. All of the new money from Proposition 56 goes to special funds.

Chapter 483, Statutes of 2021 (SB 395), implemented an additional 12.5 percent retail tax on the sale of electronic cigarettes and nicotine liquid, beginning July 1, 2022. It is expected to generate \$67 million in fiscal year 2022-23, all of which goes to special funds.

Pursuant to state law, a ban on all flavored tobacco products, including mentholated cigarettes and flavored e-cigarette liquids went into effect in December 2022. The flavor ban is expected to result in a decline in the consumption of cigarettes and tobacco products beginning in fiscal year 2022-23, which is consistent with assumptions in prior forecasts.

7. Taxes on Cannabis Products

Proposition 64, The California Legal Marijuana Initiative, approved by the voters in November 2016, legalized the recreational use of cannabis within California for persons age 21 and over, effective November 9, 2016. The measure also levied new state excise taxes on the cultivation and retail sale of both recreational and medical cannabis as of January 1, 2018, to be spent for specified purposes. The cultivation tax, as of January 1, 2022, was \$10.08 per ounce of flower, \$3 per ounce of leaves, or \$1.41 per ounce of fresh plant. There is an additional state retail excise tax equal to 15 percent of the average market price for cannabis products. Recreational cannabis is also subject to state and local sales taxes. Medical cannabis, on the other hand, is exempted from existing state and local sales taxes if the purchaser presents a valid medical marijuana identification card. However, taxes on both medical and recreational cannabis can be levied by local governments. Proposition 64 specified that resources in the Cannabis Tax Fund are not subject to appropriation by the Legislature. Resources are dispersed to agencies according to a set of priorities identified in statute beginning with those tasked with administering the regulation of cannabis and followed by research, law enforcement, and education programs related to cannabis. The 2022 Budget Act suspended the cannabis cultivation tax for three years as of July 1, 2022, maintained the 15 percent cannabis excise tax until June 30, 2025, and shifted the excise tax collection from distribution to retail as of January 1, 2023.

State Expenditures

Certain information concerning state expenditures as set forth in the 2023 Budget Act is presented below.

The four biggest categories of state expenditures, comprising approximately 90 percent of the annual budget each year, are K-14 Education, Higher Education, Health and Human Services and Public Safety (including Corrections and Rehabilitation).

Expenditure estimates are updated three times per year after the Department of Finance has reviewed and considered data, budget requests, and other information from entities across state government. The estimates are included in the proposed balanced budgets released in the Governor's Budget by January 10 and the May Revision by May 14, with final expenditure estimates included in the enacted Budget Act. Actual expenditures may differ materially from these preliminary estimates, and there can be no assurances that the projected amounts will be spent.

1. K-14 Education under Proposition 98

General. California provides instruction and support services to roughly six million students in grades kindergarten through twelve in more than 10,000 schools throughout the state. K-12 education programs are primarily funded under Proposition 98 and will receive funding of \$68 billion from the General Fund for fiscal year 2023-24 (both Non-Proposition 98 and Proposition 98). The state also provides instruction and support services for approximately 1.8 million students based on enrollment (or approximately 1.1 million full-time equivalent students) at 116 community colleges.

Proposition 98 Funding for K-12 and Community Colleges. State funding for K-12 schools and community colleges (referred to collectively as "K-14 education") is determined largely by Proposition 98, a voter-approved constitutional amendment passed in 1988. Proposition 98, as amended by Proposition 111 in 1990, is mainly comprised of a set of three formulas, or three tests, that guarantee schools and community colleges a minimum level of funding from the state General Fund and local property taxes, commonly referred to as the "minimum guarantee." Which test applies in a particular year is determined by multiple factors including the level of funding in fiscal year 1986-87, local property tax revenues, changes in school attendance, growth in per capita personal income, and growth in per capita General Fund revenues. The applicable test, as determined by these factors, sets the minimum funding level. Most of the factors are adjusted frequently and some may not be final for several years after the close of the fiscal year. Therefore, additional appropriations—referred to as "settle-up" funds—may be required to fully satisfy the minimum guarantee for prior years. Final settle-up payments are determined as part of the Proposition 98 certification process, which occurs the fiscal year after the close of the related fiscal year; any outstanding settle-up balance owed to schools must be paid or scheduled to be paid as part of the state's multi-year budgeting process.

Although the Constitution requires a minimum level of funding for education, the state may provide more or less than the minimum guarantee. If the state provides more than is required, the minimum guarantee is increased on an ongoing basis. If the state provides less than

required, the minimum guarantee must be suspended in statute with a two-thirds vote of the Legislature. When the minimum guarantee is suspended, the suspended amount is owed to schools in the form of a maintenance factor. A “maintenance factor obligation” is also created in years when the operative minimum guarantee is calculated using a per capita General Fund inflation factor (Test 3) and is lower than the calculation using a per capita personal income inflation factor (Test 2). (In Test 1 years, a fixed percentage of General Fund revenues is used in the calculation.) In Test 3 years, the amount of maintenance factor obligation created is equal to the difference between the funded level and the Test 2 level. Under a suspension, the maintenance factor obligation created is the difference between the funded level and the operative minimum guarantee. The maintenance factor obligation is repaid according to a constitutional formula in years when the growth in per capita General Fund revenues exceeds the growth in per capita personal income.

The passage of Proposition 30 temporarily created an additional source of funds for K-14 education. The Education Protection Account, created by Proposition 30, was available to offset Proposition 98 General Fund expenditures for fiscal years 2012-13 through 2018-19, freeing up General Fund resources for other purposes. Proposition 55 extended the additional income tax rates established by Proposition 30 through tax year 2030. See “Proposition 98 Funding for Fiscal Years 2022-23 and 2023-24” below.

Proposition 2 created the Public School System Stabilization Account (“PSSSA”), a special fund that serves as a Proposition 98 reserve and requires a deposit in the PSSSA under specified conditions. The 2023 Budget Act reflects these conditions being met, requiring a deposit in fiscal year 2023-24 of approximately \$903 million. Economic conditions as of the 2022 Budget Act required deposits in fiscal years 2021-22 and 2022-23 of approximately \$4 billion and approximately \$2.2 billion, respectively, but Proposition 2 requires a two-year true up on this transfer calculation, and after the true up, deposits totaling approximately \$4.8 billion and approximately \$1.8 billion, respectively, are required. Balances in the PSSSA must be spent on education in fiscal years in which the minimum Proposition 98 funding level is not sufficient to fund the prior year funded level adjusted for growth and inflation. With the total balance in the PSSSA now exceeding 3 percent of the total Proposition 98 funded amount in fiscal year 2022-23, school district reserve caps of 10 percent will be triggered for applicable districts in fiscal year 2023-24 pursuant to state law.

Proposition 98 Funding for Fiscal Years 2022-23 and 2023-24. Test 1 is operative in fiscal years 2022-23 and 2023-24, requiring approximately 38 percent of General Fund revenues to be spent on K-14 education. As shown in Table 10, the funding provided to K-12 schools and community colleges is estimated to decrease in fiscal year 2022-23 and increase in 2023-24. The 2023 Budget Act reflects the Proposition 98 minimum guarantee at approximately \$108.3 billion in fiscal year 2023-24, a decrease of approximately \$2 billion compared to the amount assumed for fiscal year 2023-24 in the 2022 Budget Act.

The 2023 Budget Act also reflects a \$938 million one-time supplemental payment for Proposition 28, which was passed by voters in the November 2022 election. Proposition 28 establishes funding for K-12 arts and music education in public schools. Pursuant to Proposition 28, beginning in fiscal year 2024-25, the Proposition 98 minimum guarantee Test 1 percentage will be rebenchd to permanently include Proposition 28. The 2023 Budget Act also

includes ongoing funding to accommodate enrollment increases related to the expansion of transitional kindergarten. The 2023 Budget Act rebenchs the Test 1 percentage, from approximately 38.2 percent to approximately 38.5 percent, to increase the percentage of General Fund revenues due to the minimum guarantee.

The 2023 Budget Act reflects a revised funding level for K-12 schools and community colleges in fiscal year 2022-23 of approximately \$107.4 billion, which is approximately \$3 billion less than the level assumed at the 2022 Budget Act as estimates of state revenues have been revised downward.

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Property taxes are estimated to continue increasing, mostly due to shifts of local property tax revenues back to schools and community colleges, and increases in base property tax revenues, though more modestly than prior to the COVID-19 pandemic.

TABLE 10
Proposition 98 Funding
(Dollars in Millions)

	2021-22		Fiscal Year 2022-23		2023-24	Change From Enacted 2022-23 to Enacted 2023-24	
	Enacted ^(a)	Revised ^(c)	Enacted ^(b)	Revised ^(c)	Enacted ^(c)	Amount	Percent
K-12 Proposition 98							
State General Fund	\$ 45,646	\$ 54,426	\$ 59,536	\$ 63,715	\$ 55,591	\$ (8,124)	-13%
Education Protection							
Account ^(f)	11,048	15,810	11,599	4,071	12,510	8,439	207%
Local property tax revenue ^(d)	23,829	23,826	24,389	25,455	26,852	1,397	5%
Subtotals	\$ 80,523	\$ 93,521	\$ 95,524	\$ 93,241	\$ 94,953	\$ 1,712	2%
Community College							
Proposition 98							
State General Fund	\$ 5,698	\$ 6,724	\$ 7,519	\$ 8,041	\$ 6,907	\$ (1,134)	-14%
Education Protection							
Account ^(f)	1,365	1,954	1,434	503	1,546	1,043	207%
Local property tax revenue ^(d)	3,535	3,515	3,653	3,787	4,003	216	6%
Subtotals	\$ 10,598	\$ 12,193	\$ 12,606	\$ 12,331	\$ 12,456	\$ 125	1%
Total Proposition 98							
State General Fund	\$ 51,344	\$ 61,150	\$ 67,055	\$ 71,756	\$ 62,499	\$ (9,258)	-13%
Public School System							
Stabilization Account	2,617	4,840	2,224	1,787	903	(885)	-49%
Education Protection							
Account ^(f)	12,413	17,764	13,033	4,574	14,056	9,482	207%
Local property tax revenue ^(d)	27,365	26,800	28,042	29,241	30,854	1,613	4%
Totals^(e)	\$ 93,739	\$110,554	\$ 110,354	\$ 107,359	\$ 108,312	\$ 953	1%

(a) As of the 2021 Budget Act, enacted on June 28, 2021, as amended July 9, 2021.

(b) As of the 2022 Budget Act, enacted on June 27, 2022, as amended June 30, 2022.

(c) As of the 2023 Budget Act.

(d) Local property tax revenues include amounts shifted to schools as a result of the elimination of redevelopment agencies. Fiscal years 2021-22 through 2023-24 include the one-time distribution of cash assets held by redevelopment agencies.

(e) Totals may not add due to rounding.

(f) Roughly \$2.4 billion in Education Protection Account resources were inadvertently initially attributed to fiscal year 2021-22 rather than fiscal year 2022-23. The Department of Finance will not adjust fiscal year 2021-22 and 2022-23 Education Protection Account resources to address this issue because the time to adjust the estimate as required by the Constitution has passed and there is no impact on total cumulative Education Protection Account resources provided between fiscal year 2021-22 and fiscal year 2022-23.

Source: State of California, Department of Finance.

2. Higher Education

California has a system of public higher education comprised of three segments: the California Community Colleges (“CCCs”), the California State University System (“CSU”) and the University of California (“UC”).

As discussed above, the state funds its community colleges under Proposition 98. Including funds for Adult Education, the 2023 Budget Act reflects \$12.5 billion Proposition 98 funds for community colleges (consisting of \$8.5 billion from the General Fund and Education Protection Account and \$4 billion from local property taxes).

There are currently 116 community colleges operated by 73 community college districts in California. These colleges provide associate degrees and certificates to students. Additionally, students may attend CCCs to acquire basic skills or complete general education requirements prior to transferring to a four-year undergraduate institution. The CCCs awarded approximately 308,000 associate degrees, certificates, and other awards in the 2021-22 academic year. For the 2021-22 academic year, about 1.1 million full-time equivalent students were enrolled at CCCs.

CSU provides undergraduate and graduate programs, awarding approximately 132,000 degrees in the 2021-22 academic year. CSU enrolled approximately 395,000 full-time equivalent students at 23 campuses in the 2021-22 academic year.

UC provides a range of undergraduate, graduate, and professional programs, awarding approximately 84,000 degrees in the 2021-22 academic year. The ten UC campuses and UC Law San Francisco (formerly, the Hastings College of Law) enrolled 291,014 full-time equivalent students in the 2021-22 academic year.

The community colleges and CSU continued to experience overall enrollment declines in fiscal year 2021-22, but overall UC enrollment remained stable. Associated in part with enrollment declines, the community colleges experienced fiscal impacts to tuition, fees, and auxiliary enterprises. CSU and UC campus fiscal impacts from the pandemic were primarily related to auxiliary enterprises (e.g., losses of parking and student housing revenue). However, state funding to community colleges, CSU and UC was largely protected, as state funding to the UC and CSU is not directly tied to enrollment and the CCCs have a hold harmless provision tied to their state funding. The Administration will be monitoring CCC district-level enrollment trends and will work with stakeholders to consider options to adjust CCC district budgets entering into the 2024-25 academic year should a district not display rebounding of enrollment lost during the COVID-19 pandemic. The following table summarizes the direct General Fund support for the three segments of state public higher education:

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TABLE 11
Higher Education
General Fund Expenditures
(Dollars in Billions)

Fiscal Year	CSU^{(a)(b)}	UC^(b)	CCCs^{(c)(d)}
2019-20	\$4.7	\$3.9	\$6.1
2020-21	4.0	3.5	7.4
2021-22	5.4	4.8	8.7
2022-23	5.3	4.9	8.5
2023-24	5.5	4.8	8.5

(a) Includes health benefit costs for CSU retirees.

(b) Includes general obligation bond debt service costs.

(c) Reflects Proposition 98 General Fund provided for the community colleges, including expenditures for Adult Education and the K-12 Strong Workforce Program expenditures.

(d) Includes Education Protection Account expenditures.

3. Health and Human Services

Medi-Cal. Medi-Cal, California’s Medicaid program, is a health care entitlement program for qualified low-income individuals and families who receive public assistance or otherwise lack health care coverage. Medi-Cal covers over one-third of all Californians.

The 2023 Budget Act includes expenditures of \$135.4 billion (\$30.9 billion General Fund) in fiscal year 2022-23 and projects expenditures of \$151.8 billion (\$37.5 billion General Fund) in fiscal year 2023-24 for the Medi-Cal program. The \$6.6 billion General Fund expenditure increase from fiscal year 2022-23 to fiscal year 2023-24 is primarily due to costs associated with a shift of repayment for claims not eligible for federal funds; the Managed Care Organization (“MCO”) Provider Tax renewal General Fund offset; assumed conclusion of the enhanced Federal Medical Assistance Percentage (“FMAP”) on December 31, 2023, and the end of the federal COVID-19 Public Health Emergency in May 2023; increased costs for full-scope Medi-Cal Coverage for Undocumented Adults ages 50 and over; implementation of full-scope Medi-Cal Coverage for Undocumented Adults ages 26 through 49 beginning January 1, 2024; and revised implementation timelines for Behavioral Health programs, including but not limited to, the Children and Youth Behavioral Health Initiative.

The 2023 Budget Act estimates an average monthly caseload of 15.3 million in fiscal year 2022-23 and 14.2 million in fiscal year 2023-24, and assumes caseload will start decreasing after peaking at 15.7 million in June 2023. The federal Families First Coronavirus Response Act (H.R. 6201) required continuous Medicaid coverage for beneficiaries through the duration of the federal COVID-19 Public Health Emergency as a condition for receiving an enhanced FMAP. The 2023 Budget Act reflects the end of the federal COVID-19 Public Health Emergency on May 11, 2023 and the requirements of the federal Consolidated Appropriations Act of 2023, which sets the Medi-Cal eligibility redetermination start date of April 1, 2023, ends the continuous coverage requirement and phases down the enhanced FMAP through December 31,

2023. The 2023 Budget Act assumes that enhanced FMAP will phase down gradually over calendar year 2023, starting at 6.2 percent through March 2023, decreasing to five percent through June 2023, then 2.5 percent through September 2023, and finally 1.5 percent through December 2023. After redeterminations are completed in July 2024, it is estimated that caseload will level out at 12.8 million beneficiaries. There is significant uncertainty in the caseload estimates given that California is resuming Medi-Cal eligibility redeterminations for the first time since the beginning of the federal COVID-19 Public Health Emergency.

The Medi-Cal budget may significantly change over time, including within a single fiscal year, due to its size, financial complexity, federal requirements, and the fact that Medi-Cal operates on a cash, rather than an accrual, basis of accounting, which means that the timing of transactions can significantly disrupt fiscal year budgetary estimates.

The following table shows Medi-Cal expenditures as of the 2023 Budget Act.

TABLE 12
Medi-Cal Expenditures
(Dollars in Billions)

Fiscal Year	General Fund	Other State Funds^(a)	Federal Funds^(b)	Total
2019-20	\$22.7	\$9.2	\$64.2	\$96.1
2020-21	20.6	15.1	77.5	113.2
2021-22	24.5	10.2	84.4	119.0
2022-23	30.9	13.3	91.2	135.4
2023-24	37.5	23.8	90.5	151.8

Note: Totals may not add due to rounding.

^(a) Other State Funds include the Home & Community-Based Services American Rescue Plan Fund and MCO Tax Special Funds.

^(b) Federal Funds include State Fiscal Recovery Fund, Demonstration Disproportionate Share Hospital Fund and Health Care Support Fund.

Year-over-year changes. The \$10.5 billion increase in other state funds in fiscal year 2023-24 compared with fiscal year 2022-23 is largely attributable to renewal of the MCO Provider Tax, the Quality Assurance Fee program, and the facilitation of county intergovernmental transfers through the implementation of California Advancing and Innovating Medi-Cal (“CalAIM”) behavioral health payment reform.

The \$0.7 billion decrease in federal fund spending in fiscal year 2023-24 compared with fiscal year 2022-23 is associated with adjustments to projected federal fund expenditures.

Medi-Cal Coverage for Undocumented Adults. The 2021 Budget Act expanded Medi-Cal coverage to income-eligible adults aged 50 or older, regardless of immigration status, no sooner than May 1, 2022. The 2022 Budget Act expanded Medi-Cal coverage to income-eligible adults aged 26 through 49, regardless of immigration status, no later than January 1, 2024, making Medi-Cal available to all income-eligible Californians. The 2023 Budget Act projects expenditures of \$1.4 billion (\$1.2 billion General Fund) in fiscal year 2023-24, increasing to \$3.6

billion (\$3.3 billion General Fund) in fiscal year 2027-28, inclusive of In Home Supportive Services costs, for the ages 26-49 population. The 2023 Budget Act projects expenditures of \$2.7 billion (\$2.6 billion General Fund) increasing to \$3.2 billion (\$3.1 billion General Fund) in fiscal year 2027-28, inclusive of In Home Supportive Services costs, for the 50 and older population.

MCO Tax. Federal Medicaid regulations allow states to impose certain health care-related taxes on health care plans or providers if certain conditions are met. The revenue from these taxes serves as the non-federal share of spending for health care services in a state's Medicaid program, which allows the state to draw down additional federal funding and reduce General Fund expenditures. There have been several iterations of the MCO tax in California's Medi-Cal program, each one slightly different. The most recent MCO tax was effective April 3, 2020 through December 31, 2022. The 2023 Budget Act includes net General Fund savings of \$1.5 billion in fiscal year 2022-23 from this MCO tax.

The 2023 Budget Act renews the MCO tax, retroactively effective April 1, 2023, through December 31, 2026, contingent upon federal approval, which is pending. On a cash basis, the renewal results in gross revenues of \$32.3 billion over the period of the tax, including \$19.4 billion in net available revenues to the state after payments for increased managed care capitation rates. Of this amount, the 2023 Budget Act includes General Fund savings of \$8.3 billion over the period of the tax, including \$3.4 billion in fiscal year 2023-24. The remaining \$11.1 billion over the period of the tax, including \$1 billion in fiscal year 2023-24, will be transferred to the Medi-Cal Provider Payment Reserve Fund for additional investment to support the Medi-Cal program. The federal government has signaled its intent to change federal regulations associated with health care related taxes so that an MCO Provider Tax of a similar size is unlikely to be approved in the future.

California Advancing and Innovating Medi-Cal. CalAIM is a multi-year plan to transform California's Medi-Cal program with the goals of adopting a whole-person care model, reducing system complexity, and improving enrollee outcomes. The 2023 Budget Act includes \$3.1 billion (\$1.3 billion General Fund) in fiscal year 2023-24, to support CalAIM initiatives inclusive of costs for the Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment (BH-CONNECT) Demonstration.

In-Home Supportive Services ("IHSS"). The IHSS program provides domestic and related services such as housework, transportation, and personal care services to eligible low-income aged, blind, or disabled persons. These services are provided to assist individuals to remain safely in their homes as an alternative to out-of-home care.

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The following table shows IHSS caseload and related General Fund expenditures.

TABLE 13
IHSS Expenditures
(Dollars in Billions)

Fiscal Year	Caseload	General Fund Expenditures
2019-20 ^(a)	555,324	\$4.3
2020-21 ^(b)	566,994	4.3
2021-22 ^(c)	586,627	4.6
2022-23 ^{(d)(e)}	619,963	6.1
2023-24 ^{(d)(f)}	645,217	8.4

- (a) Fiscal year 2019-20 General Fund expenditures reflect (1) an increase of \$241.7 million to rebase the county IHSS maintenance-of-effort; (2) implementation of the state hourly minimum wage increase from \$12 to \$13, effective January 1, 2020; (3) restoration of the 7 percent across-the-board reduction in services hours; (4) both costs and savings related to COVID-19; and (5) growth in caseload and average service hours per case.
- (b) Fiscal year 2020-21 General Fund expenditures reflect (1) implementation of the state hourly minimum wage increase from \$13 to \$14, effective January 1, 2021; (2) restoration of the 7 percent across-the-board reduction in services hours; and (3) growth in caseload and average service hours per case.
- (c) Fiscal year 2021-22 General Fund expenditures reflect (1) implementation of the state hourly minimum wage increase from \$14 to \$15, effective January 1, 2022; (2) restoration of the 7 percent across-the-board reduction in services hours; (3) both costs and savings related to COVID-19; (4) growth in caseload and average service hours per case; and (5) continuation of the 65 percent state and 35 percent county sharing ratio and the continuation of the ten percent over three years option.
- (d) Estimated as of 2023 Budget Act.
- (e) Fiscal year 2022-23 General Fund expenditures reflect (1) full-year implementation of the state hourly minimum wage increase from \$14 to \$15, effective January 1, 2022, and half year costs for the statewide minimum wage increase to \$15.50, effective January 1, 2023; (2) growth in caseload and average service hours per case; (3) both costs and savings related to COVID-19; (4) phased-in implementation of Undocumented 50 and Above Full Scope Expansion; (5) full-year costs for Electronic Visit Verification penalties to FMAP; and (6) implementation of the permanent back-up provider system for IHSS recipients to avoid disruptions to caregiving due to an immediate need or emergencies.
- (f) Fiscal year 2023-24 General Fund expenditures reflect (1) full-year implementation of the state hourly minimum wage increase from \$15 to \$15.50, effective January 1, 2023, and half year costs for the statewide minimum wage increase to \$16.00, effective January 1, 2024; (2) growth in caseload and costs per hour; (3) assumed conclusion of the enhanced FMAP resulting in a higher state share of costs; and (4) full-year implementation of Undocumented 50 and Above Full Scope Expansion.

CalWORKs. California Work Opportunity and Responsibility to Kids (“CalWORKs”) is the state’s version of the federal Temporary Assistance for Needy Families (“TANF”) program, and provides temporary cash assistance to low-income families with children to meet basic needs, such as shelter, food, and clothing. CalWORKs includes specific welfare-to-work requirements and provides supportive services, including child care, to enable adult participants to meet these requirements. Eligibility requirements and benefit levels are established by the state, but counties have flexibility in program design, services, and funding to meet local needs.

The federal government pays a substantial portion of welfare benefit costs, subject to a requirement that states provide significant matching funds. Federal law imposes detailed eligibility and programmatic requirements for states to be entitled to receive federal funds. Federal law also imposes time limits on program availability for individuals, and establishes certain work requirements. Consistent with the federal law, CalWORKs contains time limits on the receipt of welfare aid. The centerpiece of CalWORKs is the linkage of eligibility to work participation requirements.

The following table shows CalWORKs caseload and General Fund expenditures.

TABLE 14
CalWORKs Expenditures
(Dollars in Billions)

Fiscal Year	Caseload	General Fund Expenditures
2019-20	365,143	\$0.5
2020-21	314,678	0.6
2021-22	302,222	0.6
2022-23 ^(a)	331,707	0.8
2023-24 ^(a)	340,743	1.6

^(a) Estimated as of the 2023 Budget Act.

The 2023 Budget Act revises CalWORKs caseload projections, based on application uptake estimates, suggesting that the caseload began increasing in fiscal year 2022-23 after years of decline.

SSI/SSP. The federal Supplemental Security Income (“SSI”) program provides a monthly cash benefit to eligible seniors and persons with disabilities who meet the program’s income and resource requirements. In California, the SSI payment is augmented with a State Supplementary Payment (“SSP”) grant. The 2023 Budget Act includes approximately \$3.6 billion General Fund for the SSI/SSP program in fiscal year 2023-24, reflective of full year costs for a 10.3 percent SSP increase effective January 1, 2023 (totaling \$300 million General Fund). The 2023 Budget Act also includes \$146 million General Fund in fiscal year 2023-24 for an additional grant increase effective January 1, 2024. The average monthly caseload in this program is estimated to be 1.1 million recipients in fiscal year 2023-24.

Developmental Services. The Department of Developmental Services (“DDS”) provides consumers with developmental disabilities a variety of services and supports that allow them to live and work independently or in supported environments. DDS estimates it will serve approximately 420,927 individuals in the community and approximately 302 individuals in state-operated facilities in fiscal year 2023-24.

The following table shows the caseload and related General Fund expenditures for DDS (excluding capital outlay, lease revenue debt service, and Proposition 98 funding).

TABLE 15
Department of Developmental Services Expenditures
(Dollars in Billions)

Fiscal Year	Caseload	General Fund Expenditures
2019-20	351,045	\$4.9
2020-21	360,389	5.7
2021-22	379,097	6.3
2022-23 ^(a)	404,244	7.0
2023-24 ^(a)	421,229	8.5

^(a) Estimated as of the 2023 Budget Act.

The 2021 Budget Act initiated the multi-year phase-in of service provider rate reform, estimated at a cost of \$2.1 billion (\$1.2 billion General Fund) at full implementation. In fiscal years 2021-22 and 2022-23, associated General Fund program costs for rate reform were fully offset by increased federal funding for home and community-based services (“HCBS”) made available through the federal American Rescue Plan Act of 2021 and expended through California’s HCBS Spending Plan. The HCBS Spending Plan also partially offsets General Fund costs in fiscal year 2023-24.

Child Care. The 2021 and 2022 Budget Acts included investments in child care access, which is maintained in the 2023 Budget Act.

The 2021 and 2022 Budget Acts expanded child care access by adding and maintaining funding for 146,500 cumulative spaces for children in a child care center or family child care home (referred to as child care slots). The 2023 Budget Act includes \$2.2 billion total funds (\$1.1 billion General Fund) to fund the 146,500 child care slots added in fiscal years 2021-22 and 2022-23. The 2023 Budget Act assumes the majority of child care slots will be funded by the General Fund beginning in fiscal year 2024-25 as one-time federal relief funding expires.

The first collective bargaining agreement the state reached with Child Care Providers United – California (“CCPU”) was effective July 26, 2021 through June 30, 2023. The 2023 Budget Act includes \$2.8 billion total funds (\$1.7 billion General Fund and \$1.1 billion Proposition 98 General Fund) available over fiscal years 2023-24 and 2024-25 for adjustments related to child care and preschool provider reimbursement, subject to a ratified agreement with CCPU and future statutory changes. The state and CCPU reached a tentative successor agreement on June 30, 2023.

4. Public Safety

The California Department of Corrections and Rehabilitation (“CDCR”) operates 33 youth and adult correctional facilities and 35 youth and adult camps as well as numerous other facilities. CDCR also contracts for multiple adult parolee service centers and reentry services. CDCR’s infrastructure includes more than 41 million square feet of building space on more than 21,000 acres of land (33 square miles) statewide.

The 2023 Budget Act assumes an average daily adult incarcerated population of 92,882 individuals in fiscal year 2023-24 and an average daily adult parole population of 37,178 individuals in fiscal year 2023-24. The 2023 Budget Act includes total expenditures (excluding capital outlay) of \$14.4 billion (\$14 billion from the General Fund) for CDCR, including salaries and benefits of approximately \$10.2 billion.

Prison Population. Pursuant to various rulings issued by a panel of three federal judges, (some affirmed by the United States Supreme Court), the state was ordered to reduce its prison population to 137.5 percent of the system’s design capacity by February 28, 2016. In January 2015, CDCR met this court-ordered population benchmark because of the successful implementation of a variety of court-ordered population reduction measures and the approval of Proposition 47 by the voters in 2014, which required reclassification of certain felonies to misdemeanors (and related resentencing). Notwithstanding these changes, the fall 2016 adult incarcerated population projections estimated that population would increase by approximately 1,000 individuals per year. Given the need to establish a durable solution for prison crowding, the voters approved Proposition 57 in 2016 to maintain compliance with the court-ordered population cap, end federal court oversight, and establish more incentives for the incarcerated population to participate in rehabilitative programs.

Proposition 57 reformed the juvenile and adult criminal justice system in California by creating a parole consideration process for non-violent incarcerated individuals who served the full term for their primary criminal offense in state prison, authorizing CDCR to award credits earned for good conduct and approved rehabilitative or educational achievements, and requiring judges to determine whether juveniles charged with certain crimes should be tried in juvenile or adult court. The 2023 Budget Act estimates that Proposition 57 will result in a population reduction of approximately 21,000 incarcerated adults in fiscal year 2023-24, with this population reduction of incarcerated individuals increasing to approximately 23,500 in fiscal year 2025-26 based on current projections.

These population reductions enabled CDCR to terminate all out-of-state and in-state contract facilities by May 2019 and close the Deuel Vocational Institution in September 2021. These closures have saved the state hundreds of millions of dollars in annual expenditures. CDCR closed the California Correctional Center on June 30, 2023, is deactivating six facilities within institutions in 2023, and given the current population projections, plans to terminate its lease and close the California City Correctional Facility by May 2024 and the Chuckawalla Valley State Prison by May 2025.

Additionally, consistent with Chapter 337, Statutes of 2020 (SB 823) and Chapter 18, Statutes of 2021 (SB 92), the Division of Juvenile Justice within CDCR closed on June 30, 2023, and all youth who were not released from the Division of Juvenile Justice at the time of closure will be transferred to the county probation department within their county of commitment.

Prison Medical Care. The federal receiver, appointed by the court to oversee CDCR's medical operations (the "Receiver"), has architectural plans for the design and construction of additional facilities and improvements to existing facilities for incarcerated individuals with medical or mental health care needs. These projects will be constructed at existing state correctional institutions.

The 2023 Budget Act includes \$2.7 billion (General Fund) for the Receiver's costs in fiscal year 2023-24, which represents an increase of approximately \$195 million as compared to the 2022 Budget Act.

Citing "significant progress" in improving California's prison medical care, a federal District Court judge in January 2012 ordered California officials to begin planning for the end of the federal receivership of the state's prison medical programs. On March 10, 2015, the court modified its order to update and clarify the process to transition responsibility for the incarcerated population's medical care back to the state. This transition process is ongoing. As of the end of June 2023, 20 institutions have been transitioned back to the state, with 13 facilities remaining to be transferred.

Five-Year Expenditure Summary

The following table summarizes the major categories of state expenditures, including both General Fund and special fund programs for fiscal years 2016-17 through 2020-21.

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TABLE 16
Governmental Cost Funds (Budgetary Basis)
Schedule of Expenditures by Function and Character
Fiscal Years 2016-17 to 2020-21
(Dollars in Thousands)

Expenditures by Function	Fiscal Year				
	2016-17^{(f)(g)}	2017-18^(h)	2018-19^{(f)(i)}	2019-20	2020-21^(j)
Legislative, Judicial, and Executive					
Legislative	\$ 381,601	\$ 397,732	\$ 421,437	\$ 441,848	\$ 461,674
Judicial	3,715,472	3,834,339	3,958,165	4,333,912	3,997,371
Executive	2,248,940	1,805,382	3,801,370	4,647,624	5,874,444
Business, Consumer Services, and Housing	1,134,851	891,944	1,153,072	1,870,110	1,886,945
Transportation	7,788,678	9,004,517	11,402,541	12,707,948	13,221,038
Natural Resources	2,969,790	3,546,890	3,752,276	4,048,044	3,177,098
Environmental Protection	2,966,221	3,686,908	5,773,010	4,248,665	5,402,081
Health and Human Services	57,018,457	59,990,840	62,648,933	64,085,968	72,071,862
Corrections and Rehabilitation	10,773,544	11,570,215	12,282,346	13,153,697	12,595,692
Education					
Education – K through 12	48,577,998	50,978,259	56,034,607	57,409,564	74,676,843
Higher Education	13,765,678	14,415,823	15,299,358	16,250,941	17,032,920
Labor and Workforce Development	802,606	799,250	797,943	803,637	809,271
Government Operations	982,691	1,563,657	5,165,749	1,808,617	4,441,530
General Government					
Non-Agency Departments ^(a)	2,405,785	2,543,663	2,734,197	2,900,994	2,635,801
Tax Relief	422,752	420,303	472,774	500,438	1,166,876
Shared Revenues	1,297,140	1,838,436	2,657,485	2,616,714	2,788,355
Other Statewide Expenditures ^(b)	6,532,786	6,647,638	9,079,225	6,755,228	6,543,476
Reserve for Liquidation of Encumbrances ^(c)	(1,125,846)	(1,127,577)	(4,086,372)	(3,152,377)	(675,970)
Statewide General Administration Expenditures (Pro Rata) ^(d)	(96,706)	(117,284)	(109,029)	(98,186)	(70,611)
General Fund Credits from Federal Funds (SWCAP)	(159,193)	(161,186)	(196,766)	(178,234)	(179,933)
Total	\$162,403,245	\$172,529,749	\$ 193,042,321	\$ 195,155,152	\$ 227,856,763
Expenditures by Character					
State Operations	\$ 44,160,150	\$ 47,759,563	\$ 59,323,118	\$ 55,540,187	57,865,379
Local Assistance	117,176,655	124,032,641	132,564,422	137,718,558	167,115,788
Capital Outlay ^(e)	1,066,440	737,545	1,154,781	1,896,407	2,875,596
Total	\$ 162,403,245	\$172,529,749	\$ 193,042,321	\$ 195,155,152	\$ 227,856,763

- (a) Beginning with fiscal year 2017-18, General Administration was changed to Non-Agency Departments per the Uniform Codes Manual.
- (b) Beginning in fiscal year 2018-19, expenditures no longer include the deferral of June payroll expenditures to July pursuant Senate Bill 83, Chapter 24, Statutes of 2019, which repealed Government Code Sections 12472.5 and 13302(d), which provided authority to defer payroll from June to July of the following fiscal year.
- (c) Beginning with fiscal year 2016-17, Expenditure Adjustment for Encumbrances was retitled to Reserve for Liquidation of Encumbrances. Large variances between fiscal years are normal. In fiscal year 2016-17, the increased balance in the Reserve for Liquidation of Encumbrances was due to the addition of new operating funds in Local Assistance expenditures. In fiscal year 2018-19, new funds were added which were a primary factor in the large variance to prior fiscal years. In fiscal year 2019-20, the decrease in Reserve for Liquidation of Encumbrances was mainly from the General Fund. In fiscal year 2020-21, the significant decrease in Reserve for Liquidation of Encumbrances was mainly because the Energy Resources Conservation and Development Commission reported only cash basis amounts for the Alternative and Renewable Fuel and Vehicle Technology Fund, the Electric Program Investment Charge Fund, and the Greenhouse Gas Reduction Fund. The cash basis amounts did not include current year encumbrance accruals. Please refer to footnote (k), below.

(Footnotes Continued on Following Page)

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- (d) Beginning with fiscal year 2016-17, Credits for Overhead Services by General Fund was retitled to Statewide General Administration Expenditures (Pro Rata). In fiscal year 2016-17, Pro Rata was charged directly at fund level which played a role in the variance.
- (e) In fiscal year 2016-17, the increase in Capital Outlay expenditures was due to an increase in expenditures of the Greenhouse Gas Reduction Fund. In fiscal year 2019-20, Capital Outlay expenditures increased due to new projects in the Road Maintenance and Rehabilitation Account as well as an increase from various contracts in Greenhouse Gas Reduction Fund.
- (f) Executive Orders 17/18-A, and 18/19-A were issued by the Department of Finance, as authorized under Control Section 12.45 of the Budget Acts of, 2016, and 2017 respectively, and pursuant to Government Code sections 12472.5 and 13302, to defer the June 2017 and June 2018 payroll expenditures for various governmental and nongovernmental cost funds to July 2017 and July 2018. This affected all state departments paid through the uniform payroll system. Beginning with fiscal year 2018-19, current year expenditures no longer include the deferral of June payroll expenditures to July pursuant to Senate Bill 83, Chapter 24, Statutes of 2019, which repealed Government Code sections 12472.5 and 13302(d), which provided authority to defer payroll from June to July of the following fiscal year.
- (g) Four departments using FISCAL submitted estimated financial statements to the State Controller's Office for fiscal year 2016-17 which were included in the Budgetary Legal Basis Annual Report ("BLBAR").
- (h) Seventeen departments using FISCAL submitted estimated financial statements to the State Controller's Office for fiscal year 2017-18 which were included in the BLBAR.
- (i) The Department of Secretary of State was not able to submit fiscal year 2018-19 financial statements for General Fund, Secretary of State's Business Fees Fund, and Federal Trust Fund prior to the cut-off of producing the BLBAR. The State Controller's Office included cash basis balances from its legacy system for these three funds in the BLBAR.
- (j) In fiscal year 2020-21, the California Conservation Corps was not able to submit fiscal year 2020-21 financial statements for the General Fund and the Collins-Dugan California Conservation Corps Reimbursement Account prior to the cut-off for producing the BLBAR. The Energy Resources Conservation and Development Commission was not able to submit fiscal year 2020-21 financial statements for the Energy Resources Programs Account; Federal Trust Fund; Alternative and Renewable Fuel and Vehicle Technology Fund; Electric Program Investment Charge Fund; Greenhouse Gas Reduction Fund; and the Cost of Implementation Account, Air Pollution Control Fund prior to the cut-off of producing the BLBAR. The State Controller's Office included cash basis amounts from its legacy system for these eight funds in the BLBAR.

Source: State of California, Office of the State Controller.

Budget Reserves

1. Special Fund for Economic Uncertainties ("SFEU")

The SFEU is funded with General Fund revenues and was established to protect the state from unforeseen revenue reductions and/or unanticipated expenditure increases. The State Controller may transfer funds from the SFEU to the General Fund as necessary to meet cash needs of the General Fund, and such transfers are characterized as "loans." The State Controller is required to return moneys so transferred, without payment of interest, as soon as there are sufficient moneys in the General Fund. At the end of each fiscal year, the State Controller is required to transfer from the SFEU to the General Fund any amount necessary to eliminate any deficit in the General Fund. In addition, in certain circumstances, moneys in the SFEU are used in connection with disaster relief. Such moneys are treated as an expenditure from the General Fund and such use is not treated as a loan subject to repayment.

There is a continuous appropriation authorizing the State Controller to transfer the unencumbered balance of the General Fund to the SFEU as of the end of each fiscal year. However, if, at the end of any fiscal year it has been determined that revenues exceed the amount that may be appropriated, then the transfer shall be reduced by the amount of the excess revenues. The estimates of the transfer shall be made jointly by the Legislative Analyst's Office

and the Department of Finance. See “STATE FINANCES—OTHER ELEMENTS—State Appropriations Limit.”

For budgeting and accounting purposes, any appropriation made from the SFEU, other than the appropriations discussed above, is deemed an appropriation from the General Fund. For year-end reporting purposes, the State Controller is required to add the balance in the SFEU to the balance in the General Fund so as to show the total moneys then available for General Fund purposes.

See footnote (h) in Table 4 for information concerning the recent balances in the SFEU and projections of the balances for the previous and current fiscal years. The Budget Act and related trailer bills are not the only pieces of legislation which appropriate funds. Updated estimates of revenues and expenditures, existing statutory requirements and additional legislation introduced and passed by the Legislature may also impact the fiscal year-end balance in the SFEU.

2. Budget Stabilization Account (“BSA”)

Proposition 58, approved in March 2004, created the BSA as a second budgetary reserve and established the process for transferring General Fund revenues to the BSA. In fiscal year 2014-15, \$1.606 billion was transferred from the General Fund to the BSA under the provisions of Proposition 58 (the balance in the BSA was \$0 from fiscal year 2008-09 until fiscal year 2014-15). Beginning with fiscal year 2015-16, however, the BSA provisions of Proposition 58 were superseded by Proposition 2.

Proposition 2 provides for both paying down debt and other long-term liabilities, and saving for a rainy day by making specified deposits into the BSA. In response to the volatility of capital gains revenues and the resulting boom-and-bust budget cycles, Proposition 2 takes into account the state’s heavy dependence on the performance of the stock market and the resulting capital gains. Beginning with fiscal year 2015-16, Proposition 2:

- Requires a calculation of capital gains revenues in excess of 8 percent of General Fund tax revenues that are not required to fund a Proposition 98 increase. In addition, it requires a calculation of 1.5 percent of annual General Fund revenues. The sum of the amounts so calculated will be applied for the purposes set forth below.
- Requires half of each year’s calculated amount for the first 15 years be used to pay specified types of debt or other long-term liabilities. The other half must be deposited into the BSA. After the first 15 years, at least half of each year’s deposit will be deposited in the BSA, with the remainder used for supplemental debt or liabilities payments at the option of the Legislature and to the extent not so used, also deposited into the BSA.
- Allows the withdrawal of funds from the BSA only for a budget emergency, as defined, or if spending remains at or below the highest level of spending from the past three years. The maximum amount that can be withdrawn in the first year is limited to half of the BSA balance.

- Sets the maximum amount to be reserved in the BSA for a fiscal year at 10 percent of General Fund tax revenues. When the amount in the BSA is equal to its then maximum amount, any amount that otherwise would have been deposited in the BSA may be spent only on infrastructure, including deferred maintenance.
- Creates the Public School System Stabilization Account (“PSSSA”), a special fund that serves as a Proposition 98 reserve, in which spikes in funding will be saved for future years. This will smooth school spending and thereby minimize future cuts. This reserve does not change the Proposition 98 minimum guarantee calculation, and transfers to the PSSSA do not occur until various operational and economic conditions are met.

Under the constitutional requirements, the 2023 Budget Act projects total transfers into the BSA of \$7.1 billion in fiscal year 2021-22, \$0.5 billion in fiscal year 2022-23, and no transfer in fiscal year 2023-24. The projected balance reached the 10 percent constitutional maximum in fiscal year 2022-23. As a result of reaching the constitutional maximum balance, approximately \$2.2 billion and \$2.3 billion of the required transfer into the BSA in fiscal years 2022-23 and 2023-24, respectively, must be spent on infrastructure. The multi-year budget projection set forth in the 2022 Budget Act included supplemental deposits into the BSA of \$1 billion and \$3 billion in fiscal years 2024-25 and 2025-26. However, the 2023 Budget Act eliminates these supplemental deposits. The multi-year budget forecast projects the BSA will reach a balance of \$23.2 billion by fiscal year 2026-27.

Under current projections, Proposition 2 will result in a total of \$19.1 billion in reductions of debts and liabilities through fiscal year 2023-24. See Table 6 for the current debt payment plan.

3. Safety Net Reserve Fund

The 2018 Budget Act created the Safety Net Reserve Fund, an additional reserve created specifically to protect safety net services during an economic downturn. The Safety Net Reserve has a total balance of \$900 million. The multi-year budget projection set forth in the 2022 Budget Act included deposits of \$4 billion split evenly between fiscal years 2024-25 and 2025-26. However, the 2023 Budget Act eliminates the additional deposits.

4. Public School System Stabilization Account (“PSSSA”)

Proposition 2 created the “PSSSA” or “Public School System Stabilization Account” that serves as a Proposition 98 reserve, and requires a deposit into the fund under specified conditions. The 2023 Budget Act includes a deposit to the PSSSA of \$4.8 billion in fiscal year 2021-22, \$1.8 billion in fiscal year 2022-23, and \$0.9 billion in fiscal year 2023-24, resulting in a projected balance of approximately \$10.8 billion at the end of fiscal year 2023-24.

STATE FINANCES—OTHER ELEMENTS

Pension Systems

The state participates in two principal retirement systems, CalPERS and CalSTRS. The state makes annual General Fund contributions to the CalPERS state plans and to CalSTRS. The state also makes annual contributions to the CalPERS state plans from other state funds. Additional contributions are made by other employers, which are part of the systems, and by employees.

The state's annual contribution to CalPERS is determined by the CalPERS Board of Administration, and depends upon a variety of factors, including future investment performance, actuarial assumptions, and additional potential changes in retirement benefits. The state's annual contribution to CalSTRS is set by statute, and the CalSTRS Board has limited authority to adjust the state's contribution.

The state has always made its mandatory contributions. The annually required General Fund contributions to CalPERS and CalSTRS are approximately \$4.7 billion and \$3.9 billion, respectively, for fiscal year 2023-24. See "OVERVIEW—State Pension Systems and Retiree Health Care Costs."

Each system currently has unfunded liabilities in the tens of billions of dollars (See Table 6). Both systems have taken steps in recent years to address these gaps, which will result in increased state contributions in future years. Detailed information about the two retirement systems, including information regarding the unfunded liabilities of each system, is contained in EXHIBIT 1—"PENSION SYSTEMS."

Retiree Health Care Costs

In addition to pension benefits, as described in EXHIBIT 1—"PENSION SYSTEMS," the state also provides retiree health care and dental benefits to its retired employees and their spouses and dependents (when applicable). These benefits are referred to as "Other Postemployment Benefits" or "OPEB."

As of June 30, 2022, the most recent measurement date of the net OPEB liability, approximately 207,000 retirees were enrolled to receive health benefits and approximately 209,000 to receive dental benefits. Employees vest for those benefits after serving from 10 to 25 years (depending on date of hire) with the state. The long-term costs for the state's OPEB may negatively affect the state's financial condition if the state does not adequately manage such costs.

The state reports on its liability for postemployment healthcare as well as other forms of postemployment benefits, such as life insurance, in its annual financial reports pursuant to the Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which first applied to the state's reporting for fiscal year 2017-18. GASB Statement No. 75 requires:

- Recognition of the unfunded actuarial accrued liability (UAAL; i.e., Net OPEB Liability) in the financial statements.
- Development of an actuarial accrued liability (AAL; i.e. Total OPEB Liability or TOL) and normal costs using a blended discount rate which is based on a 20-year general obligation bond index if benefits are financed on a pay-as-you-go basis, and the expected return on trust assets if pre-funding assets are available to pay benefits. Normal cost is the present value of future benefits earned by employees during the current fiscal year.
- Development of an annual OPEB expense based on the normal cost plus an amortization of changes in the UAAL due to demographic experience, assumption changes, plan changes and investment experience.

GASB Statement No. 75 increases the financial statement liability because the entire UAAL is recognized in the financial statements. In addition, the liability is projected to be more volatile because the UAAL will be based on a blended discount rate that changes at each measurement date as the 20-year general obligation bond index changes.

The state's latest OPEB actuarial valuation report as of June 30, 2022, was prepared by the private actuarial firm, Gabriel, Roeder, Smith & Company ("GRS"), which was tasked with calculating the state's liability for these benefits. The report will be utilized to report OPEB liabilities and accounting elements in the state's GAAP basis audited basic financial statements for the fiscal year ended June 30, 2023. The actuarial valuations contained in the report cover the cost estimates for existing employees, retirees and dependents. The objective of the report was to determine the liabilities associated with OPEB provided to the State's employees in compliance with GASB standards and to develop the actuarial funding costs assuming a full-funding policy. The economic assumptions for price and wage inflation used in the report were 2.30 percent and 2.80 percent, respectively.

The report provides actuarial liabilities using a blended discount rate that is based on a 20-year general obligation bond index if benefits are financed on a pay-as-you-go basis, and the expected return on trust assets if pre-funding assets are available to pay benefits. The state's OPEB actuarial valuation report as of June 30, 2022, reports a TOL of \$87.54 billion, of which \$82.41 billion is unfunded.

An actuarially determined contribution ("ADC") was developed assuming a full-funding interest rate of 6.00 percent. The ADC represents the annual employer contribution that along with member contributions and investment income is projected to fully fund the program in approximately 24 years.

The TOL decreased from \$99.53 billion as of June 30, 2021, to \$87.54 billion as of June 30, 2022, representing a change of \$11.99 billion. If the previous assumptions had been realized, the TOL would have increased by \$3.92 billion, to \$103.45 billion as of June 30, 2022. The primary factors resulting in the \$15.91 billion of unexpected decrease in actuarial liabilities include:

- Demographic experience increased the expected actuarial liabilities by 3.3 percent or \$3.46 billion. Examples of demographic experience losses include: more members retiring than assumed, members retiring earlier than assumed, and members living longer than assumed. During the year, the number of retirees increased by 1.8 percent from 203,420 at June 30, 2021, to 207,053 at June 30, 2022, and the number of active members increased by 0.4 percent from 280,149 to 281,298, which are key reasons for the demographic loss. Another key reason is the migration to the PERS Platinum and PERS Gold healthcare plans.
- During the year, unfavorable healthcare claims experience and plan design changes increased the expected total OPEB liability by approximately 0.8 percent or \$0.84 billion. This change in total OPEB liability is mainly driven by the relationship between the assumed trend rate used to project average member claims cost in 2022 (used in last year's actuarial valuation) and the actual trend rate for 2022 (used to update average per member claim costs). During plan year-end June 30, 2022, average per member claim costs were slightly higher than assumed, after considering the migration to the PERS Platinum and PERS Gold healthcare plans. Healthcare trend rates, participation rates, and plan election assumptions for the June 30, 2022, actuarial valuation were reviewed and updated since the last actuarial valuation, and the related assumption changes increased the expected total OPEB liability by approximately 0.9 percent or \$0.97 billion.
- Changing other assumptions and methods increased the liabilities by about 0.3 percent or \$0.33 billion.
- Changing the GASB Statements No. 74 and 75 blended discount rate as of June 30, 2021, which ranged from 1.92 percent to 2.95 percent, to the blended discount rate as of June 30, 2022, which ranges from 3.69 percent to 4.24 percent, decreased the total OPEB liability by 20.8 percent or \$21.50 billion.

The state's funding policy provides for a 50 percent cost sharing of the normal cost, between active members and the state, graded over several years since the adoption of the pre-funding policy. Pre-funding normal cost contributions are deposited into CalPERS' California Employers' Retiree Benefit Trust. The state assumes it will earn 6.00 percent per year on these contributions. Pre-funding normal costs and investment income are not available to pay benefits until the earlier of 2046, or the year that the total actuarial liabilities are fully funded. The state finances benefits on a pay-as-you-go basis prior to the year that pre-funding assets are available to pay benefits. For the purposes of developing the full-funding normal cost, AAL and ADC, a discount rate of 6.00 percent was used.

The State Controller plans to issue an actuarial valuation report annually. The state's OPEB actuarial valuation report as of June 30, 2023 is expected to be published in May 2024 or thereafter.

The following table presents information related to the actuarial funding costs assuming a full-funding policy and GASB Statement No. 75 Accounting and Reporting for OPEB – effective beginning in fiscal year 2017-18, as of the valuation date indicated below:

TABLE 17
OPEB Full-Funding^(a)
(Dollars in Billions)

Fiscal Year	Actuarially Determined Contribution (ADC)	Employer Contribution	Percentage of ADC Contribution	Actuarial Accrued Liability (Total OPEB Liability)	Unfunded Actuarial Accrued Liability (Net OPEB Liability)
2017-18	\$4.57	\$2.42	53%	\$86.47	\$85.59
2018-19	4.39	2.68	61	93.51	91.93
2019-20	4.41	3.01	68	97.88	95.19
2020-21	4.71	3.12	66	99.53	95.51
2021-22	4.17	4.03	97	87.54	82.41

^(a) Long-term assumed return on assets is 6.00% for full funding.

Source: State of California OPEB Valuation as of June 30, 2022, under GASB Statement No. 75 (State Controller's Office).

The table below illustrates the state's budget for OPEB for five fiscal years. These costs are expected to continue to grow in the future.

TABLE 18
Actual Costs/Budget for
Other Postemployment Benefits
(Dollars in Thousands)

Fiscal Year	(A) State Employees All Funds^(b)	(B) State Employees General Fund	(C) CSU Employees General Fund	(D) Employer OPEB Prefunding All Funds^(c)	(E) Employer OPEB Prefunding General Fund^(c)	(A)+(C)+(D) Total Contributions All Funds	(B)+(C)+(E) Total Contributions General Fund^(d)
2019-20	\$1,843,831	\$1,843,664	\$325,718	\$561,815	\$273,531	\$2,731,364	\$2,442,913
2020-21	1,937,783	1,937,783	338,508	600,000	335,174	2,876,291	2,611,465
2021-22	2,019,384	2,019,384	355,869	1,292,000 ^(e)	926,000 ^(e)	3,667,253	3,301,253
2022-23 ^(a)	2,207,794	2,207,794	391,678	735,000	365,000	3,334,472	2,964,472
2023-24 ^(a)	2,417,087	2,417,087	428,294	711,000	390,000	3,556,381	3,235,381

^(a) Estimated Contributions.

^(b) "Pay-as-you-go" contributions from General Fund and Public Employee's Contingency Reserve Fund.

^(c) Amount reflects the employer contribution to pay down the OPEB unfunded liability.

^(d) Contributions for postemployment benefits are included for all years displayed in this table.

^(e) Amount includes a one-time prefunding contribution of \$616 million pursuant to the 2021-22 Budget.

Source: State of California, Department of Finance.

1. Ongoing Efforts

In 2015, a comprehensive strategy to eliminate the OPEB unfunded AAL over approximately 30 years by increasing prefunding shared equally between state employers and employees and reducing the cost structure of employee and retiree health care benefits was initiated through the collective bargaining process. Statutory language passed as part of the 2015 Budget Act contains the funding policy and framework designed to support the elimination of the unfunded AAL.

The state negotiated contributions for OPEB prefunding equivalent to the normal costs of those benefits, so that the additional contributions were equally shared between employers and employees and phased in over a three-year period. The negotiated contracts require matching contributions to an OPEB trust fund to set aside 100 percent of the actuarially determined “normal costs.”

The funding schedule for these agreements generally phased in contributions over three years beginning July 1, 2016, July 1, 2017, or July 1, 2018, depending on the bargaining unit. New employees are subject to a lower employer contribution for future retiree health benefits, and a longer vesting period to qualify for the retiree health care contribution. Successor contract agreements with all 21 bargaining units require all rank-and-file state employees to make OPEB contributions to prefund those benefits and address the \$82.4 billion (as of June 30, 2022) net unfunded liability for retiree health benefits. Additionally, as determined annually by the California Department of Human Resources, related excluded and exempt employees also prefund retiree health benefits. State employees of the judicial branch are also subject to the prefunding strategy and retiree health provisions.

The state has set aside funds in a prefunding trust fund to pay for future retiree health benefits. As of the end of fiscal year 2023-24, the trust fund balance is expected to exceed \$6.9 billion in assets.

The 2021-22 Budget included \$310 million in one-time Proposition 2 funding for the employer’s share of General Fund prefunding contributions and an additional \$616 million in one-time Proposition 2 funding to help reach full funding for retiree health benefits by 2046. Because employee prefunding contributions were suspended in fiscal year 2020-21 due to a personal leave program for state employees—see “EMPLOYEE RELATIONS”—a one-time amount of \$616 million was provided by the state employer on behalf of employees, based on the actuarial liability for each bargaining unit.

The 2022-23 Budget included \$365 million in one-time Proposition 2 funding for the employer’s share of General Fund prefunding contributions. The 2023-24 Budget includes \$390 million in one-time Proposition 2 funding for the same purpose.

The funding plan to eliminate the OPEB unfunded AAL assumes that the state continues to pay for retiree health benefits on a pay-as-you-go basis while assets are accumulated in a trust fund, and that no investment income will be used to pay for benefits until the plan is fully funded. Statutory language passed as part of the 2015 Budget Act contains the framework for

this funding plan, preventing the use of investment income from the retiree health care trust fund for the payment of retiree health benefits until the earlier of:

1. The date the state bargaining unit subaccount within the trust fund reaches a 100 percent funded ratio.
2. July 1, 2046—the date the actuarial calculation of the prefunding plan is expected to reach a 100 percent funded ratio.

State Appropriations Limit

The state is subject to an annual appropriations limit imposed by the state Constitution (the “Appropriations Limit”). The Appropriations Limit does not restrict appropriations to pay debt service on voter-authorized bonds.

The state is prohibited from spending “appropriations subject to limitation” in excess of the Appropriations Limit. “Appropriations subject to limitation,” with respect to the state, are authorizations to spend “proceeds of taxes,” which consist of tax revenues and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed “the cost reasonably borne by that entity in providing the regulation, product or service,” but “proceeds of taxes” exclude most state subventions to local governments, tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on appropriations of funds which are not “proceeds of taxes,” such as reasonable user charges or fees and certain other non-tax funds.

Various types of appropriations are excluded from the Appropriations Limit. For example, debt service costs of bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, appropriations for tax refunds, appropriations of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels, certain appropriations made in response to a declared emergency, and appropriation of certain special taxes imposed by initiative (e.g., cigarette and tobacco taxes) are all excluded. The Appropriations Limit may also be exceeded in certain emergencies.

The Appropriations Limit in each year is based on the Appropriations Limit for the prior year, adjusted annually for changes in state per capita personal income and changes in population, and adjusted, when applicable, for any transfer of financial responsibility of providing services to or from another unit of government or any transfer of the financial source for the provisions of services from tax proceeds to regulatory licenses, user charges, or user fees. The measurement of change in population is a blended average of statewide overall population growth and the change in attendance at K-14 education districts. The Appropriations Limit is tested over consecutive two-year periods. Any excess of the aggregate “proceeds of taxes” received over such two-year period above the combined Appropriations Limits for those two years is divided equally between transfers to K-14 education districts and refunds to taxpayers.

The state has rarely exceeded its appropriations limit. In recent years, however, state appropriations have trended closer to the limit, and in fiscal year 2018-19, total spending exceeded the limit by \$1.9 billion and, as shown in the following table, total spending exceeded the limit in fiscal year 2020-21. Strong revenue growth, coupled with more moderate growth in the appropriations limit, served to reduce the room under the limit. Two of the three growth factors, the change in civilian population and the change in K-14 average daily attendance, have dropped to less than 1 percent and have been negative, respectively, in a number of recent years.

The 2023 Budget Act estimates that the state is under the limit in fiscal year 2021-22 by \$21.7 billion, which when combined with the amount in excess of the limit in fiscal year 2020-21, results in the state being below the limit by approximately \$4.5 billion for the two-year period. The calculation for that two-year period is final. The 2023 Budget Act estimates that the state is under the limit in fiscal years 2022-23 and 2023-24 by \$11.2 billion and \$15.1 billion, respectively.

An estimate of the new Appropriations Limit is included in the Governor's Budget and is thereafter subject to the deliberative budget process and final establishment in the annual Budget Act.

The following table shows the Appropriations Limit for fiscal years 2019-20 through 2023-24.

TABLE 19
State Appropriations Limit
(Dollars in Millions)

	Fiscal Year				
	2019-20	2020-21	2021-22	2022-23	2023-24
State Appropriations Limit	\$112,102	\$115,860	\$125,695	\$135,650	\$141,492
Appropriations Subject to Limit	(105,807)	(133,036)	(104,049)	(124,423) ^(a)	(126,379) ^(a)
Amount (Over)/Under Limit	\$6,295	\$(17,176)	\$21,646	\$11,227 ^(a)	\$15,113 ^(a)

^(a) Estimated/projected.

Source: State of California, Department of Finance.

Local Government Impacts on State Finances

The primary units of local government in California are the 58 counties, which range in population size from less than 1,300 residents in Alpine County to almost 10 million in Los Angeles County. County governments provide many basic services, including indigent health care, social services, jails, and public safety in unincorporated areas. In addition, there are 482 incorporated cities in California and thousands of special districts formed to provide various services. The fiscal condition of these local governments can impact the state's financial condition and flexibility as summarized below.

1. Constitutional and Statutory Limitations

The fiscal condition of local governments changed when Proposition 13 was approved by California voters in 1978. Proposition 13 reduced and limited the future growth of local property taxes and limited the ability of local governments to impose “special taxes” (devoted to a specific purpose) without two-thirds voter approval.

In the aftermath of Proposition 13, the state provided aid to local governments, including from the General Fund, to make up for the local governments’ loss of property tax revenue. Significantly, the state assumed a much larger responsibility for funding K-14 education. In 1988, Proposition 98 established a minimum guaranteed level of funding for K-14 education with a combination of local property taxes and state General Fund. See “STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—State Expenditures—*K-14 Education under Proposition 98.*”

During the recession of the early 1990s, the Legislature reduced the post-Proposition 13 aid to local government entities other than K-14 education by requiring cities and counties to transfer some of their property tax revenues to school districts. The Educational Revenue Augmentation Fund (“ERAF”) was created by statute in 1992 for this purpose. However, the Legislature provided additional funding sources, such as sales taxes, and reduced certain mandates for local services funded by cities and counties.

Proposition 218, a constitutional amendment approved by the voters in 1996, further limited the ability of local governments to raise taxes, fees, and other exactions. The limitations include requiring a majority vote approval for general local tax increases, prohibiting fees for services in excess of the cost of providing such service, and providing that no fee may be charged for fire, police, or any other service widely available to the public.

The 2004 Budget Act, related legislation, Proposition 1A of 2004, and Proposition 22, approved by the voters in 2010, further changed the state-local fiscal relationship. The constitutional and statutory changes in the 2004 Budget Act and Proposition 1A of 2004 were implemented in an agreement negotiated between the Governor and local government officials (the “state-local agreement”) in connection with the 2004 Budget Act.

Part of the state-local agreement was a reduction of the vehicle license fee (“VLF”) rate from 2 percent to 0.65 percent of the market value of the vehicle. To protect local governments, which had previously received all VLF revenues, the 1.35 percent reduction in VLF revenue was backfilled by an increase in the amount of property tax revenues they receive. This arrangement benefited local government finances because the annual backfill amount increased in proportion to the growth in property tax revenues, which historically has grown at a higher rate than VLF revenues. This arrangement continues without change in the 2023 Budget Act.

Another part of the state-local agreement includes Proposition 1A of 2004, which, among other things, amended the state Constitution to reduce the Legislature’s authority over local government revenue sources by placing restrictions on the state’s access to local governments’ property, sales, and VLF revenues as of November 3, 2004.

Proposition 22 prohibits future borrowing by the state from local government funds, and generally prohibits the Legislature from making changes in local government funding sources. In addition, allocation of local transportation funds cannot be changed without an extensive process.

2. Property Tax Revenues

The amount of property tax revenue generated each year can affect the state General Fund budget because local property tax revenue is allocated to offset General Fund expenditures for K-14 education required by Tests 2 and 3 of Proposition 98. Under Test 1 of Proposition 98, which is operative in fiscal year 2022-23 and which is expected to be operative for the foreseeable future, property tax revenue supplements instead of offsets the state's General Fund obligation for schools. As of the 2023 Budget Act, statewide property tax revenues were estimated to increase 7.36 percent in fiscal year 2022-23 and 4.48 percent in fiscal year 2023-24. Property tax estimates used in the calculation of the Proposition 98 minimum guaranteed level of funding are based on growth in statewide property taxes, but also include other factors such as excess tax, dissolved redevelopment agency funds, and the shift of property taxes from local governments to K-14 schools into the ERAF.

3. Dissolved Redevelopment Agency Funds

Redevelopment agencies ("RDAs") were dissolved on February 1, 2012, and their functions were taken over by successor agencies tasked with winding down the RDAs' affairs. Property tax revenue that would have gone to RDAs is now redirected to other local entities, including cities, counties, school and community college districts, and special districts, after payments are made for (1) pre-existing "pass through" payments to local agencies, (2) the former RDAs' debts (known as "enforceable obligations"), and (3) limited administrative costs.

As noted above, property tax revenue allocated to school and community college districts supplements the funding schools receive from the state's General Fund under Test 1 of Proposition 98. The 2023 Budget Act estimates that schools will receive an additional \$2.5 billion in fiscal year 2022-23 and \$2.6 billion in fiscal year 2023-24. Additional revenues are projected to average \$2.9 billion per year from fiscal year 2024-25 through fiscal year 2026-27, with annual growth proportionate to the changes in property tax growth, and the rate at which the enforceable obligations of the former RDAs are retired.

4. Realigning Services to Local Governments

The 2011 Budget Act included a major realignment of public safety programs from the state to local governments ("AB 109"). The realignment was designed to move program and fiscal responsibility to the level of government that can best provide the service, eliminate duplication of effort, generate savings, and increase flexibility. The implementation of the Community Corrections Grant Program authorized by AB 109 moved lower-level offenders from state prisons to county supervision and reduced the number of parole violators in the state's prisons.

Other realigned programs include local public safety programs, mental health, substance abuse, foster care, child welfare services, and adult protective services. The 2011 Realignment is funded through two sources in fiscal year 2023-24: (1) a state special fund sales tax of 1.0625 percent (projected to total \$9.3 billion) and (2) \$826.7 million in VLF, projected as of the 2023 Budget Act. General Fund savings have been over \$2.5 billion annually from the realigned programs beginning in fiscal year 2011-12. The state estimates savings of \$3.8 billion in fiscal year 2022-23.

Unemployment Insurance

The Unemployment Insurance (“UI”) program is a federal-state program that provides weekly UI payments to eligible workers who lose their jobs through no fault of their own. The regular unemployment program is funded by unemployment tax contributions paid by employers for each covered worker.

Due to the significant increase in unemployment resulting from the COVID-19 pandemic, employer contributions in the state were not sufficient to cover the cost of the benefits to state claimants in 2020 and 2021. In April 2020, in accordance with federal law, the state began to fund deficits in the state UI Fund through a federal loan to support benefit payments. Pursuant to federal law, if the state is unable to repay the loan within the same year it is taken, state funds must be used to pay the annual interest payments on the borrowed funds. EDD’s May 2023 forecast estimates that, beginning in calendar year 2023, total disbursements from the UI Fund will exceed receipts. These estimates take into account the decrease in FUTA tax credits described below.

The principal amount of the state UI Fund federal loan was approximately \$17.8 billion at the beginning of July 2022, and rose to \$18.7 billion as of January 2023. (The growth in the second half of 2022 is due to the fact that UI taxes are only collected on the first \$7,000 in earnings; therefore, the majority of the taxes are collected in the first half of the calendar year.) With a larger portion of UI taxes being collected in the first half of 2023, the UI loan has slightly decreased to \$17.7 billion as of July 5, 2023. However, using current economic outlook and unemployment projections, the principal amount of the state UI Fund federal loan is projected to be \$19.7 billion at the end of the calendar year 2023 and \$20.3 billion at the end of calendar year 2024. As stated above, the increase to the UI Fund federal loan is due to the projected UI disbursements being higher than estimated UI tax receipts.

The state is only responsible for payment of interest on the state UI Fund federal loan. Repayment of principal on this state UI Fund federal loan is strictly an employer responsibility, and not a liability of the state’s General Fund. The State may, as a policy choice, choose to pay down the principal amount of the state’s UI Fund federal loan. The 2022 Budget Act included \$250 million in fiscal year 2022-23 to reduce the principal amount of the state’s UI Fund federal loan. To further ensure that the state’s UI Fund federal loan is repaid, when a state has an outstanding loan balance for two consecutive years, the federal government reduces the Federal Unemployment Tax Act (“FUTA”) credit it gives to employers. This is equivalent to an increase in the FUTA tax on employers and has the effect of paying down the state UI Fund federal loan. California employers began to see this adjustment in 2023.

The Families First Coronavirus Response Act of 2020 provided interest-free federal loans through December 26, 2020, for states to continue UI program benefit payments. The Coronavirus Response and Relief Supplemental Appropriations Act then extended this interest free loan period through March 14, 2021. The federal American Rescue Plan Act of 2021 extended the interest free loan period again through September 6, 2021; however, the interest free loan period was not extended further. The interest due depends on a variety of factors, including the actual amount of the federal loan outstanding (which in turn will depend on the state rate of unemployment, employer contributions to the state UI Fund, and any state or federal law changes relating to the funding of the programs) and the interest rate imposed by the federal government. The 2023 Budget Act assumes an estimate of approximately \$306 million from the General Fund for the anticipated interest payment due September 30, 2023. The 2023 Budget Act also includes a loan of \$306 million from the State Disability Insurance Fund to the General Fund for the annual interest payment of the Unemployment Insurance debt. This loan is anticipated to be repaid no later than June 30, 2027, and may be repaid sooner based on programmatic needs.

As long as there is outstanding principal to be paid on the UI Fund Federal Loan, the annual interest payment is estimated to range between \$200 million to \$300 million from the General Fund, though this will depend on factors such as the state's economic health, the UI Fund loan balance, and interest rates.

A portion of the UI debt is the result of fraudulent claims filed with EDD, although the majority of fraud occurred in the much larger federal pandemic unemployment programs funded by the federal government and administered by the state. As of January 2023, of the \$185.5 billion in state UI and federal pandemic benefit payments issued since March 2020, \$20.3 billion was estimated to be fraudulent. The state UI program accounted for \$44.4 billion of the \$185.5 billion in UI benefit payments and approximately \$1.3 billion of the \$20.3 billion in estimated payments of fraudulent claims. The remaining \$19 billion in estimated fraud is associated with the federal pandemic unemployment programs and is not a liability of the state's employers and does not impact the required interest payments on the state's UI Fund federal loan.

Current federal guidance is that the federal government will not require repayment of the \$19 billion of fraudulent payments related to federal pandemic unemployment programs (or fraudulent payments by other states), but does require EDD to make efforts to recover such payments. Recovered fraudulent payments will be remitted to the UI program from which such fraudulent payment was made (either from the state UI program or one of the federal pandemic unemployment programs, as applicable). Most of the recovered funds will return to the federal government because the majority of the fraudulent claims are from the emergency federal Pandemic Unemployment Assistance program. EDD continues to attempt to recover fraudulent payments.

CASH MANAGEMENT

Traditional Cash Management Tools

1. General

The majority of the state's General Fund receipts are received in the latter part of the fiscal year. Disbursements from the General Fund occur more evenly throughout the fiscal year. The state's cash management program customarily addresses this timing difference by making use of internal borrowing (see “—Internal Borrowing”) and by issuing short-term notes in the capital markets when necessary (see “—External Borrowing”).

In order to mitigate the effects of 2022-23 winter storm disruptions on individuals and many businesses and conform with federal income tax deadlines, the state delayed the deadline for filing and payment of personal income taxes and corporation taxes to October 16, 2023, and also took other actions which resulted in delays in the state's receipt of sales and use taxes.

2. Internal Borrowing

The General Fund is currently authorized by law to borrow for cash management purposes from more than 800 of the state's approximately 1,500 other funds and accounts in the State Treasury (the “special funds” and each a “special fund”). Total borrowing from special funds must be approved quarterly by the Pooled Money Investment Board (“PMIB”). The State Controller submits an authorization request to the PMIB quarterly, based on forecasted available funds and borrowing needs. The Legislature may from time to time adopt legislation establishing additional authority to borrow from special funds. As of the 2023 Budget Act, the General Fund was projected to have at least \$33 billion of internal funds (excluding the BSA, SFEU and the PSSSA) available to borrow through fiscal year 2023-24. See “—Inter-Fund Borrowings” for a further description of this process.

One fund from which moneys may be borrowed to provide additional cash resources to the General Fund is the BSA, which was increased from \$15.8 billion to \$23.3 billion in September 2022. The balance of the BSA as of July 1, 2023, remains at \$23.3 billion and is projected to decrease in September 2023 to \$22.3 billion according to the 2023 Budget Act. The state also may transfer funds into the General Fund from the SFEU, which is not a special fund. See also “—Inter-Fund Borrowings” and “STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—Budget Reserves” for a further description of this process.

3. External Borrowing

External borrowing has typically been done with revenue anticipation notes (“RANs”) that are payable no later than the last day of the fiscal year in which they are issued. Prior to fiscal year 2015-16, RANs had been issued in all but one fiscal year since the mid-1980's and have always been paid at maturity. See “—Cash Management Borrowings.” The state also is authorized under certain circumstances to issue revenue anticipation warrants (“RAWs”) that are payable in the succeeding fiscal year. The state issued RAWs to bridge short-term cash

management shortages in the early 1990s and early 2000s. See “—State Warrants—Reimbursement Warrants” for more information on RAWs.

RANs and RAWs are both payable from any “Unapplied Money” in the General Fund on their maturity date, subject to the prior application of such money in the General Fund to pay Priority Payments. “Priority Payments” consist of: (i) the setting apart of state revenues in support of the public school system and public institutions of higher education (as provided in Section 8 of Article XVI of the state Constitution); (ii) payment of the principal of and interest on general obligation bonds and general obligation commercial paper notes of the state as and when due; (iii) a contingent obligation for General Fund payments to local governments for certain costs for realigned public safety programs if not provided from a share of state sales and use taxes, as provided in Article XIII, Section 36 of the state Constitution, enacted by Proposition 30 (see “STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—Restrictions on Raising or Using General Fund Revenues”); (iv) reimbursement from the General Fund to any special fund or account to the extent such reimbursement is legally required to be made to repay borrowings therefrom pursuant to Government Code Sections 16310 or 16418; and (v) payment of state employees’ wages and benefits, required state payments to pension and other state employee benefit trust funds, state Medi-Cal claims, lease payments to support lease revenue bonds, and any amounts determined by a court of competent jurisdiction to be required by federal law or the state Constitution to be paid with state warrants that can be cashed immediately. See “—State Warrants.”

Inter-Fund Borrowings

Inter-fund borrowing is used to meet temporary imbalances of receipts and disbursements in the General Fund. In the event the General Fund is or will be exhausted, the State Controller is required to notify the Governor and the PMIB (comprised of the Director of the Department of Finance, the State Treasurer and the State Controller). The Governor may then order the State Controller to direct the transfer of all or any part of the moneys not needed in special funds to the General Fund, as determined by the PMIB. All money so transferred must be returned to the special fund from which it was transferred as soon as there is sufficient money in the General Fund to do so. Transfers cannot be made which will interfere with the objective for which such special fund was created, or from certain specific funds.

The amount of loans from the SFEU, the BSA and other internal sources to the General Fund as of the end of any month is displayed in the State Controller’s Statement of General Fund Cash Receipts and Disbursements, on the first page under “Borrowable Resources—Outstanding Loans.” See EXHIBIT 2 to APPENDIX A.

In addition to temporary inter-fund cash management borrowings described in this section, budgets enacted in the current and past fiscal years have included other budgetary transfers and long-term loans from special funds to the General Fund. In some cases, such budgetary loans and transfers have the effect of reducing internal borrowable resources.

The following table shows actual internal borrowable resources available for temporary cash management loans to the General Fund on June 30 of each of the fiscal years 2019-20 through 2022-23, and an estimate for fiscal year 2023-24 based on the 2023 Budget Act. See EXHIBIT 2 to APPENDIX A. The amount of internal borrowable resources fluctuates daily throughout the year.

TABLE 20
Internal Borrowable Resources
(Cash Basis)
(Dollars in Millions)

	Fiscal year ended June 30 ^(a)				
	2020	2021	2022	2023 ^(b)	2024 ^(c)
Internal Borrowable Resources	\$64,931	\$55,167	\$77,112	\$100,663	\$94,967
Less Reserve for PMIA and SMIF loans	7,617	6,003	4,712	3,090	\$3,090
Available Borrowable Resources	57,314	49,164	72,400	\$97,573	\$91,877
Outstanding Loans					
From Special Fund for Economic Uncertainties	0	0	0	0	0
Budget Stabilization Account	16,516	0	0	0	0
From Special Funds and Accounts	3,533	0	0	0	0
Total Outstanding Internal Loans	\$20,049	\$0	\$0	\$0	\$0
Unused Internal Borrowable Resources	\$37,265	\$49,164	\$72,400	\$97,573	\$91,877

(a) Totals may not add due to rounding.

(b) Includes the final \$600 million payment by the State of California Department of Water Resources on the \$2 billion SMIF loan issued in 2019 under AB 1054 and now fully repaid as required by AB 1054.

(c) Estimated.

Source: Fiscal years ended June 30, 2020 through June 30, 2023: State of California, Office of the State Controller. Fiscal year ended June 30, 2024: State of California, Department of Finance.

Cash Management Borrowings

As part of its cash management program, prior to fiscal year 2015-16 the state regularly issued short-term obligations to meet cash management needs. RANs had been issued in every year except one between 1983 and 2014, and the most recent issues of RANs ranged in aggregate principal amounts of approximately \$2 billion to \$10 billion. See “—Traditional Cash Management Tools—External Borrowing” above. More recently, with the state’s improved budget and cash position through fiscal year 2022-23, and the growth of internal borrowable resources from special funds including new reserve funds, the state has not had to use external borrowing since the last RAN issue in fiscal year 2014-15. See Table 20. Based on current cash projections no RANs are planned through fiscal year 2023-24. See “COVID-19” and “—Cash Management in Fiscal Years 2019-20 through 2023-24” below.

Cash Management in Fiscal Years 2019-20 through 2023-24

In July of each fiscal year, the State Controller does a projection of Unused Borrowable Resources balances for the fiscal year based on the cash flow estimates in the related budget act. If it is projected that Unused Borrowable Resources, at any time during such fiscal year, could fall below \$2.5 billion the state’s practice is to seek external borrowing (RANS). The state does not plan to issue any RANs in fiscal year 2023-24, the ninth consecutive year in which external borrowing is not required.

The state has maintained significant cash resources over the last several years, and the state's 2023 Budget Act cash flow estimates for fiscal year 2023-24 indicate that this trend will continue. The following table contains certain information concerning the actual cash and Internal Borrowable Resources available to meet the daily cash flow needs of the General Fund during fiscal years 2019-20 through 2022-23, as well as projections for fiscal year 2023-24.

In preparing the daily projections for fiscal year 2023-24, the State Controller utilized the 2023 Budget Act cash flow estimates as of each month-end prepared by the Department of Finance and undertook an analysis of historical and current revenue and disbursement trends and scheduled payments, considering a variety of factors which may impact revenues and disbursements through the fiscal year, to project daily cash balances.

As shown in the table, during this period the state's cash resources were, or are projected to be, sufficient and available to meet the state's cash needs.

TABLE 21
Balances of General Fund Cash, Internal Loans and Internal Borrowable Resources
(Dollars in Millions)

	Fiscal Year				
	2019-20	Actuals 2020-21	2021-22	2022-23	Projected 2023-24
Beginning Cash/(Outstanding Loan) as of July 1	\$5,398	\$(20,049)	\$50,914	\$84,577	\$14,010
Lowest Daily Cash Available	0	0	11,567	13,809	0
Lowest Daily Available Internal Borrowable Resources	50,524	44,912	46,407	70,086	73,440
Highest Daily Amount of Outstanding Loans	(23,736)	(21,792)	0	0	(35,000)
Lowest Daily Unused Internal Borrowable Resources	33,600	30,987	46,407	70,086	35,000

Source: State Controller's Office

State fiscal officers constantly monitor the state's cash position during each fiscal year. If it appears that cash resources, including cash available through inter-fund borrowing, may become inadequate to meet the state's General Fund payment obligations as they become due in such fiscal year such officers consider the use of cash management techniques (including those described below), the issuance of RANs and/or seeking additional legislation.

Certain Cash Management Techniques

The state has employed cash management measures in addition to RANs during some fiscal years; all of the following techniques have been used at one time or another, but none of them are planned to be used during fiscal year 2023-24.

- The State Controller has delayed certain types of disbursements from the General Fund.
- Legislation was enacted increasing the state's internal borrowing capability, and the state has increased the General Fund's internal borrowings. See “—Inter-Fund Borrowings.”
- Legislation has been enacted deferring some of the state's disbursements until later in the then-current fiscal year, when more cash receipts are expected.
- The issuance of registered warrants (commonly referred to as “IOUs”) because of insufficient cash resources (last occurred in 2009). See “—State Warrants” for an explanation of registered warrants.

From time to time, the Legislature changes by statute the due date for various payments, including those owed to public schools, universities and local governments, until a later date in the fiscal year to more closely align the state's revenues with its expenditures. This technique has been used several times in the past, including fiscal year 2019-20 and 2020-21 school payments deferrals. Some of these statutory deferrals were made permanent, and others were implemented only for one fiscal year.

In addition, state law gives the State Controller some flexibility as to how quickly the state must pay its bills. For instance, income tax refunds for personal income taxes are not legally due until 45 days after the return filing deadline, which is normally April 15. Accordingly, while the state has typically paid tax refunds as returns are filed, it can conserve cash by withholding refund payments until May 30. Payments to vendors generally must be made within 45 days of receipt of an invoice. The state may delay payment until the end of this period, or it may even choose to make these payments later and pay interest. These delays are only used if the State Controller foresees a relatively short-term cash flow shortage.

State Warrants

No money may be drawn from the State Treasury except upon a warrant duly issued by the State Controller. The State Controller is obligated to draw every warrant on the fund out of which it is payable for the payment of money directed by state law to be paid out of the State Treasury; however, a warrant may not be drawn unless authorized by law and unless unexhausted specific appropriations provided by law are available to meet it. As described above, state law provides two methods for the State Controller to respond if the General Fund has insufficient “Unapplied Money” available to pay a warrant when it is drawn, referred to generally as “registered warrants” and “reimbursement warrants.” “Unapplied Money” consists of money in the General Fund for which outstanding warrants have not already been drawn and

which would remain in the General Fund if all outstanding warrants previously drawn and then due were paid subject to the prior application of such money to obligations of the state with a higher priority. See “CASH MANAGEMENT—Traditional Cash Management Tools.” Unapplied Money may include moneys transferred to the General Fund from the SFEU and the BSA and internal borrowings from state special funds (to the extent permitted by law); however, the state is not obligated to utilize inter-fund borrowings for the payment of state obligations if insufficient Unapplied Money is available for such payment. See “—Inter-Fund Borrowings” and “STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—Budget Reserves.”

1. Registered Warrants

If a warrant is drawn on the General Fund for an amount in excess of the amount of Unapplied Money in the General Fund, after deducting from such Unapplied Money the amount, as estimated by the State Controller, required by law to be earmarked, reserved or set apart from the Unapplied Money for the payment of obligations having priority over obligations to which such warrant is applicable, the warrant must be registered on the reverse side as not paid because of the shortage of funds in the General Fund. The State Controller may issue registered warrants before exhausting all cash management tools (described above) that could provide Unapplied Money to the General Fund.

Registered warrants are interest bearing obligations that may be issued either with or without a maturity date. Most registered warrants bear interest at a rate designated by the PMIB up to a maximum of five percent per annum except that, if the PMIB determines that it is in the best interests of the state to do so, the PMIB may fix the rate of interest paid on registered warrants at no more than 12 percent per annum. If a registered warrant is issued with a maturity date, the principal and interest on such warrant will not be due until that date (although it may be redeemed prior to that date at the option of the PMIB if the state has sufficient Unapplied Money to do so) and the state may make other payments prior to that maturity date. If a registered warrant is issued without a maturity date, or its maturity date has occurred, it becomes redeemable (principal and interest is due) on the date determined by the State Controller, with the approval of the PMIB.

State law generally requires that registered warrants be redeemable in the order they are issued but not prior to their maturity date, if any. The state last issued registered warrants in 2009. The State Controller was able to manage cash resources to ensure that higher Priority Payments, such as for schools and debt service, were made on time when registered warrants were issued. The issuance of the registered warrants permitted the state to pay Priority Payments with regular warrants which could be cashed.

2. Reimbursement Warrants

In lieu of issuing individual registered warrants to numerous creditors, state law provides an alternative procedure whereby the Governor, upon request of the State Controller, may authorize utilizing the General Cash Revolving Fund in the State Treasury to borrow from other state special funds to meet payments authorized by law. The State Controller may then issue “reimbursement warrants” (sometimes called “revenue anticipation warrants” or “RAWs”) for

sale to investors to reimburse the General Cash Revolving Fund, thereby increasing cash resources for the General Fund to cover required payments. The General Cash Revolving Fund exists solely to facilitate the issuance of reimbursement warrants. Reimbursement warrants have a fixed maturity date which may not be later than the end of the fiscal year following the year in which they were issued.

The principal of and interest on reimbursement warrants must be paid by the State Treasurer on their respective maturity dates from any Unapplied Money in the General Fund and available for such payment. In the event that Unapplied Money is not available for payment on the respective maturity dates of reimbursement warrants, and refunding reimbursement warrants (see “—Refunding Reimbursement Warrants”) have not been sold at such times as necessary to pay such reimbursement warrants, such reimbursement warrants will be paid, together with all interest due thereon (including interest accrued at the original interest rate after the maturity date), at such times as the State Controller, with the approval of the PMIB, may determine.

The state has issued reimbursement warrants on several occasions to meet its cash needs when state revenues were reduced because of a recession, and the state incurred budget deficits. The state last issued reimbursement warrants in June 2002 and in June 2003.

3. Refunding Reimbursement Warrants

If it appears to the State Controller that, on the maturity date of any reimbursement warrant there will not be sufficient Unapplied Money in the General Fund to pay maturing reimbursement warrants, the State Controller is authorized under state law, with the written approval of the State Treasurer, to issue and sell refunding reimbursement warrants to refund the prior, maturing reimbursement warrants. Proceeds of such refunding reimbursement warrants must be used exclusively to repay the maturing warrants. In all other respects, refunding reimbursement warrants are treated like reimbursement warrants, as described above.

STATE INDEBTEDNESS AND OTHER OBLIGATIONS

General

The State Treasurer is responsible for the sale of most debt obligations of the state and its various authorities and agencies. The state has always paid when due the principal of and interest on its general obligation bonds, general obligation commercial paper notes, lease revenue obligations and short-term obligations, including RANs and RAWs. Additional information regarding the state’s long-term debt appears in the section “STATE DEBT TABLES.”

Capital Facilities Financing

1. General Obligation Bonds

The state Constitution prohibits the creation of general obligation indebtedness of the state unless a bond measure is approved by a majority of the electorate voting at a general election or a direct primary. Each general obligation bond act provides a continuing appropriation from the General Fund of amounts for the payment of debt service on the related general obligation bonds, subject under state law only to the prior application of moneys in the

General Fund to the support of the public school system and public institutions of higher education. Under the state Constitution, appropriations to pay debt service on any general obligation bonds cannot be repealed until the principal of and interest on such bonds have been paid. Certain general obligation bond programs, called “self-liquidating bonds,” receive revenues from specified sources so that moneys from the General Fund are not expected to be needed to pay debt service, but the General Fund will pay the debt service, pursuant to the continuing appropriation contained in the bond act, if the specified revenue source is not sufficient. The principal self-liquidating general obligation bond program for the state is the veterans general obligation bonds, which are supported by mortgage repayments from housing loans made to military veterans of the state.

General obligation bonds are typically authorized for infrastructure and other capital improvements at the state and local level. Pursuant to the state Constitution, general obligation bonds cannot be used to finance state budget deficits.

A summary of the general obligation bonds outstanding as well as authorized by the voters but unissued, as of July 1, 2023, is set forth in the following table. For greater detail, see the table “Authorized and Outstanding General Obligation Bonds” following the caption “STATE DEBT TABLES.” Monthly updates of the State Debt Tables are available at www.buycaliforniabonds.com.

**General Obligation Bonds
(as of July 1, 2023)**

<u>Authorized and Outstanding</u>		<u>Authorized but Unissued</u>[*]	
<u>Primarily Payable from General Fund</u>	<u>Self-Liquidating</u>	<u>Primarily Payable from General Fund</u>	<u>Self-Liquidating</u>
\$70.7 billion	\$662.8 million	\$25.8 billion	\$803.8 million

^{*} May first be issued as commercial paper notes (see “—General Obligation Commercial Paper Program” below).

There are numerous legislative bills that have been proposed in the Legislature for placement of general obligation bond acts on either the March or November 2024 ballot. To the extent any or all of the legislative bills for these proposed bond acts are enacted by the Legislature and approved by voters it could result in the authorization of tens of billions of dollars in new general obligation bonds.

2. Variable Rate General Obligation Bonds

The state’s general obligation bond law permits the state to issue as variable rate indebtedness up to 20 percent of the aggregate amount of its long-term general obligation bonds outstanding. The State Treasurer has adopted a Debt Management Policy that, as of the date hereof, further reduces this limitation on variable rate indebtedness to 10 percent of the aggregate amount of long-term general obligation bonds outstanding. The terms of this policy, including this 10 percent limitation, can be waived or changed in the sole discretion of the State Treasurer. The State’s long-term general obligation bonds issued as variable rate indebtedness are described

generally in the following table and represent about 1.02 percent of the state’s total outstanding general obligation bonds.

Type of Bonds	Outstanding Principal Amount (\$000) as of July 1, 2023	Current Variable Rate Interest Mode	Liquidity Support^(a)
General Obligation	\$ 726,590	Daily/Weekly VRDO	Letters of Credit

^(a) See “Bank Arrangements Table.”

Source: State of California, Office of the State Treasurer.

The state is obligated to redeem, on the applicable purchase date, any weekly and daily variable rate demand obligations (“VRDOs”) tendered for purchase if there is a failure to pay the related purchase price of such VRDOs on such purchase date from proceeds of the remarketing thereof, or from liquidity support related to such VRDOs. The state has not entered into any interest rate hedging contracts in relation to any of its variable rate general obligation bonds.

3. General Obligation Commercial Paper Program

Pursuant to legislation enacted in 1995, voter-approved general obligation indebtedness may be issued either as long-term bonds or, for some but not all bond acts, as commercial paper notes. The principal amounts of commercial paper notes are typically paid with proceeds of new commercial paper notes or proceeds from the issuance of long-term bonds. Interest on commercial paper notes is required to be paid from the General Fund. The state primarily uses commercial paper notes to provide interim funding for voter-approved projects under a bond act until long-term bonds are issued. Commercial paper notes are not included in the calculation of permitted variable rate indebtedness described under “Variable Rate General Obligation Bonds.” As of July 1, 2023, payment of a total of \$2.45 billion in principal amount of commercial paper notes, plus interest thereon, is supported by credit agreements with financial institutions. See the following section “Bank Arrangements.” The aggregate principal amount of commercial paper notes outstanding from time to time cannot exceed the aggregate principal amount then supported by such credit agreements. See “BANK ARRANGEMENTS TABLE” for a list of credit agreements that support payment of particular series of commercial paper notes.

4. Bank Arrangements

In connection with VRDOs and the commercial paper program (“CP”), the state has entered into a number of reimbursement agreements with a variety of financial institutions as set forth in the “BANK ARRANGEMENTS TABLE.” These agreements include various representations and covenants of the state, and the terms (including interest rates and repayment schedules) pursuant to which the state would be required to pay or repay any obligations thereunder (including reimbursement of drawings made to purchase VRDOs resulting from any failed remarketings thereof). To the extent that VRDOs or CP offered to the public cannot be remarketed or marketed, respectively, over an extended period (whether due to downgrades of the credit ratings of the financial institution providing credit enhancement or other factors) and the applicable financial institution is obligated to purchase VRDOs or CP, interest payable by the

state pursuant to the reimbursement agreement would generally increase over current market levels relating to the VRDOs or CP, and, with respect to VRDOs the principal repayment period would generally be shorter (typically less than five years) than the repayment period otherwise applicable to the VRDOs. In addition, after the occurrence of certain events of default as specified in a reimbursement agreement, payment of the related VRDOs held by the applicable financial institution may be further accelerated and payment of related CP held by the applicable financial institution, as applicable, may also be accelerated and interest payable by the state on such VRDOs or CP could increase significantly.

5. Lease Revenue Obligations

In addition to general obligation bonds, the state acquires and constructs capital projects through the issuance of lease revenue obligations. Such borrowing must be authorized by the Legislature in a separate act or appropriation. Under these arrangements, the State Public Works Board (“SPWB”), another state or local agency or a joint powers authority uses proceeds of bonds to finance the acquisition or construction of a wide range of capital projects. These capital projects are leased to various state agencies under a long-term lease which provides the source of revenues which are pledged to the payment of the debt service on the lease revenue bonds. Under applicable court decisions, such lease arrangements do not constitute the creation of “indebtedness” within the meaning of the state constitutional provisions that require voter approval. For purposes of APPENDIX A and the tables under “STATE DEBT TABLES,” the terms “lease revenue obligation,” “lease revenue financing,” “lease-purchase obligation” or “lease-purchase” mean principally bonds or certificates of participation for capital projects where the lease payments providing the security are payable from the operating budget of the respective lessees, which are primarily, but not exclusively, derived from the General Fund. A summary of the lease revenue bonds outstanding as well as those authorized by the Legislature but unissued, as of July 1, 2023, is set forth in the following table.

Lease Revenue Obligations (as of July 1, 2023)

Outstanding General Fund Supported Issues

\$7.8 billion

Authorized but Unissued

\$6.9 billion

The tables under “STATE DEBT TABLES” do not include equipment leases or leases which were not sold, directly or indirectly, to the public capital markets.

6. Non-Recourse Debt

Certain state agencies and authorities issue revenue obligations for which the General Fund has no liability. These revenue bonds represent obligations payable from state revenue-producing enterprises and projects (e.g., among other revenue sources, taxes, fees and/or tolls) and conduit obligations payable from revenues paid by private users or local governments of facilities financed by the revenue bonds. In each case, such revenue bonds are not payable from the General Fund. The enterprises and projects include transportation projects, various public works projects, public and private educational facilities (including the CSU and UC systems),

housing, health facilities and pollution control facilities. See the table “State Agency Revenue Bonds and Conduit Financing” under “STATE DEBT TABLES” for a summary of outstanding revenue bonds and notes which are non-recourse to the General Fund as of June 30, 2023.

7. Build America Bonds

In February 2009, Congress enacted certain new municipal bond provisions as part of the federal economic stimulus act (“ARRA”), which allowed municipal issuers such as the state to issue “Build America Bonds” (“BABs”) for new infrastructure investments. BABs are bonds whose interest is subject to federal income tax, but pursuant to ARRA the U.S. Treasury was to repay the issuer an amount equal to 35 percent of the interest cost on any BABs issued during 2009 and 2010. The BAB subsidy payments related to general obligation bonds are General Fund revenues to the state, while subsidy payments related to lease revenue bonds are deposited into a fund which is made available to the SPWB for any lawful purpose. In neither instance are the subsidy payments specifically pledged to repayment of the BABs to which they relate. The cash subsidy payment with respect to the BABs, to which the state is entitled, is treated by the Internal Revenue Service as a refund of a tax credit and such refund may be offset by the Department of the Treasury by any liability of the state payable to the federal government. None of the state’s BAB subsidy payments to date have been reduced because of such an offset.

Between April 2009 and December 2010, the state issued \$13.5 billion of BAB general obligation bonds and the SPWB issued \$551 million of BAB lease revenue bonds. As of July 1, 2023, the state has approximately \$11.3 billion of outstanding BAB general obligation bonds and \$347 million of outstanding BAB lease revenue bonds. As of July 1, 2023, the aggregate amount of the subsidy payments expected to be received for fiscal year 2023-24 through the maturity of the outstanding BABs (mostly 20 to 30 years from issuance) is approximately \$4.2 billion for the general obligation BABs and \$89.3 million for the SPWB lease revenue BABs. The estimated subsidy amounts include the expected 5.7 percent reduction to the BAB subsidy from sequestration as described in the next paragraph.

Pursuant to certain federal budget legislation adopted in August 2011, starting as of March 1, 2013, the government’s BAB subsidy payments were reduced as part of a government-wide “sequestration” of many program expenditures. The amount of the reduction of the BAB subsidy payment has ranged from a high of 8.7 percent in 2013 to a low of 5.7 percent for federal fiscal years 2021 through 2030. The amount of this reduction has been less than \$30 million annually and such reductions are presently scheduled to continue through September 30, 2030.

Congress can terminate, extend, or otherwise modify reductions in BABs subsidy payments due to sequestration at any time. For example, due to the impact of legislation related to COVID relief, it was possible that the sequestration reduction rate might have been increased from the current level of 5.7 percent to as much as 100 percent in 2023. In the Omnibus bill at the end of 2022, Congress delayed this impact until about January 1, 2025, but did not adopt a permanent solution. If the sequestration reduction rate were to increase to 100 percent in 2025 and remain in place through, for example, calendar year 2028, the state’s BAB subsidy payments would be reduced by approximately \$288 million per calendar year for 2025 and 2026 and would be reduced by approximately \$286 million for calendar year 2027.

None of the BAB subsidy payments are pledged to pay debt service for the general obligation and SPWB BABs.

Future Issuance Plans; General Fund Debt Ratio

Based on estimates from the Department of Finance approximately \$5.5 billion of new money general obligation bonds (some of which may initially be in the form of commercial paper notes) and approximately \$1.2 billion of new money lease-revenue bonds are expected to be issued in fiscal year 2023-24. These estimates will be updated by the State Treasurer's Office based on sales that occur in fiscal year 2023-24 and information provided by the Department of Finance with respect to the updated funding needs of and actual spending by, departments. In addition, the actual amount of bonds sold will depend on other factors such as overall budget constraints, market conditions and other considerations. The state also expects to issue refunding bonds as market conditions warrant.

The ratio of debt service on general obligation and lease-revenue bonds supported by the General Fund, to annual General Fund revenues and transfers (the "General Fund Debt Ratio"), can fluctuate as assumptions for future debt issuance and revenue projections are updated from time to time. Any changes to these assumptions will impact the projected General Fund Debt Ratio. Based on the General Fund revenue estimates less any transfers to the BSA contained in the 2023 Budget Act, and the bond issuance estimates described in the paragraph above, the General Fund Debt Ratio is projected to equal approximately 3.75 percent in fiscal year 2023-24 and 3.97 percent in fiscal year 2024-25.

The General Fund Debt Ratio is calculated based on the amount of debt service expected to be paid, without adjusting for receipts from the U.S. Treasury for the state's current outstanding general obligation and lease-revenue BABs or the availability of any special funds that may be used to pay a portion of the debt service to help reduce General Fund costs. The total of these offsets is projected to be approximately \$1.7 billion for fiscal year 2023-24 and \$1.8 billion for fiscal year 2024-25. Including the projected offsets reduce the General Fund Debt Ratio to 2.93 percent in fiscal year 2023-24 and 3.11 percent in fiscal year 2024-25. The actual General Fund Debt Ratio in future fiscal years will depend on a variety of factors, including actual debt issuance (which may include additional issuance approved in the future by the Legislature and, for general obligation bonds, the voters), actual interest rates, debt service structure, the amount and timing of any offsets, and actual General Fund revenues and transfers.

See the table "OUTSTANDING STATE DEBT, FISCAL YEARS 2018-19 THROUGH 2022-23" under "STATE DEBT TABLES" for certain historical ratios of debt service to General Fund receipts.

Tobacco Settlement Revenue Bonds

In 1998, the state signed a settlement agreement with the four major cigarette manufacturers, in which the participating manufacturers agreed to make payments to the state in perpetuity. Under a separate Memorandum of Understanding, half of the payments made by the cigarette manufacturers are paid to the state and half to certain local governments, subject to certain adjustments.

In 2002, the state established a special purpose trust to purchase the tobacco assets and to issue revenue bonds secured by the tobacco settlement revenues. Legislation in 2003 authorized a credit enhancement mechanism that requires the Governor to request an appropriation from the General Fund in the annual Budget Act for payment of debt service and other related costs in the event tobacco settlement revenues and certain other amounts are insufficient. The Legislature is not obligated to make any General Fund appropriation so requested.

Currently, the credit enhancement mechanism only applies to certain tobacco settlement bonds that were issued in 2021. As of June 1, 2023, these bonds had an outstanding principal amount of approximately \$2 billion (the “2021 enhanced bonds”). The 2021 enhanced bonds are neither general nor legal obligations of the state and neither the faith and credit, nor the taxing power, nor any other assets or revenues of the state shall be pledged to the payment of the enhanced bonds. However, as described above, the state committed to request a General Fund appropriation from the Legislature in the event tobacco settlement revenues are insufficient to pay debt service on the 2021 enhanced bonds, and certain other available amounts, including the enhanced tobacco settlement bonds reserve fund, which currently supports only the 2021 enhanced bonds, are depleted. Every enacted budget since 2003 has included this appropriation, but use of the appropriated moneys has never been required.

In 2011 and 2012, draws on the enhanced tobacco settlement bonds reserve fund for then-outstanding enhanced tobacco settlement bonds in the amount of approximately \$7.94 million were used to make required debt service payments. In April 2013, this reserve fund was replenished in full from tobacco revenues. As of the last required valuation of the tobacco settlement bonds reserve fund on May 31, 2023, the tobacco settlement bonds reserve fund was funded more than the reserve requirement of \$50 million, resulting in a release of the excess amount to prepay bonds on June 1, 2023. If, in any future year tobacco settlement revenues are less than required debt service payments on the enhanced bonds in such year, additional draws on this reserve fund will be required and, at some point in the future, this reserve fund may become fully depleted. The state is not obligated to replenish the enhanced tobacco settlement bonds reserve fund from the General Fund, or to request an appropriation to replenish this reserve fund.

Department of Health Care Access and Information Guarantees

The Department of Health Care Access and Information (formerly known as the Office of Statewide Health Planning and Development) (“HCAI”) insures loans and bonds that finance and refinance construction and renovation projects for nonprofit and publicly owned healthcare facilities. This program (“Cal-Mortgage Loan Insurance”) is currently authorized by statute to insure up to \$3 billion for health facility projects.

State law established the Health Facility Construction Loan Insurance Fund (the “Fund”) as a trust fund which is continuously appropriated and may only be used for purposes of this program. The Fund is used as a depository of fees and insurance premiums and any recoveries and is the initial source of funds used to pay administrative costs of the program and shortfalls resulting from defaults by insured borrowers. If the Fund is unable to make payment on an insured loan or bond, state law provides for the State Treasurer to issue debentures to the holders of the defaulted loan or bond which are payable on parity with state general obligation bonds.

The Fund is liable for repayment to the General Fund of any money paid from the General Fund. All claims on insured loans to date have been paid from the Fund and no debentures have been issued.

As of March 31, 2023, HCAI insured 57 loans to nonprofit or publicly owned health facilities throughout California with a current outstanding aggregate par amount of approximately \$1.31 billion, and a cash balance of approximately \$123.2 million. The actuarial study of the Fund (a biennial study) as of June 30, 2020, was completed in March 2022 (the “2020 actuarial study”). Based upon a number of assumptions, the 2020 actuarial study concluded, among other things, that the Fund appeared to be sufficient, under the “expected scenario” to maintain a positive balance until at least fiscal year 2049-50. Even under the “most pessimistic scenario,” the 2020 actuarial study found that there was a 70 percent likelihood that the Fund’s reserves as of June 30, 2020 would protect against any General Fund losses until at least fiscal year 2030-31, and a 90 percent likelihood that the Fund’s reserves as of June 30, 2020 would protect against any General Fund losses until at least fiscal year 2025-26. There can be no assurances that the financial condition of the Fund has not materially declined since the 2020 actuarial study.

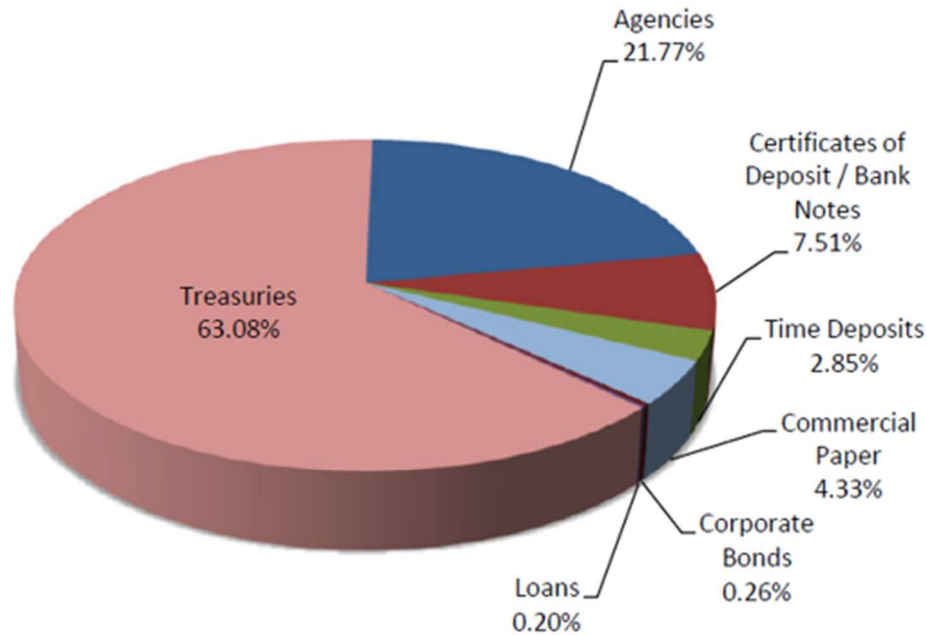
In December 2016, HCAI, the Department of Finance, and the State Treasurer entered into a memorandum of understanding that outlined the processes for the (i) issuance of debentures; (ii) payment of debentures from the General Fund should the Fund fail to pay the debentures; and (iii) repayment to the General Fund for any money paid for debentures.

INVESTMENT OF STATE FUNDS

Moneys on deposit in the centralized State Treasury System are invested by the State Treasurer in the PMIA. As of June 30, 2023, the PMIA held approximately \$152.7 billion of state moneys, and \$25.7 billion invested for about 2,361 local governmental entities through the Local Agency Investment Fund (“LAIF”). The assets of the PMIA as of June 30, 2023, are shown in the following chart. Amounts owing on the SB 84 Loan to fund the supplemental pension payment to CalPERS as described in “DEBTS AND LIABILITIES UNDER PROPOSITION 2,” and the \$2.1 billion investment in Demand Deposit State and Local Government Series securities (as of August 25, 2023) for compliance with certain tax limitations related to tax-exempt bonds previously issued by the state or a state instrumentality are not reflected as assets of the PMIA in the chart below.

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PMIA Portfolio Composition - 06/30/2023
\$178.4 billion



Percentages may not total 100%, due to rounding.

Source: State of California, Office of the State Treasurer.

The State's Treasury operations are managed in compliance with the Government Code and according to a statement of investment policy which sets forth permitted investment vehicles, liquidity parameters and maximum maturity of investments. The PMIA operates with the oversight of the PMIB. The LAIF portion of the PMIA operates with the oversight of the Local Agency Investment Advisory Board (consisting of the State Treasurer and four other appointed members).

The PMIA is not invested, nor has it ever been invested, in structured investment vehicles or collateralized debt obligations. The PMIA portfolio performance, and the PMIA's holdings are displayed quarterly on the State Treasurer's website and may be accessed under PMIB Quarterly Reports. The PMIA is not currently invested in auction rate securities.

The State Treasurer does not invest in leveraged products or inverse floating rate securities. The investment policy permits the use of reverse repurchase agreements subject to limits of no more than 10 percent of the PMIA. All reverse repurchase agreements are cash matched either to the maturity of the reinvestment or an adequately positive cash management date which is approximate to the maturity of the reinvestment.

The average life of the investment portfolio of the PMIA as of June 30, 2023, was 260 days. Over the prior 12 months, the average life has ranged from 308 days to 258 days.

OVERVIEW OF STATE GOVERNMENT

Organization of State Government

The state Constitution provides for three separate branches of government: the legislative, the judicial, and the executive. The state Constitution guarantees the electorate the right to make basic decisions, including amending the state Constitution and local government charters. In addition, the state voters may directly influence state government through the initiative, referendum, and recall processes. The state Constitution provides for mechanisms through which it may be amended or revised.

California's Legislature consists of a 40-member Senate and an 80-member Assembly. Assembly members are elected for two-year terms, and Senators are elected for four-year terms. A person may serve a total of 12 years in either the Assembly, the Senate, or a combination of both. These term limits apply to all members of the Legislature elected after June 2012.

The Legislature meets almost year-round for a two-year session. The Legislature employs the Legislative Analyst, who provides reports on state finances, among other subjects. The Office of the California State Auditor, an independent office since 1993, annually issues an auditor's report based on an examination of the state's general purpose financial statements produced by the State Controller, in accordance with generally accepted accounting principles. See "FINANCIAL STATEMENTS."

The Governor is the chief executive officer of the state. In addition to the Governor, state law provides for seven other statewide elected officials in the executive branch. The Governor and the other statewide officials may be elected for up to two four-year terms.

The current elected statewide officials, their party affiliation, and the dates on which they were first elected to their current terms are as follows:

Office	Name	Party Affiliation	First Elected
Governor	Gavin Newsom	Democrat	2018
Lieutenant Governor	Eleni Kounalakis	Democrat	2018
Controller	Malia M. Cohen	Democrat	2022
Treasurer	Fiona Ma	Democrat	2018
Attorney General	Robert Bonta	Democrat	2022
Secretary of State	Shirley Weber	Democrat	2022
Superintendent of Public Instruction	Tony Thurmond	Democrat	2018
Insurance Commissioner	Ricardo Lara	Democrat	2018

The executive branch is principally organized through eleven agency areas.

Some state programs are administered by boards and commissions, such as The Regents of the University of California, Public Utilities Commission, FTB and California Transportation

Commission, which have authority over certain functions of state government with the power to establish policy and promulgate regulations. The appointment of members of boards and commissions is usually shared by the Legislature and the Governor, and often includes ex officio members.

Employee Relations

At the 2023 Budget Act, the state work force for fiscal year 2023-24 was estimated at approximately 428,000 positions. Approximately 176,000 of those positions represent state employees of the legislative and judicial branches of government, and institutions of higher education. Of the remaining 253,000 positions, over 80 percent are subject to collective bargaining on wages, hours, and other terms and conditions of employment with the Administration, which are contained in a Memorandum of Understanding (“MOU”) subject to ratification by the Legislature; less than 20 percent are excluded from collective bargaining.

State law provides that state employees, defined as any civil service employee of the state and teachers under the jurisdiction of the Department of Education or the Superintendent of Public Instruction, and excluding certain other categories, have a right to form, join, and participate in the activities of employee organizations for the purpose of representation on all matters of employer-employee relations. Once a bargaining unit (“BU”) selects an employee organization, only that organization can represent those employees.

There are 21 collective BUs that are represented by employee organizations. The Service Employees International Union (“SEIU”) is the exclusive representative for 9 of 21 BUs, or approximately 50 percent of those represented employees subject to collective bargaining. Since the 2016 Budget Act, contract agreements with all bargaining units that represent state employees address the state’s unfunded retiree health care obligation (\$82.4 billion as of the latest actuarial valuation report on June 30, 2022) through shared prefunding of program costs along with other cost containment strategies. See “STATE FINANCES—OTHER ELEMENTS—Retiree Health Care Costs.”

Collective bargaining negotiations continue with bargaining units representing Law Enforcement; Professional Scientific; and Physicians, Dentists, and Psychologists, whose contracts or side letter agreements have expired.

ECONOMY AND POPULATION

California’s economy, the largest among the 50 states and one of the largest in the world, has major components in high technology, trade, entertainment, manufacturing, tourism, construction, and services. The makeup of the state economy generally mirrors that of the national economy. See “CURRENT STATE BUDGET—Development of Revenue Estimates” for a description of the fiscal year 2023-24 economic forecast for the national and California economies.

California’s total population was estimated at 39 million as of July 2022, a decline of 0.5 percent from the previous year. Since 2010, the state has grown by 2 million persons. Births for fiscal year 2021-22 totaled approximately 425,000, an increase of 3.1 percent from fiscal year 2020-21; however, births remain below average levels in the last decade. Net migration (in-

migration minus out-migration), which averaged 53,000 persons per year during fiscal years 2010-11 through 2014-15, turned negative mid-decade as the number of Californians leaving the state continue to surpass the number of individuals moving into the state. In fiscal year 2021-22, net migration was negative 317,000 as immigration was slow to rebound from the pandemic.

The 2021 total fertility rate in California, at 1.54 children per woman, is lower than the U.S. average (1.66); both have shown steady declines in recent years. Low fertility may lead to declining school enrollment and reductions in the size of the future labor force, although those effects may be mitigated by migration patterns, labor force participation rates, and other factors affecting school enrollment and attendance rates.

California's life expectancy at birth was approximately 81 years in 2019, among the highest of any U.S. state and well above the national average of 78.8 years. Greater longevity and lower fertility may eventually lead to an older population in California than the U.S. and an increased dependency ratio of retirement age to working age adults, although these dynamics and their consequences will be determined by migration patterns, labor force attachment, and transfer payments, among other factors. Consistent with the nation, the COVID-19 pandemic has reduced life expectancy by two years for Californians; however, significant further drops are unlikely. As COVID-19 becomes more endemic, continued increase in life expectancy is expected.

California has a similar age structure as the remainder of the United States with 22.1 percent of Californians under 18 years and 16.8 percent age 65 and older. Population growth rates will vary by age group. The state's overall projected five-year growth has slowed (totaling a projected 39.2 million in 2026), the 25-64 year old working-age population is anticipated to decrease 0.5 percent (to 20 million in 2026). Among younger ages, the 5-17 year old school-age group is expected to decline by 3.3 percent (to 6.5 million in 2026) and the 18-24 year old college-age group is expected to increase by 2.4 percent (to nearly 4.2 million in 2026). Related to lower births in recent years, the 0-4 preschool-age group is expected to decrease by 1.2 percent (to 2.1 million in 2026). The population of the 65 and older retirement-age group is expected to expand rapidly (by 15 percent, to 7.8 million in 2026).

In long-term projections, California's population growth has slowed, and is projected to grow marginally from 39 million in 2022 to 39.5 million by 2060. With population aging, deaths are expected to increase more than births, and this will lessen the state's growth over time, but projected gains from migration—in line with California's historical patterns—bolster younger age groups in each projection year. The projections assume that there are no major natural catastrophes or wars that affect the state or the nation, and that economic stability continues throughout the forecast period, which runs through the end of calendar year 2060. The long-term impact of the COVID-19 pandemic on California's population is still uncertain. COVID-19 and the related impacts on the economy and labor force created conditions that could have significant impacts on population growth. There were 64,000 more deaths in fiscal year 2020-21 compared to fiscal year 2019-20. Most of this increase is due to the pandemic, with a majority of the deaths occurring during December 2020 and January 2021 (41,000 and 47,800 deaths, respectively, compared to the 28,600 average monthly deaths for that period). Births were down approximately 24,500 from fiscal year 2019-20 to fiscal year 2020-21 and are expected to grow slightly in fiscal year 2021-22. Overall population growth rates will likely be negative in the immediate future, and forecasted trends may take years to recover.

The following table shows ten years of population totals for California and the United States.

TABLE 22
Population

Year	California	Annual Percent Change	United States	Annual Percent Change	California as % of United States
2013	38,342,642	0.8	316,059,947	0.7	12.1
2014	38,644,802	0.8	318,386,329	0.7	12.1
2015	38,913,507	0.7	320,738,994	0.7	12.1
2016	39,127,855	0.6	323,071,755	0.7	12.1
2017	39,328,926	0.5	325,122,128	0.6	12.1
2018	39,476,064	0.4	326,838,199	0.5	12.1
2019	39,529,566	0.1	328,329,953	0.5	12.0
2020	39,520,071	0.0	331,511,512	1.0	11.9
2021	39,239,554	-0.7	332,031,554	0.2	11.8
2022	39,028,571	-0.5	333,287,557	0.4	11.7

Source: California figures from State of California, Department of Finance; U.S. figures from U.S. Department of Commerce, Bureau of the Census (pre-2020 figures reflect Vintage 2020 postcensal estimates and year 2020 and later figures reflect Vintage 2022 estimates). The reference date for all estimates is July 1, unless otherwise specified.

Labor Force, Employment, Income, Construction and Export Growth

The following table presents ten years of California's civilian labor force data for the resident population, age 16 and over, and unemployment rates for California and the U.S., in each case reflecting the official annual data for the applicable calendar year published by the source.

TABLE 23
Labor Force
(Thousands)

Year	Labor Force	Employment	Unemployment Rate	
			California	United States
2013	18,565	16,888	9.0%	7.4%
2014	18,677	17,265	7.6	6.2
2015	18,824	17,647	6.3	5.3
2016	19,012	17,965	5.5	4.9
2017	19,185	18,258	4.8	4.4
2018	19,290	18,470	4.3	3.9
2019	19,413	18,618	4.1	3.7
2020	18,972	17,048	10.2	8.1
2021	18,973	17,586	7.3	5.4
2022	19,252	18,441	4.2	3.6

Source: State of California, Employment Development Department, U.S. Department of Labor, Bureau of Labor Statistics.

The following table shows California's nonfarm payroll employment distribution and growth for 2012 and 2022.

TABLE 24
Nonfarm Payroll Employment by Major Sector
2012 and 2022
(Thousands)

Industry Sector	Employment		Distribution of Employment	
	2012	2022	2012	2022
Mining and Logging	28.4	19.7	0.2%	0.1%
Construction	590.4	913.4	4.0	5.2
Manufacturing	--	--	--	--
Nondurable Goods	468.9	470.7	3.2	2.7
Durable Goods	--	--	--	--
High Technology	348.0	376.7	2.4	2.1
Other Durable Goods	445.2	489.5	3.0	2.8
Trade, Transportation & Utilities	2,707.8	3,133.0	18.3	17.7
Information	437.6	608.2	3.0	3.4
Financial Activities	774.1	844.7	5.2	4.8
Professional & Business Services	2,250.7	2,872.7	15.2	16.2
Private Educational & Health Services	2,232.8	2,936.3	15.1	16.6
Leisure & Hospitality	1,597.5	1,931.6	10.8	10.9
Other Services	503.7	563.3	3.4	3.2
Government	--	--	--	--
Federal Government	250.6	247.3	1.7	1.4
State & Local Government	2,125.7	2,281.8	14.4	12.9
TOTAL	14,761.5	17,688.9	100.0%	100.0%

Totals may not add due to rounding.

Source: State of California, Employment Development Department.

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The following tables show ten years of California's total personal income and personal income per capita income patterns.

TABLE 25
Total Personal Income in California
(Dollars in Millions)

Year	Total Personal Income	Annual % Change	California % of U.S.
2013	\$1,857,201	1.6	13.1
2014	1,980,737	6.7	13.2
2015	2,125,430	7.3	13.6
2016	2,218,458	4.4	13.8
2017	2,318,281	4.5	13.8
2018	2,431,774	4.9	13.8
2019	2,567,426	5.6	13.8
2020	2,790,524	8.7	14.1
2021	3,006,184	7.7	14.1
2022	3,018,471	0.4	13.8

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

TABLE 26
Personal Income Per Capita
(Dollars)

Year	California	Annual % Change	United States	Annual % Change	California % of U.S.
2013	\$48,502	0.8	\$44,798	0.6	108.3
2014	51,266	5.7	46,887	4.7	109.3
2015	54,546	6.4	48,725	3.9	111.9
2016	56,560	3.7	49,613	1.8	114.0
2017	58,804	4.0	51,550	3.9	114.1
2018	61,508	4.6	53,786	4.3	114.4
2019	64,919	5.5	56,250	4.6	115.4
2020	70,643	8.8	59,763	6.2	118.2
2021	76,800	8.7	64,117	7.3	119.8
2022	77,339	0.7	65,423	2.0	118.2

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

The following tables show ten years of certain information with respect to residential construction in California.

TABLE 27
Units and Valuation of New Housing Authorized by Building Permits
(Dollars in Millions)

Year	Units			Residential Valuation
	Total Number	Single-Family	Multi-Family	
2013	80,742	37,034	43,708	\$18,263
2014	83,657	39,222	44,435	18,744
2015	98,188	45,644	52,544	22,637
2016	102,350	50,311	52,039	24,045
2017	114,780	57,132	57,648	27,782
2018	113,502	58,831	54,671	27,845
2019	110,197	58,575	51,622	26,583
2020	106,075	59,043	47,032	25,423
2021	119,436	65,890	53,546	28,725
2022	119,667	63,717	55,950	28,848

Note: U.S. Census Bureau residential valuation does not include additions and alterations.

Source: U.S. Census Bureau.

The following table shows ten years of certain changes in California's exports of goods.

TABLE 28
California's Exports of Goods
(Dollars in Millions)

Year	Exports ^(a)	Annual % Change
2013	\$168,192	4.0
2014	173,869	3.4
2015	165,360	(4.9)
2016	163,261	(1.3)
2017	171,920	5.3
2018	178,175	3.6
2019	173,755	(2.5)
2020	155,919	(10.3)
2021	174,860	12.2
2022	186,238	6.5

^(a) Origin of Movement (OM) series.

Source: U.S. Census Bureau.

BANK ARRANGEMENTS TABLE

The following table includes certain information relating to letters of credit, liquidity facilities and other bank arrangements entered into in connection with variable rate obligations and commercial paper notes. See also “STATE INDEBTEDNESS AND OTHER OBLIGATIONS—Capital Facilities Financing—*Bank Arrangements*.”

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BANK ARRANGEMENTS TABLE

(See “STATE INDEBTEDNESS AND OTHER OBLIGATIONS—Capital Facilities Financing—Bank Arrangements.”)
As of August 1, 2023

Program	Series	Outstanding Par Amount	Credit Provider*	Expiration Date	Type of Credit	Reset Mode
GO VRDOs	2003A 1	\$34,000,000	Barclays Bank PLC	8/25/2025	LOC	Daily
GO VRDOs	2003C 1	68,300,000	TD Bank, N.A.	5/10/2028	LOC	Weekly
GO VRDOs	2003C 3-4	68,100,000	U.S. Bank National Association	12/16/2024	LOC	Weekly
GO VRDOs	2004A 2 & 3	95,900,000	State Street Bank & Trust Company	1/16/2024	LOC	Daily
GO VRDOs	2004 A 9	32,000,000	State Street Bank & Trust Company	1/16/2024	LOC	Weekly
GO VRDOs	2005A-2-1	143,200,000	Sumitomo Mitsui Banking Corporation	5/8/2026	LOC	Weekly
GO VRDOs	2005B-1	147,100,000	Wells Fargo Bank, N.A.	4/22/2025	LOC	Weekly
GO VRDOs	2005B-3	49,100,000	Sumitomo Mitsui Banking Corporation	5/8/2026	LOC	Weekly
GO VRDOs	2005B-5	88,890,000	U.S. Bank National Association	11/18/2024	LOC	Daily
Total GO VRDOs		\$726,590,000				
GO CP ^(a)	A1/B1	\$500,000,000	Wells Fargo Bank, N.A.	4/22/2025	LOC	Up to 90 days
	A2/B2	500,000,000	Royal Bank of Canada	10/10/2025	LOC	Up to 90 days
	A3/B3	250,000,000	UBS AG, Stamford Branch	12/5/2025	LOC	Up to 90 days
	A4/B4	200,000,000	TD Bank, N.A.	5/15/2028	LOC	Up to 90 days
	A5/B5	225,000,000	U.S. Bank National Association	12/16/2024	LOC	Up to 90 days
	A6/B6	350,000,000	Bank of America, N.A.	7/17/2026	LOC	Up to 90 days
	A7/B7	300,000,000	State Street Bank & Trust Company	12/7/2027	LOC	Up to 90 days
	A8/B8	125,000,000	Bank of Montreal, Chicago Branch	12/12/2025	LOC	Up to 90 days
Total GO CP		\$2,450,000,000				
Grand Total		\$3,176,590,000				

^(a) For commercial paper (CP), the total outstanding par represents the maximum principal commitment under related bank agreements.

* The agreements between the state and the respective credit providers for GO VRDOs are filed on EMMA by the applicable remarketing agents. The agreements between the state and the respective credit providers for GO CP are voluntarily filed on EMMA by the State Treasurer.

STATE DEBT TABLES

The tables which follow provide information on outstanding state debt, authorized but unissued general obligation bonds and commercial paper notes, debt service requirements for state general obligation and lease revenue bonds, and authorized and outstanding state revenue bonds. See “STATE INDEBTEDNESS AND OTHER OBLIGATIONS.” For purposes of these tables, “General Fund bonds,” also known as “non-self-liquidating bonds,” are general obligation bonds expected to be paid from the General Fund without reimbursement from any other fund. Although the principal of general obligation commercial paper notes in the “non-self-liquidating” category is legally payable from the General Fund, the state expects that principal of such commercial paper notes will be paid only from the issuance of new commercial paper notes or the issuance of long-term general obligation bonds to retire the commercial paper notes. Interest on “non-self-liquidating” general obligation commercial paper notes is payable from the General Fund.

“Enterprise Fund bonds,” also known as “self-liquidating bonds,” are general obligation bonds for which program revenues are expected to be sufficient to pay debt service payments or reimburse in full the General Fund for debt service payments, but any failure to make such a payment or reimbursement does not affect the obligation of the state to pay principal of and interest on the bonds from the General Fund.

The following tables, as applicable, do not reflect (i) the following bond issue; (ii) principal or interest paid since the respective dates of such tables, (iii) commercial paper that has been issued or paid since July 1, 2023; or (iv) any bond issues that have been issued or any principal paid since June 30, 2023 for the issuers listed on the table titled State Agency Revenue Bonds.

\$2,581,595,000 of State of California Various Purpose General Obligation Bonds and Various Purpose General Obligation Refunding Bonds were sold on September 7, 2023, and are expected to be issued on September 14, 2023. This sale included \$1,536,445,000 of refunding bonds the proceeds of which (together with premium paid by purchasers of the refunding bonds) are expected to refund \$1,591,485,000 of outstanding General Obligation Bonds.

OUTSTANDING STATE DEBT
FISCAL YEARS 2018-19 THROUGH 2022-23
(Dollars in Thousands Except for Per Capita Information)

	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21 (a)</u>	<u>2021-22 (b)</u>	<u>2022-23 (c)</u>
Outstanding Debt (d)					
General Obligation Bonds					
General Fund (Non-Self Liquidating).....	\$ 72,651,425	\$ 71,968,035	\$ 70,837,455	\$ 69,215,805	\$ 70,666,075
Enterprise Fund (Self Liquidating).....	\$ 841,255	\$ 778,920	\$ 586,850	\$ 525,695	\$ 662,785
Total General Obligation Bonds.....	<u>\$ 73,492,680</u>	<u>\$ 72,746,955</u>	<u>\$ 71,424,305</u>	<u>\$ 69,741,500</u>	<u>\$ 71,328,860</u>
Revenue Bonds					
Lease-Purchase Debt.....	\$ 8,667,400	\$ 8,477,095	\$ 8,337,925	\$ 8,388,130	\$ 7,829,965
Total Revenue Bonds.....	<u>\$ 8,667,400</u>	<u>\$ 8,477,095</u>	<u>\$ 8,337,925</u>	<u>\$ 8,388,130</u>	<u>\$ 7,829,965</u>
Total Outstanding General Obligation and Revenue Bonds.....	<u>\$ 82,160,080</u>	<u>\$ 81,224,050</u>	<u>\$ 79,762,230</u>	<u>\$ 78,129,630</u>	<u>\$ 79,158,825</u>
Bond Sales During Fiscal Year					
Non-Self Liquidating General Obligation Bonds...	\$ 7,017,660	\$ 7,763,245	\$ 6,313,765	\$ 6,639,495	\$ 8,590,580
Self Liquidating General Obligation Bonds.....	\$ 193,410	\$ 0	\$ 96,680	\$ 0	\$ 167,130
Lease-Purchase Debt.....	\$ 121,825	\$ 487,500	\$ 437,180	\$ 2,055,580	\$ 776,955
Debt Service (e)					
Non-Self Liquidating General Obligation Bonds...	\$ 7,027,289	\$ 6,966,463	\$ 6,997,006	\$ 6,901,633	\$ 6,778,871
Lease-Purchase Debt.....	\$ 1,008,868	\$ 957,788	\$ 950,782	\$ 860,438	\$ 836,812
General Fund Receipts (f).....	\$ 145,612,779	\$ 127,446,834	\$ 226,200,168	\$ 245,820,459	\$ 174,196,665
Non-Self Liquidating General Obligation Bonds Debt Service as a Percentage of General Fund Receipts.....	4.83%	5.47%	3.09%	2.81%	3.89%
Lease-Purchase Debt Service as a Percentage of General Fund Receipts.....	0.69%	0.75%	0.42%	0.35%	0.48%
Population (g).....	39,476,064	39,529,566	39,520,071	39,239,554	39,028,571
Non-Self Liquidating General Obligation Bonds Outstanding per Capita.....	\$ 1,840.39	\$ 1,820.61	\$ 1,792.44	\$ 1,763.93	\$ 1,810.62
Lease-Purchase Debt Outstanding per Capita.....	\$ 219.56	\$ 214.45	\$ 210.98	\$ 213.77	\$ 200.62
Personal Income (h).....	\$ 2,431,774,000	\$ 2,567,426,000	\$ 2,790,524,000	\$ 3,006,184,000	\$ 3,018,471,000
Non-Self Liquidating General Obligation Bonds Outstanding as Percentage of Personal Income....	2.99%	2.80%	2.54%	2.30%	2.34%
Lease-Purchase Debt Outstanding as Percentage of Personal Income.....	0.36%	0.33%	0.30%	0.28%	0.26%

(a) Does not include \$1.1 billion of general obligation bonds (general fund (non-self liquidating)) and \$1.2 billion in lease-purchase debt sold in this fiscal year on a forward delivery basis and issued in fiscal year 2021-22 (the "2021 Forward Delivery Bonds").

(b) Does not include \$299.1 million in lease-purchase debt sold in this fiscal year on a forward delivery basis and issued in fiscal year 2022-23 (the "2022 Forward Delivery Bonds"). Includes the 2021 Forward Delivery Bonds.

(c) Includes the 2022 Forward Delivery Bonds.

(d) Principal outstanding as of July 1 of the next fiscal year.

(e) Calculated on a cash basis. The amounts do not reflect any interest subsidy under the Build America Bonds program. Subsidy not pledged to the repayment of debt service. Debt service costs of bonds issued in any fiscal year largely appear in subsequent fiscal years.

(f) Calculated on a cash basis. General Fund Receipts includes both revenues and nonrevenues, such as borrowings, the proceeds of which are deposited in the General Fund (e.g. tobacco securitization bonds).

(g) See Table 22 of Appendix A.

(h) See Table 25 of Appendix A.

SOURCES: Outstanding Debt, Bond Sales During Fiscal Year, and Debt Service: State of California, Office of the Treasurer

General Fund Receipts: State of California, Office of the State Controller

Population: State of California, Department of Finance

Personal Income: U.S. Department of Commerce, Bureau of Economic Analysis

AUTHORIZED AND OUTSTANDING GENERAL OBLIGATION BONDS
As of July 1, 2023
(Thousands)

	Proposition Number	Voter Authorization Date	Authorization Amount \$	Long Term Bonds Outstanding \$	Commercial Paper Outstanding ^(a) \$	Unissued \$
GENERAL FUND BONDS (Non-Self Liquidating)						
1988 School Facilities Bond Act ^(b)	79	11/08/88	797,745	11,920	0	0
1990 School Facilities Bond Act ^(b)	123	06/05/90	797,875	10,680	0	0
1992 School Facilities Bond Act ^(b)	155	11/03/92	898,211	33,255	0	0
California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002 ⁽ⁱ⁾	40	03/05/02	2,596,643	1,521,500	16,010	107,613
California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Act of 2018	68	06/05/18	4,100,000	983,285	86,250	2,944,520
California Library Construction and Renovation Bond Act of 1988 ^(b)	85	11/08/88	72,405	2,890	0	0
* California Park and Recreational Facilities Act of 1984 ^(b)	18	06/05/84	368,900	2,350	0	0
* California Parklands Act of 1980	1	11/04/80	285,000	100	0	0
California Reading and Literacy Improvement and Public Library Construction and Renovation Bond Act of 2000	14	03/07/00	350,000	191,210	0	5,040
* California Safe Drinking Water Bond Law of 1976 ^(b)	3	06/08/76	172,500	910	0	0
* California Safe Drinking Water Bond Law of 1984	28	11/06/84	75,000	400	0	0
* California Safe Drinking Water Bond Law of 1986	55	11/04/86	100,000	4,875	0	0
California Safe Drinking Water Bond Law of 1988	81	11/08/88	75,000	10,665	0	0
California Stem Cell Research and Cures Bond Act of 2004	71	11/02/04	3,000,000	929,685	23,255	93,390
California Stem Cell Research, Treatments, and Cures Bond Act of 2020	14	11/03/20	5,500,000	416,600	0	5,083,400
* California Wildlife, Coastal, and Park Land Conservation Act ^(b)	70	06/07/88	768,670	26,040	0	0
Children's Hospital Bond Act of 2004	61	11/02/04	750,000	522,915	80	1,450
Children's Hospital Bond Act of 2008	3	11/04/08	980,000	759,915	1,255	41,695
Children's Hospital Bond Act of 2018	4	11/06/18	1,500,000	140,380	68,255	1,260,655
Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998 (Hi-Ed)	1A	11/03/98	2,500,000	1,049,635	0	0
Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998 (K-12)	1A	11/03/98	6,700,000	2,184,335	0	100
* Clean Air and Transportation Improvement Bond Act of 1990	116	06/05/90	1,990,000	241,990	0	0
* Clean Water Bond Law of 1984	25	11/06/84	325,000	350	0	0
* Clean Water and Water Conservation Bond Law of 1978	2	06/06/78	375,000	1,150	0	0
Clean Water and Water Reclamation Bond Law of 1988	83	11/08/88	65,000	3,625	0	0
County Correctional Facility Capital Expenditure and Youth Facility Bond Act of 1988	86	11/08/88	500,000	9,760	0	0
Disaster Preparedness and Flood Prevention Bond Act of 2006 ^{(e) (h)}	1E	11/07/06	3,960,560	2,783,095	100,835	244,047

AUTHORIZED AND OUTSTANDING GENERAL OBLIGATION BONDS
As of July 1, 2023
(Thousands)

	Proposition Number	Voter Authorization Date	Authorization Amount \$	Long Term Bonds Outstanding \$	Commercial Paper Outstanding ^(a) \$	Unissued \$
GENERAL FUND BONDS (Non-Self Liquidating)						
Earthquake Safety and Public Buildings Rehabilitation Bond Act of 1990 ^(g)	122	06/05/90	292,510	2,865	0	0
* Fish and Wildlife Habitat Enhancement Act of 1984	19	06/05/84	85,000	2,245	0	0
Higher Education Facilities Bond Act of 1988	78	11/08/88	600,000	4,735	0	0
Higher Education Facilities Bond Act of June 1990	121	06/05/90	450,000	9,630	0	540
Higher Education Facilities Bond Act of June 1992	153	06/02/92	900,000	58,135	0	0
Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006	1B	11/07/06	19,925,000	13,589,570	110,625	614,825
Housing and Emergency Shelter Trust Fund Act of 2002	46	11/05/02	2,100,000	107,670	2,890	62,975
Housing and Emergency Shelter Trust Fund Act of 2006	1C	11/07/06	2,850,000	810,400	42,180	205,325
Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (CCC)	51	11/08/16	2,000,000	639,825	73,135	1,182,140
Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (K-12)	51	11/08/16	7,000,000	5,698,285	66,570	291,435
Kindergarten-University Public Education Facilities Bond Act of 2002 (Hi-Ed)	47	11/05/02	1,650,000	1,014,440	0	0
Kindergarten-University Public Education Facilities Bond Act of 2002 (K-12)	47	11/05/02	11,400,000	6,237,325	0	5,455
Kindergarten-University Public Education Facilities Bond Act of 2004 (Hi-Ed)	55	03/02/04	2,300,000	1,465,625	0	58,019
Kindergarten-University Public Education Facilities Bond Act of 2004 (K-12)	55	03/02/04	10,000,000	6,086,175	0	16,160
Kindergarten-University Public Education Facilities Bond Act of 2006 (Hi-Ed)	1D	11/07/06	3,087,000	2,359,145	0	38,775
Kindergarten-University Public Education Facilities Bond Act of 2006 (K-12)	1D	11/07/06	7,329,000	5,001,665	30,700	137,860
* New Prison Construction Bond Act of 1986	54	11/04/86	500,000	835	0	0
New Prison Construction Bond Act of 1988	80	11/08/88	817,000	2,105	0	1,245
New Prison Construction Bond Act of 1990	120	06/05/90	450,000	490	0	605
Public Education Facilities Bond Act of 1996 (Higher Education)	203	03/26/96	975,000	234,695	0	4,650
Public Education Facilities Bond Act of 1996 (K-12) ^(c)	203	03/26/96	2,012,035	341,175	0	0
Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Act ^(c)	13	03/07/00	1,884,000	984,855	0	43,346
Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 ^{(c)(f)}	84	11/07/06	5,266,357	3,167,690	154,890	626,967
Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Act of 2000	12	03/07/00	2,100,000	920,760	6,730	13,080
Safe, Clean, Reliable Water Supply Act ^(c)	204	11/05/96	969,500	310,995	0	62,915
Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century	1A	11/04/08	9,950,000	4,105,360	127,535	3,564,090
* School Building and Earthquake Bond Act of 1974	1	11/05/74	150,000	3,990	0	0

AUTHORIZED AND OUTSTANDING GENERAL OBLIGATION BONDS
As of July 1, 2023
(Thousands)

	Proposition Number	Voter Authorization Date	Authorization Amount \$	Long Term Bonds Outstanding \$	Commercial Paper Outstanding ^(a) \$	Unissued \$
GENERAL FUND BONDS (Non-Self Liquidating)						
School Facilities Bond Act of 1990	146	11/06/90	800,000	13,825	0	0
School Facilities Bond Act of 1992	152	06/02/92	1,900,000	43,065	0	10,280
Seismic Retrofit Bond Act of 1996	192	03/26/96	2,000,000	610,295	0	0
* State, Urban, and Coastal Park Bond Act of 1976	2	11/02/76	280,000	840	0	0
Veterans Homes Bond Act of 2000	16	03/07/00	50,000	29,455	0	975
Veterans Housing and Homeless Prevention Bond Act of 2014	41	06/03/14	600,000	209,010	28,695	346,760
Veterans and Affordable Housing Bond Act of 2018	1	11/06/18	3,000,000	391,635	131,895	2,474,740
Voting Modernization Bond Act of 2002	41	03/05/02	200,000	44,420	0	10,430
Water Conservation Bond Law of 1988 ^(g)	82	11/08/88	54,765	5,605	0	0
* Water Conservation and Water Quality Bond Law of 1986 ^(e)	44	06/03/86	136,500	6,900	0	230
Water Quality, Supply, and Infrastructure Improvement Act of 2014 ^(f)	1	11/04/14	7,465,000	2,126,545	234,435	4,721,145
Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 ^(e)	50	11/05/02	3,345,000	2,180,280	20,890	183,509
Total General Fund Bonds			156,477,176	70,666,075	1,327,110	24,460,386

AUTHORIZED AND OUTSTANDING GENERAL OBLIGATION BONDS
As of July 1, 2023
(Thousands)

	Proposition Number	Voter Authorization Date	Authorization Amount \$	Long Term Bonds Outstanding \$	Commercial Paper Outstanding ^(a) \$	Unissued \$
ENTERPRISE FUND BONDS (Self Liquidating)						
* California Water Resources Development Bond Act	1	11/08/60	1,750,000	120	0	167,600
Veterans Bond Act of 1986	42	06/03/86	850,000	3,465	0	0
Veterans Bond Act of 1988	76	06/07/88	510,000	6,240	0	0
Veterans Bond Act of 1990	142	11/06/90	400,000	14,335	0	0
Veterans Bond Act of 1996	206	11/05/96	400,000	25,640	0	0
Veterans Bond Act of 2000	32	11/07/00	500,000	114,555	0	0
Veterans Bond Act of 2008 ^(d)	12	11/04/08	300,000	164,365	0	0
Veterans and Affordable Housing Bond Act of 2018 (CalVet)	1	11/06/18	1,000,000	334,065	0	636,235
Total Enterprise Fund Bonds			5,710,000	662,785	0	803,835
TOTAL GENERAL OBLIGATION BONDS			162,187,176	71,328,860	1,327,110	25,264,221

(a) A total of not more than \$2.45 billion of commercial paper principal plus accrued interest may be owing at one time. Bond acts marked with an asterisk (*) are not legally permitted to utilize commercial paper.

(b) SB 1018 (06/27/2012) reduced the voter authorized amount

(c) SB 1018 (06/27/2012) and SB 71 (06/27/2013) reduced the voter authorized amount

(d) AB 639 (10/10/2013) reduced the voter authorized amount

(e) AB 1471 (11/04/2014) reduced the voter authorized amount

(f) SB 5 (6/5/2018) reduced the voter authorized amount

(g) AB 92 (6/29/2020) reduced the voter authorized amount

(h) The original voter authorized amount has been reduced in accordance with section 5096.828 of the Public Resources Code of the State of California.

SOURCE: State of California, Office of the Treasurer.

**SCHEDULE OF DEBT SERVICE REQUIREMENTS
FOR ENTERPRISE FUND SELF LIQUIDATING BONDS**

**Fixed Rate
As of July 1, 2023**

Fiscal Year Ending June 30	Current Debt		
	Interest	Principal	Total (a)
2024 (b)	23,429,883.79	4,010,000.00	27,439,883.79
2025	23,295,636.29	10,225,000.00	33,520,636.29
2026	23,125,158.79	6,965,000.00	30,090,158.79
2027	22,685,981.29	26,585,000.00	49,270,981.29
2028	21,986,726.91	23,880,000.00	45,866,726.91
2029	21,243,318.15	28,070,000.00	49,313,318.15
2030	20,104,197.52	43,290,000.00	63,394,197.52
2031	18,664,045.02	42,895,000.00	61,559,045.02
2032	17,443,128.77	28,440,000.00	45,883,128.77
2033	16,342,485.02	34,535,000.00	50,877,485.02
2034	15,206,488.77	31,275,000.00	46,481,488.77
2035	14,388,855.02	17,445,000.00	31,833,855.02
2036	13,821,215.02	18,185,000.00	32,006,215.02
2037	13,219,305.02	18,970,000.00	32,189,305.02
2038	12,584,468.14	19,800,000.00	32,384,468.14
2039	11,997,460.01	15,055,000.00	27,052,460.01
2040	11,462,148.76	15,725,000.00	27,187,148.76
2041	10,806,080.01	22,040,000.00	32,846,080.01
2042	9,986,522.51	24,895,000.00	34,881,522.51
2043	9,072,923.76	26,665,000.00	35,737,923.76
2044	8,073,008.76	28,100,000.00	36,173,008.76
2045	7,002,209.38	28,420,000.00	35,422,209.38
2046	5,884,585.00	29,565,000.00	35,449,585.00
2047	4,767,350.00	27,885,000.00	32,652,350.00
2048	3,766,727.50	22,645,000.00	26,411,727.50
2049	2,910,987.50	17,755,000.00	20,665,987.50
2050	2,169,087.50	14,575,000.00	16,744,087.50
2051	1,506,850.00	13,340,000.00	14,846,850.00
2052	903,237.50	10,255,000.00	11,158,237.50
2053	310,612.50	11,295,000.00	11,605,612.50
Total	\$ 368,160,684.21	\$ 662,785,000.00	\$ 1,030,945,684.21

(a) Includes scheduled mandatory sinking fund payments.

(b) Represents the remaining debt service requirements from August 1, 2023 through June 30, 2024.

SOURCE: State of California, Office of the Treasurer.

**SCHEDULE OF DEBT SERVICE REQUIREMENTS
FOR GENERAL FUND NON-SELF LIQUIDATING BONDS
Fixed Rate
As of July 1, 2023**

Fiscal Year Ending June 30	Current Debt		
	Interest (a)	Principal	Total (b)
2024 (c)	3,450,335,458.17	3,395,470,000.00	6,845,805,458.17
2025	3,302,586,594.27	3,438,530,000.00	6,741,116,594.27
2026	3,143,765,198.60	3,422,820,000.00	6,566,585,198.60
2027	2,977,873,401.62	3,596,120,000.00	6,573,993,401.62
2028	2,816,026,099.05	3,736,105,000.00	6,552,131,099.05
2029	2,651,353,002.80	3,670,775,000.00	6,322,128,002.80
2030	2,479,256,639.05	3,619,330,000.00	6,098,586,639.05
2031	2,314,039,397.80	3,573,230,000.00	5,887,269,397.80
2032	2,156,554,601.55	3,373,880,000.00	5,530,434,601.55
2033	1,996,871,941.55	3,722,285,000.00	5,719,156,941.55
2034	1,837,656,344.02	3,691,370,000.00	5,529,026,344.02
2035	1,593,710,737.08	3,196,635,000.00	4,790,345,737.08
2036	1,428,812,710.17	3,228,665,000.00	4,657,477,710.17
2037	1,272,884,482.67	3,055,435,000.00	4,328,319,482.67
2038	1,109,643,608.90	3,407,065,000.00	4,516,708,608.90
2039	977,794,517.62	3,389,725,000.00	4,367,519,517.62
2040	689,884,376.37	2,212,745,000.00	2,902,629,376.37
2041	523,767,200.04	2,179,625,000.00	2,703,392,200.04
2042	425,746,650.04	1,188,165,000.00	1,613,911,650.04
2043	359,757,100.04	1,691,560,000.00	2,051,317,100.04
2044	285,099,390.66	1,008,660,000.00	1,293,759,390.66
2045	248,617,256.28	893,925,000.00	1,142,542,256.28
2046	197,308,675.03	1,144,865,000.00	1,342,173,675.03
2047	151,171,593.78	887,500,000.00	1,038,671,593.78
2048	109,901,471.90	850,000,000.00	959,901,471.90
2049	85,715,725.02	490,000,000.00	575,715,725.02
2050	63,590,725.02	675,000,000.00	738,590,725.02
2051	33,562,500.02	600,000,000.00	633,562,500.02
2052	19,984,375.01	350,000,000.00	369,984,375.01
2053	5,875,000.00	250,000,000.00	255,875,000.00
Total	\$ 38,709,146,774.13	\$ 69,939,485,000.00	\$ 108,648,631,774.13

(a) The amounts do not reflect any interest subsidy under the Build America Bonds program. Subsidy not pledged to the repayment of debt service.

(b) Includes scheduled mandatory sinking fund payments. Does not include outstanding commercial paper.

(c) Represents the remaining debt service requirements from August 1, 2023 through June 30, 2024.

SOURCE: State of California, Office of the Treasurer.

**SCHEDULE OF DEBT SERVICE REQUIREMENTS
FOR GENERAL FUND NON-SELF LIQUIDATING BONDS
Variable Rate
As of July 1, 2023**

Fiscal Year Ending June 30	Current Debt		
	Interest (a)	Principal	Total (b)
2024 (c)	17,673,179.56	57,900,000.00	75,573,179.56
2025	17,900,039.55	38,800,000.00	56,700,039.55
2026	17,002,970.76	67,900,000.00	84,902,970.76
2027	15,635,886.08	13,300,000.00	28,935,886.08
2028	15,340,357.56	13,900,000.00	29,240,357.56
2029	14,946,519.12	19,600,000.00	34,546,519.12
2030	14,402,621.02	109,290,000.00	123,692,621.02
2031	11,773,883.70	116,800,000.00	128,573,883.70
2032	7,907,968.20	167,800,000.00	175,707,968.20
2033	2,931,508.35	120,600,000.00	123,531,508.35
2034	17,745.20	300,000.00	317,745.20
2035	11,660.01	-	11,660.01
2036	11,710.57	-	11,710.57
2037	11,609.47	-	11,609.47
2038	11,659.99	-	11,659.99
2039	11,660.03	-	11,660.03
2040	10,691.11	400,000.00	410,691.11
Total	\$ 135,601,670.28	\$ 726,590,000.00	\$ 862,191,670.28

- (a) The estimate of future interest payments is based on rates in effect as of July 1, 2023. The interest rates for the daily and weekly rate bonds range from 2.10-3.43%.
- (b) Includes scheduled mandatory sinking fund payments. Does not include outstanding commercial paper.
- (c) Represents the remaining estimated debt service requirements from August 1, 2023 through June 30, 2024.

SOURCE: State of California, Office of the Treasurer.

**SCHEDULE OF DEBT SERVICE REQUIREMENTS
FOR LEASE-REVENUE DEBT
Fixed Rate
As of July 1, 2023**

Year Ending June 30	Current Debt		
	Interest (a)	Principal	Total (b)
2024 (c)	381,397,699.90	478,955,000.00	860,352,699.90
2025	354,770,216.10	505,620,000.00	860,390,216.10
2026	329,360,688.59	519,405,000.00	848,765,688.59
2027	303,167,578.84	549,270,000.00	852,437,578.84
2028	275,598,034.93	563,555,000.00	839,153,034.93
2029	247,219,964.06	534,775,000.00	781,994,964.06
2030	221,153,805.11	531,600,000.00	752,753,805.11
2031	194,992,133.06	526,890,000.00	721,882,133.06
2032	167,989,152.80	541,485,000.00	709,474,152.80
2033	139,865,681.88	490,305,000.00	630,170,681.88
2034	114,572,554.42	477,055,000.00	591,627,554.42
2035	89,547,149.06	441,650,000.00	531,197,149.06
2036	69,792,643.76	304,220,000.00	374,012,643.76
2037	55,874,468.76	294,355,000.00	350,229,468.76
2038	43,437,850.01	234,075,000.00	277,512,850.01
2039	33,638,287.51	187,260,000.00	220,898,287.51
2040	25,891,293.76	147,415,000.00	173,306,293.76
2041	20,975,815.63	68,395,000.00	89,370,815.63
2042	18,018,921.88	71,360,000.00	89,378,921.88
2043	14,956,943.76	74,410,000.00	89,366,943.76
2044	11,661,656.26	77,720,000.00	89,381,656.26
2045	8,217,818.76	81,150,000.00	89,367,818.76
2046	4,840,521.88	72,835,000.00	77,675,521.88
2047	1,666,125.00	54,735,000.00	56,401,125.00
2048	36,750.00	1,470,000.00	1,506,750.00
Total	\$ 3,128,643,755.72	\$ 7,829,965,000.00	\$ 10,958,608,755.72

(a) The amounts do not reflect any interest subsidy under the Build America Bonds program. Subsidy not pledged to the repayment of debt service.

(b) Includes scheduled mandatory sinking fund payments.

(c) Represents the remaining debt service requirements from August 1, 2023 through June 30, 2024.

SOURCE: State of California, Office of the Treasurer.

**STATE PUBLIC WORKS BOARD AND
OTHER LEASE-REVENUE FINANCING
OUTSTANDING ISSUES
As of July 1, 2023**

<u>GENERAL FUND SUPPORTED ISSUES^(a):</u>		<u>Outstanding</u>
State Public Works Board Issues (by Facility Lessee)		
Air Resources Board	\$	288,910,000
Board of State and Community Corrections		84,005,000
California Community Colleges		86,390,000
California Department of Corrections and Rehabilitation		3,228,370,000
California Department of Forestry and Fire Protection		215,895,000
California Department of Veterans Affairs		217,285,000
Department of Developmental Services		67,540,000
Department of Education		103,655,000
Department of General Services		1,306,670,000
Department of Public Health		42,470,000
Department of State Hospitals		198,995,000
Judicial Council		1,670,345,000
Other State Facilities		217,635,000
Trustees of the California State University		96,805,000
Total State Public Works Board Issues	\$	7,824,970,000
Total Non-State Public Works Board State Facilities Issues	\$	4,995,000
Total General Fund Supported Issues	\$	7,829,965,000
TOTAL	\$	7,829,965,000

(a) Lease payments that secure each of these issues are payable from the operating budget of the respective lessees.
The operating budgets of the lessees are primarily, but not exclusively, derived from the General Fund.

SOURCE: State of California, Office of the Treasurer.

**GENERAL OBLIGATION AND REVENUE BONDS
SUMMARY OF DEBT SERVICE REQUIREMENTS
As of July 1, 2023**

	Total Debt		
	Interest	Principal	Total (a)
GENERAL OBLIGATION BONDS			
<u>GENERAL FUND NON-SELF LIQUIDATING (b)</u>			
Fixed Rate	\$ 38,709,146,774.13	\$ 69,939,485,000.00	\$ 108,648,631,774.13
Variable Rate (c)	135,601,670.28	726,590,000.00	862,191,670.28
<u>ENTERPRISE FUND SELF LIQUIDATING</u>			
Fixed Rate	368,160,684.21	662,785,000.00	1,030,945,684.21
REVENUE BONDS			
<u>GENERAL FUND LEASE-REVENUE</u>			
Lease-Revenue	3,128,643,755.72	7,829,965,000.00	10,958,608,755.72
General Fund and Lease-Revenue Total (d)	\$ 42,341,552,884.34	\$ 79,158,825,000.00	\$ 121,500,377,884.34

(a) Includes scheduled mandatory sinking fund payments.

(b) Does not include outstanding commercial paper.

(c) The estimate of future interest payments is based on rates in effect as of July 1, 2023. The interest rates for the daily and weekly rate bonds range from 2.10-3.43%.

(d) Estimated interest included.

SOURCE: State of California, Office of the Treasurer.

**STATE AGENCY REVENUE BONDS
AND CONDUIT FINANCING
As of June 30, 2023**

<u>Issuing Agency</u>	<u>Outstanding</u>^{(a)(b)(c)(d)}
<u>State Revenue Bond Financing Programs:</u>	
California Alternative Energy and Advanced Transportation Financing Authority.....	426,133
California Earthquake Authority.....	600,000,000
California Health Facilities Financing Authority.....	1,762,880,000
California Housing Finance Agency.....	40,955,000
California Infrastructure and Economic Development Bank.....	2,204,135,000
California State University.....	8,556,625,000
Department of Water Resources - Central Valley Project.....	2,945,890,000
The Regents of the University of California.....	27,955,065,000
Veterans Revenue Debenture.....	418,775,000
TOTAL.....	\$ 44,484,751,133
<u>Conduit Financing:</u>	
California Alternative Energy and Advanced Transportation Financing Authority.....	2,041,189
California Educational Facilities Authority.....	4,298,423,945
California Health Facilities Financing Authority.....	14,929,824,935
California Housing Finance Agency.....	5,423,418,736
California Infrastructure and Economic Development Bank	4,671,808,755
California Pollution Control Financing Authority.....	3,122,118,316
California School Finance Authority.....	2,247,227,225
TOTAL.....	\$ 34,694,863,102

- (a) Totals for California State University, Department of Water Resources and Veterans Revenue Debenture were provided by the State of California, Office of the Treasurer. All other totals were provided by the listed issuing agency.
- (b) Does not include the Tobacco Settlement Revenue Bonds issued by Golden State Tobacco Securitization Corporation.
- (c) Certain state agencies and authorities issue revenue obligations for which the General Fund has no liability. See "STATE INDEBTEDNESS AND OTHER OBLIGATIONS – Capital Facilities Financing - Non-Recourse Debt." The tables above are intended to provide general information concerning the scope of the various State Revenue Bond Financing and Conduit Financing Programs referenced therein, and are not intended to be an exhaustive listing of all of the outstanding obligations of the respective programs.
- (d) California Housing Finance Agency numbers are an estimate and are not final.

EXHIBIT 1 TO APPENDIX A
PENSION SYSTEMS

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PENSION SYSTEMS

General

California Public Employees' Retirement System ("CalPERS") and California State Teachers' Retirement System ("CalSTRS") are the two principal retirement systems in which the state participates. The assets and liabilities of the funds administered by CalPERS and CalSTRS are included as fiduciary funds in the financial statements of the state. Thus, a summary description of CalPERS and CalSTRS is set forth in the state's financial statements and required supplementary information. CalPERS and CalSTRS each have unfunded liabilities in the tens of billions of dollars. See "FINANCIAL STATEMENTS."

The University of California ("UC") maintains a separate retirement system. The 2023 Budget Act does not specifically allocate any of UC's appropriation to fund its employer retirement costs; UC manages its retirement contributions within its overall budget.

General Fund retirement costs are expected to continue to increase in the foreseeable future. The amount of such increases will depend on a variety of factors, including but not limited to actual investment returns, actuarial assumptions, actual experience, benefit adjustments, and, in the case of CalSTRS, statutory changes to contribution levels.

The information in this Exhibit 1 relating to CalPERS and CalSTRS is primarily derived from information produced by CalPERS and CalSTRS, their independent accountants, and their actuaries. The state has not independently verified the information produced by CalPERS and CalSTRS and neither makes any representation nor expresses any opinion as to the accuracy of the information produced by CalPERS and CalSTRS.

The annual comprehensive financial reports of CalPERS and CalSTRS are available on their websites at www.calpers.ca.gov and www.calstrs.com, respectively. The CalPERS and CalSTRS websites also contain the most recent actuarial valuation reports, as well as other information concerning benefits and other matters. Such information is not incorporated by reference herein. The state cannot guarantee the accuracy of such information. Actuarial valuations are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans and are based upon a variety of assumptions, one or more of which may not materialize or may be changed in the future. Thus, actuarial valuations will likely change with the future experience of the pension plans. As used in this Exhibit 1, an active member refers to a participant currently employed by a CalPERS or CalSTRS covered employer, an inactive member refers to a participant with member contributions on account who is neither receiving a benefit nor currently employed by a CalPERS or CalSTRS covered employer, and a retiree, survivor, or beneficiary refers to a participant currently receiving a benefit from CalPERS or CalSTRS.

CalPERS

1. General

CalPERS administers a total of 14 funds, including four funds for the defined benefit retirement plans: the Public Employees' Retirement Fund ("PERF"), the Legislators' Retirement Fund ("LRF"), the Judges' Retirement Fund ("JRF"), and the Judges' Retirement Fund II

(“JRF II”). These plans, as well as the other plans administered by CalPERS, are described in the comprehensive financial reports of CalPERS, which can be found on CalPERS’ website at www.calpers.ca.gov. Such information is not incorporated by reference herein.

The PERF, LRF, JRF, and JRF II are defined benefit pension plans which generally provide benefits based on members’ years of service, age, final compensation, and benefit formula. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Certain summary information concerning PERF is set forth below. Certain summary information concerning LRF, JRF, JRF II, and the 1959 Survivor Benefit program, which provides payments to the survivors of eligible members who die before retirement, is set forth at the end of this section.

CalPERS is administered by a 13-member Board of Administration (the “CalPERS Board”) that includes four *ex officio* members: the State Controller, the Director of the California Department of Human Resources, the State Treasurer, and a member designated by the State Personnel Board. The other nine CalPERS Board members include six elected members: a member elected by active school employees, a member elected by retirees, a member elected by active state employees, a member elected by active public agency employees, two members elected by all members, and three appointed members: a public representative appointed jointly by the Speaker of the Assembly and the Senate Rules Committee, an official of a life insurer appointed by the Governor, and an elected local official appointed by the Governor.

2. Members and Employers

The PERF is a multiple-employer defined benefit retirement fund. In addition to the state, employer participants include nearly 3,000 public agencies and school districts. CalPERS acts as the common investment and administrative agent for the member agencies. The state and school districts (for “classified employees,” which generally consist of school employees other than teachers) are required by law to participate in CalPERS. Other public agencies can elect whether to participate in CalPERS or administer their own plans. Members of CalPERS generally become fully vested in their retirement benefits earned to date after five years of credited service. Separate accounts are maintained for each employer participating in CalPERS, and separate actuarial valuations are performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan, based on the benefits selected by the employer and the individual plan’s proportionate share of CalPERS assets.

Unless otherwise specified, the information relating to CalPERS provided in this section relates only to state employees. State employees include Executive Branch, California State University, Judicial, and Legislature employees.

The following table reflects the number of state employee members of CalPERS as of June 30, 2021, and June 30, 2022.

TABLE 29
CalPERS State Employee Membership as of June 30

Category	2021	2022
Retirees	227,012	231,789
Survivors and Beneficiaries	38,892	41,236
Active Members	274,832	275,297
Inactive Members	107,747	114,338
Total	648,483	662,660

Source: CalPERS Annual Comprehensive Financial Report for Fiscal Years ended June 30, 2021, and June 30, 2022.

Benefits for state employees are paid according to the category of employment and the type of benefit coverage provided by the state. Generally, all employees in a covered class of employment who work on a half-time basis or more are eligible to participate in CalPERS. The five categories of membership applicable to state employees are set forth below. Certain categories also have “tiers” of membership. It is up to the employee to select their preferred membership tier. Different tiers may have different benefits, as well as different employee contribution requirements. The member categories are as follows:

- Miscellaneous Members – staff, operational, supervisory, and all other eligible employees who are not in special membership categories.
- Safety Members – employees whose principal duties are in active law enforcement or fire prevention and suppression work but are not defined as a State Peace Officer/Firefighter Member, or who occupy positions designated by law as Safety Member positions.
- State Industrial Members – employees of the California Department of Corrections and Rehabilitation who have the same service retirement and other benefits as Miscellaneous Members, but who also have industrial death and disability benefits under certain limited circumstances.
- State Peace Officer/Firefighter Members – employees who are involved in law enforcement, firefighting and fire suppression, public safety, protective services, or the management and supervision thereof, whose positions are defined as State Peace Officer/Firefighter Members in the Government Code or by the Department of Human Resources.
- Patrol Members – California Highway Patrol officers and their related supervisors and managers.

3. Retirement Benefits

Pension benefits depend on five variables: employment category, tier, years of service credit, final compensation, and age of retirement; and generally range from 2 percent of final compensation at age 55 for each year of service credit (applicable to Miscellaneous and State Industrial category members) to 3 percent of final compensation for each year of service for retirement at age 50 (for State Peace Officer/Firefighter category members). Pension benefits are subject to annual cost of living adjustments. The annual adjustment is determined by the Consumer Price Index for all Urban Consumers and generally ranges from 2 to 3 percent, and an additional adjustment intended to preserve the “purchasing power” of the pension benefit. Pension benefits typically include disability and death benefit provisions as well. A detailed description of the pension benefits payable by PERF to state employees is set forth in CalPERS’ actuarial valuations.

The Public Employees’ Pension Reform Act of 2013 (“PEPRA”) (AB 340, Chapter 296, Statutes of 2012) increased the retirement age for new CalPERS members hired on or after January 1, 2013 (“PEPRA members”). State Miscellaneous and State Industrial PEPRA members who retire at age 62 are eligible for a benefit equal to 2 percent of final compensation for each year of credited service (increased to 2.5 percent of final compensation for members retiring after age 67). State Safety PEPRA members who retire at age 57 are eligible for a benefit equal to 2 percent under the Basic Safety Plan, 2.5 percent under the Safety Option Plan One, or 2.7 percent under the Safety Option Plan Two; the applicable percentage is multiplied by the PEPRA Member’s final compensation and numbers of years of credited service. Approximately 49 percent of the state active member population consists of PEPRA members as of June 30, 2022.

The following table shows the amount of pension benefits paid from CalPERS for fiscal years 2016-17 through 2020-21.

TABLE 30
CalPERS (State Only)
Schedule of Pension Benefits Paid
(Dollars in Millions)

Fiscal Year	Benefits Paid
2016-17	\$8,717
2017-18	9,213
2018-19	9,779
2019-20	10,347
2020-21	11,011

Source: CalPERS State Actuarial Valuation for Fiscal Years
Ended June 30, 2017, through June 30, 2021.

4. Member and State Contributions

The pension benefits for state employee members in CalPERS are funded by contributions from members and the state, and by earnings from investments. Member and state contributions are a percentage of applicable member compensation and are determined annually on an actuarial basis. Member contribution rates are defined by law and vary by bargaining unit within the same member category. The required contribution rates of active CalPERS state members are based on a percentage of their salary ranging from 3.75 to 15 percent.

State contributions are made from the General Fund, special funds, and non-governmental cost funds. The state has made the full amount of actuarially required contribution each year. The rates below also include additional state contributions due to savings realized by the state because of increased employee contributions under PEPPRA pursuant to Government Code Section 20683.2 (d).

In April 2023, the state directed CalPERS to apply the \$2.925 billion Proposition 2 supplemental pension payment, authorized by Chapter 67, Statutes of 2022, to achieve long-term savings, reduce the state's unfunded actuarial liability, and improve funded status, while maintaining stable contribution rates. This continues the approach used for the \$1.881 billion Proposition 2 supplemental pension payment, authorized by Chapter 78, Statutes of 2021. The impact of the payment is reflected in contribution rates beginning in fiscal year 2022-23. The payment is not applied to the California Highway Patrol ("CHP") plan as CHP required retirement contributions are typically funded by the Motor Vehicle Account, not the General Fund.

The 2023 Budget Act includes the following employer contribution rates for fiscal year 2023-24:

	<u>Contribution Rates^{(a)(b)}</u>
State Miscellaneous Tier 1	32.00%
California State University, Miscellaneous Tier 1	32.00
State Miscellaneous Tier 2	32.00
State Industrial	21.00
State Safety	22.75
State Peace Officers & Firefighters	50.00
California State University, Peace Officers and Firefighters	50.00
California Highway Patrol ^(c)	71.78

(a) Includes additional contributions pursuant to Government Code Section 20683.2 (d).

(b) Includes the impact of the \$1.881 billion and \$2.925 billion Proposition 2 supplemental pension payments authorized in the 2021 Budget Act and the 2022 Budget Act, respectively.

(c) Reflects Bargaining Unit 5 Memorandum of Understanding requirements.

The table below shows the state's actual and estimated contributions to PERF for fiscal years 2019-20 through 2023-24.

TABLE 31
State Contributions to PERF, including CSU
(Dollars in Millions)

Fiscal Year	State Employees All Funds	State Employees General Fund	CSU Employees All Funds	CSU General Fund	Total Contributions All Funds	Total General Fund
2019-20 ^(a)	\$5,946	\$3,112	\$716	\$716	\$6,663	\$3,828
2020-21 ^{(a)(c)}	4,925	2,432	680	680	5,604	3,112
2021-22 ^{(a)(d)}	5,363	2,556	677	677	6,040	3,233
2022-23 ^{(a)(b)(e)}	7,475	3,821	744	744	8,219	4,565
2023-24 ^{(b)(f)}	7,728	3,928	744	744	8,472	4,672

- (a) Does not include the \$100 million in supplemental pension payments to be paid from the Motor Vehicle Account over fiscal years 2019-20 through 2022-23 pursuant to SB 90, as described in this section.
- (b) Estimated contributions.
- (c) Does not include the \$243 million supplemental pension payment using Proposition 2 debt repayment funding in fiscal year 2020-21 pursuant to Chapter 16, Statutes of 2020 (AB 84), as described in this section.
- (d) Does not include the \$1.9 billion supplemental pension payment using Proposition 2 debt repayment funding in fiscal year 2021-22 included in the 2021 Budget Act, as described in this section.
- (e) Does not include the \$2.9 billion supplemental pension payment using Proposition 2 debt repayment funding in fiscal year 2022-23 included in the 2022 Budget Act, as described in this section.
- (f) Does not include the \$1.7 billion supplemental pension payment using Proposition 2 debt repayment funding in fiscal year 2023-24 included in the 2023 Budget Act, as described in this section.

Note: Totals may not add due to rounding.

Source: State of California, Department of Finance.

The 2023 Budget Act includes \$1.7 billion in Proposition 2 debt repayment funding in fiscal year 2023-24 to reduce the state's unfunded liabilities. This payment is in addition to the statutorily required state pension contributions captured in the above table. Based on current revenue projections, an additional \$1.8 billion in Proposition 2 debt repayment funding will be paid to CalPERS over the remaining forecast period (fiscal year 2024-25 to 2026-27), depending on the availability of Proposition 2 debt funding.

The 2022 Budget Act included \$2.9 billion in Proposition 2 debt repayment funding in fiscal year 2022-23 to reduce the state's unfunded liabilities. This payment was in addition to the statutorily required state pension contributions captured in the above table. The payment is estimated to result in a minimum additional \$5.8 billion in estimated savings to the state over the next three decades.

As previously mentioned, the 2021 Budget Act included \$1.9 billion in Proposition 2 debt repayment funding in fiscal year 2021-22 to reduce the state's unfunded liabilities. This payment was in addition to the statutorily required state pension contributions captured in the above table.

The Proposition 2 payment is estimated to result in a minimum long-term gross savings of \$3.8 billion.

The 2019-20 Budget included a \$3 billion General Fund allocation for supplemental pension payments to CalPERS scheduled to be made in fiscal years 2018-19 (\$2.5 billion), 2020-21 (\$265 million), 2021-22 (\$200 million), and 2022-23 (\$35 million). These amounts were in addition to the state's actuarially determined contributions for the noted fiscal years. This \$3 billion payment authorized by SB 90 was adjusted by Chapter 859, Statutes of 2019 (AB 118) to attribute a share of the total payment (\$243 million in fiscal year 2020-21) to the CalPERS California Highway Patrol (CHP) Plan, which had been previously excluded. AB 84 eliminated the \$500 million in remaining General Fund payments for fiscal years 2020-21 through 2022-23 and authorized the use of Proposition 2 debt repayment funding to make the \$243 million payment to the CHP plan in fiscal year 2020-21.

As part of the 2020-21 Budget, the remainder of the \$2.5 billion 2018-19 payment (\$2.4 billion not yet applied by CalPERS at that time) was redirected to achieve state contribution reductions over fiscal years 2020-21 and 2021-22, rather than over the next three decades. To make the General Fund whole for its payment to CalPERS on behalf of all funding sources for state contributions to CalPERS, AB 84 required other funds that make required state contributions to CalPERS to transfer their respective share of the \$2.5 billion back to the General Fund over fiscal years 2020-21 and 2021-22. These transfers occurred in fiscal year 2021-22 in the amount of \$482.7 million.

Additionally, the 2019-20 Budget included a \$100 million supplemental pension payment from the Motor Vehicle Account towards the unfunded liability of the CalPERS CHP Plan, to be paid in four equal installments over fiscal years 2019-20 through 2022-23. All four payments have been made.

Based on CalPERS actuarial assumptions used in fiscal year 2019-20, these supplemental pension payments were originally estimated to result in total net savings of about \$3.3 billion over the next three decades. Note that due to being redirected to achieve savings over a shorter time, the \$2.5 billion 2018-19 payment is now estimated to have resulted in a gross savings ratio of 1:1 (i.e., no net savings expected), with savings of roughly \$100 million, \$1.0 billion, and \$1.4 billion, respectively, in fiscal years 2019-20, 2020-21, and 2021-22.

For the pension loan further described below that funded the fiscal year 2017-18 supplemental pension payment to CalPERS, the General Fund's share of the remaining repayment over the expected term (approximately \$1.7 billion estimated as of the 2023 Budget Act) is eligible for repayment under Proposition 2's debt repayment requirements, as reflected in Table 3. The remaining balance is to be repaid from other funds that contribute to CalPERS and are expected to benefit from the supplemental pension payment. See "DEBTS AND LIABILITIES UNDER PROPOSITION 2" in the forepart of Appendix A for a description of the loan and related repayment terms and sources.

In fiscal year 2017-18, the state made a one-time \$6 billion supplemental pension payment to CalPERS to mitigate the future increase in state contributions and reduce unfunded liabilities. The supplemental pension payment was in addition to the state's actuarially determined

contribution and was funded through an internal cash loan from the Surplus Money Investment Fund (a state fund managed by the State Treasurer's Office as part of the Pooled Money Investment Account to invest surplus cash from special funds held by state departments). The supplemental pension payment was apportioned accordingly to the five state retirement plans administered by CalPERS based on the unfunded liability of each plan.

As of the 2023 Budget Act, the Department of Finance projects that the \$6 billion supplemental pension payment will save an estimated \$5.5 billion in state contributions (net of principal and interest on the loan) to CalPERS from all state funded sources over the next two decades.

5. Prospective Funding Status; Future State Contributions

The level of future required contributions from the state will depend on a variety of factors, including future investment portfolio performance, actuarial assumptions, and additional potential changes in retirement benefits. The CalPERS Board adopted retirement rates on April 18, 2023, for the state plans for fiscal year 2023-24. The agenda item included preliminary contribution rate projections based on the 6.8 percent discount rate. The projections did not include additional contributions pursuant to Government Code Section 20683.2 or potential impacts of the Proposition 2 supplemental pension payments, which are applied to realize long-term savings, improve funded status, and achieve a more stable and predictable contribution rate.

In November 2021, the CalPERS Board adopted a discount rate of 6.8 percent (decrease from 7 percent) as part of the Asset Liability Management Process, which occurs every four years, and in alignment with the CalPERS Funding Risk Mitigation Policy (see "Section 7. Actuarial Methods and Assumptions," below), which triggered a decrease of 0.2 percent because of the fiscal year 2020-21 CalPERS investment returns. The statutorily required retirement contributions reflect the impact of these changes beginning with the 2022 Budget Act.

The state has also used supplemental pension payments in response to a decrease in the retirement systems' discount rate assumptions. For example, in December 2016, the CalPERS Board voted to lower its assumed rate of return from 7.5 to 7 percent over three years, which resulted in contribution increases for the state, for other employers, and for some employees. The increase in contributions the state incurred was implemented over a five-year period, with full implementation in fiscal year 2023-24. Another example is the 2017-18 Budget which included a \$6 billion one-time, supplemental pension payment to CalPERS in fiscal year 2017-18, which resulted in a decrease to the state's projected contributions beginning in fiscal year 2018-19. More examples include the 2021 Budget Act, which authorized a \$1.9 billion supplemental pension payment and the 2022 Budget Act, which authorized an additional \$2.9 billion supplemental pension payment. The 2023 Budget Act authorizes a \$1.7 billion supplemental pension payment in fiscal year 2023-24. See Section 4. "Member and State Contributions" for additional details.

The projected state contribution rates for fiscal years 2023-24 through 2027-28 as included in the latest published actuarial valuation for the fiscal year ended June 30, 2021, are included in the table below. These projected rates reflect the estimated investment return for fiscal year 2021-22 and the newly CalPERS Board-adopted discount rate. The projected rates assume all other actuarial assumptions will be achieved and no changes to assumptions, methods, or benefits

will occur during the projection period. These projected rates serve as the basis for the sensitivity analysis included in the June 30, 2021, valuation, also set forth below.

The projected state contribution rates do not reflect the projected additional contributions required to offset increased member contributions under PEPPRA, or the estimated impact of the supplemental pension payments included in the 2022 Budget Act using Proposition 2 funding. See “Member and State Contributions.”

	<u>Projected Contribution Rates</u>				
	Fiscal Year				
<u>Plan:</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>
State Miscellaneous	32.0%	32.9%	33.7%	34.1%	36.0%
State Industrial	20.3	21.0	21.7	22.0	23.6
State Safety	21.3	21.9	22.5	22.8	24.3
State Peace Officers & Firefighters	49.4	50.7	51.8	52.4	55.3
California Highway Patrol	65.4	64.9	65.3	63.6	66.4

Source: CalPERS State Actuarial Valuation for Fiscal Year Ended June 30, 2021.

In accordance with state law, the actuarial valuation for the fiscal year ended June 30, 2021, includes a sensitivity analysis of discount rates. The analysis shows that employer contribution rates are highly sensitive to changes in the discount rate and that employer contribution rates would be significantly reduced if a higher discount rate is used, and employer contribution rates would significantly increase if a lower discount rate is used. The actuarial valuation for the fiscal year ended June 30, 2021, contains information concerning the specific impact on employer contribution rates and unfunded liability resulting from these different discount rate assumptions.

The tables below show projected state contribution rates for fiscal years 2023-24 through 2027-28 for the employee categories under two different investment return scenarios, based on an estimated -7.4 percent investment return for fiscal year 2021-22. Note that the projected state contribution rates in the tables below do not reflect the additional state contribution rates required by statute to offset increased member contributions under PEPPRA. The projected state contribution rates assume that all other actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur. The two different investment return scenarios capturing 90 percent of likely outcomes over a 20-year period ending June 30, 2041, are as follows:

- The first scenario assumes a 3.0 percent return for each of the fiscal years. This represents the 5 percent lower bound for a 20-year stochastic analysis of five thousand possible outcomes.
- The second scenario assumes a 10.8 percent return for each of the fiscal years. This represents the 95 percent upper bound for a 20-year stochastic analysis of five thousand possible outcomes.

In all the scenarios, rates are expressed as a percentage of payroll.

State Miscellaneous

	Projected Contribution Rates Fiscal Year				
<u>Assumed annual return from fiscal years 2021-22 to 2040-41</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>
3.0% (5 th percentile)	32.0%	33.4%	35.2%	37.2%	41.0%
10.8% (95 th percentile)	32.0	32.6	32.7	32.0	32.2

State Industrial

	Projected Contribution Rates Fiscal Year				
<u>Assumed annual return from fiscal years 2021-22 to 2040-41</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>
3.0% (5 th percentile)	20.3%	21.5%	23.1%	24.7%	28.0%
10.8% (95 th percentile)	20.3	20.9	21.0	20.3	20.5

State Safety

	Projected Contribution Rates Fiscal Year				
<u>Assumed annual return from fiscal years 2021-22 to 2040-41</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>
3.0% (5 th percentile)	21.3%	22.4%	23.9%	25.4%	28.6%
10.8% (95 th percentile)	21.3	21.8	21.9	21.2	21.3

State Peace Officers & Firefighters

	Projected Contribution Rates Fiscal Year				
<u>Assumed annual return from fiscal years 2021-22 to 2040-41</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>
3.0% (5 th percentile)	49.4%	51.6%	54.4%	57.5%	63.5%
10.8% (95 th percentile)	49.4	50.4	50.4	49.1	49.3

California Highway Patrol

	Projected Contribution Rates Fiscal Year				
<u>Assumed annual return from fiscal years 2021-22 to 2040-41</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>
3.0% (5 th percentile)	65.4%	65.8%	68.2%	69.2%	75.7%
10.8% (95 th percentile)	65.4	64.4	63.7	59.9	59.8

Source: CalPERS State Actuarial Valuation for Fiscal Year Ended June 30, 2021.

In addition, the actuarial valuation for the year ended June 30, 2021, includes projections based on volatility scenarios of the portfolio.

The tables below demonstrate the fiscal year 2024-25 rate impact of realizing losses of 5.2 percent and 17.2 percent in fiscal year 2022-23. In accordance with CalPERS policy, investment gains and losses are amortized over a 20-year period with the payment starting at a lower initial amount and ramping up over five years. This means future contribution rates would be impacted by the loss for an additional four years while also being impacted by future returns. If future returns did not exceed the 6.8 percent discount rate, rates would continue to trend upward.

State Miscellaneous

	Current Rate Fiscal Year	Projected Contribution Rates Fiscal Year	
<u>Assumed annual return for fiscal year 2022-23</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>
-17.2%	30.71%	32.0%	36.3%
-5.2%	30.71	32.0	34.6

State Industrial

	Current Rate Fiscal Year	Projected Contribution Rates Fiscal Year	
Assumed annual return for fiscal year <u>2022-23</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>
-17.2%	19.51%	20.3%	24.0%
-5.2%	19.51	20.3	22.5

State Safety

	Current Rate Fiscal Year	Projected Contribution Rates Fiscal Year	
Assumed annual return for fiscal year <u>2022-23</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>
-17.2%	21.13%	21.3%	24.8%
-5.2%	21.13	21.3	23.4

State Peace Officers & Firefighters

	Current Rate Fiscal Year	Projected Contribution Rates Fiscal Year	
Assumed annual return for fiscal year <u>2022-23</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>
-17.2%	47.21%	49.4%	56.3%
-5.2%	47.21	49.4	53.5

California Highway Patrol

	Current Rate Fiscal Year	Projected Contribution Rates Fiscal Year	
<u>Assumed annual return for fiscal year 2022-23</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>
-17.2%	63.89%	65.4%	71.0%
-5.2%	63.89	65.4	67.9

Source: CalPERS State Actuarial Valuation for Fiscal Year Ended June 30, 2021.

6. Investment Policy; Investment Returns

Pursuant to the state Constitution, the CalPERS Board has sole and exclusive fiduciary responsibility over the assets of the PERF. CalPERS' assets are managed both externally by professional investment management firms and internally by CalPERS investment staff. The CalPERS Board monitors the performance of the managers with the assistance of external investment consultants.

CalPERS has established a series of procedures and guidelines with respect to investments. The procedures, grouped together as the "Total Fund Investment Policy," serve to guide CalPERS' investment strategy for PERF. The CalPERS Board reviews the Total Fund Investment Policy as needed. Additional information concerning CalPERS investments can be found on the CalPERS website. Such information is not incorporated by reference herein.

The CalPERS Board adopted revisions to its Total Fund Investment Policy that included: (1) the addition of Private Debt, Emerging Markets Sovereign Debt, and Strategic Leverage, (2) updated target weights and ranges, (3) updated benchmarks for new segments, (4) a reduction of active leverage from 20 percent to 15 percent and (5) the introduction of 5 percent strategic leverage (keeping effective limit at 20 percent). These revisions took effect June 13, 2022.

The following tables set forth the total return on all assets for PERF for fiscal years 2013-14 through 2022-23, as well as time-weighted average returns.

TABLE 32
CalPERS Time-Weighted Investment Results Based On Market Value

Fiscal Year	Annualized Rate of Return
2013-14	18.4%
2014-15	2.4
2015-16	0.6
2016-17	11.2
2017-18	8.6
2018-19	6.7
2019-20	4.7
2020-21	21.3
2021-22	-6.1
2022-23	5.8

Source: CalPERS Annual Comprehensive Financial Reports for Fiscal Year ended June 30, 2014, through June 30, 2022, fiscal year 2022-23 is based on the July 19, 2023 CalPERS Newsletter.

TABLE 33
PERF Time-Weighted Average Returns as of June 30, 2022*

Period	Time Weighted Average Rate of Return
3 years	6.0%
5 years	6.7
10 years	7.7
20 years	6.9

Source: CalPERS Annual Comprehensive Financial Report for Fiscal Year ended June 30, 2022. July 12, 2021, CalPERS Newsletter for the 20-year period.

* In July 2023, CalPERS released preliminary values for total fund annualized returns for the 5 year period ending June 30, 2023, at 6.1 percent, the 10 year period at 7.1 percent and the 20 year period at 7.0 percent.

In 2019, CalPERS publicly indicated that it expected actual investment returns in the following ten-year period would be less than 7 percent, the then-current CalPERS’ actuarial rate of return. Actual investment returns lower than the actuarially assumed level will result in decreased funding status and increased actuarially required contributions.

7. Actuarial Methods and Assumptions

The total cost CalPERS incurs to provide benefits includes administrative expenses. All of these costs are funded through contributions to the PERF and investment earnings on PERF’s assets. CalPERS’ Chief Actuary estimates the total cost of the benefits to be paid and, using the actuarial funding method determined by CalPERS (as described below), the actuary allocates these costs to the fiscal years. CalPERS’ financial objective is to fund in such a manner as to keep contribution rates approximately level as a percentage of payroll from generation to generation, while accumulating sufficient assets over each member’s working career to cover the total cost of providing benefits.

The primary funding method used to accomplish this objective is the “Entry Age Normal Cost Method.” Under this method, projected benefits are determined for all members, and the associated liabilities are spread in a manner that produces level annual costs as a level percent of pay in each year from the age of hire (entry age) to the assumed retirement age. The cost allocated to the current fiscal year is called the “normal cost.” The Actuarial Accrued Liability (“AAL”) for active members is then calculated as the portion of the total cost of the plan allocated to prior years.

The CalPERS Chief Actuary considers various factors in determining the assumptions to be used in preparing the actuarial report. Demographic assumptions are based on a study of the actual history of retirement, rates of termination/separation of employment, years of life expectancy after retirement, disability, and other factors. This experience study is generally done once every four years. The most recent experience study was completed in 2021 in connection with the preparation of actuarial recommendations by the CalPERS Chief Actuary as described below.

The following table sets forth certain economic actuarial assumptions for fiscal years 2020-21 through 2022-23.

TABLE 34
Actuarial Assumptions—State Plans

Assumption	Fiscal Year		
	2020-21	2021-22[*]	2022-23
Investment Returns	7.00%	6.80%	6.80%
Inflation	2.50	2.3	2.3
Salary Increase (Total Payroll)	2.75	2.8	2.8

* Actuarial assumptions updated as of November 2021 CalPERS Board Meeting.

On November 18, 2015, the CalPERS Board adopted a Funding Risk Mitigation Policy (“CalPERS Funding Risk Mitigation Policy”) that seeks to reduce funding risk over time. It establishes a mechanism whereby CalPERS investment performance that significantly outperforms the discount rate triggers adjustments to the discount rate, expected investment return, and strategic asset allocation targets. Reducing the volatility of investment returns is expected to increase the long-term sustainability of CalPERS pension benefits for members. In February 2017, the CalPERS Board revised the CalPERS Funding Risk Mitigation Policy. The revisions included suspension of the CalPERS Funding Risk Mitigation Policy until fiscal year 2020-21, and a decrease of the required first excess investment return threshold from 4 to 2 percent.

CalPERS’ investment return for the fiscal year ending June 30, 2021, was 21.3 percent, which outperformed the assumed 7 percent discount rate; thereby triggering the CalPERS Funding Risk Mitigation Policy described above. Approximately half of the excess return was used for rate relief and half of the excess return was used to lower the discount rate to 6.8 percent. CalPERS notes that for a given risk mitigation event, it is estimated that employer rates will decrease by about half of what they would have with no risk mitigation. The CalPERS Funding Risk Mitigation Policy requires staff to implement a new strategic asset allocation that will take effect on October 1 of the fiscal year immediately following the year the policy was triggered—in this case, fiscal year 2020-21 is the trigger year. CalPERS completed its Asset Liability Management Process in November 2021 and this effort resulted in a new strategic asset allocation that keeps the discount rate at 6.8 percent and incorporates a 5 percent leverage allocation. CalPERS is advancing the implementation of the strategic asset allocation, including benchmarks, ranges, and timeline, through a series of updates to the Total Fund Policies, including those for Private Equity and Real Assets and the inclusion of Private Debt. Policy revisions and deployment of assets according to the new allocation are ongoing.

The discount rate was lowered to 6.8 percent for all future years in accordance with thresholds established in the CalPERS Funding Risk Mitigation Policy. The resulting impact to the required employer contribution rate changes were effective in fiscal year 2022-23 for state and school plans and in fiscal year 2023-24 for public agencies. The discount rate reduction will be in effect until either the CalPERS Board makes the decision to change it, or another risk-mitigation event is triggered in a later year.

On July 19, 2023, CalPERS reported a preliminary 5.8 percent net return on investment for the fiscal year ending June 30, 2023. The return underperforms the system’s actuarially assumed 6.8 percent rate of return for the fiscal year. Using a 6.8 percent discount rate and these preliminary fiscal year returns, the funded status of the overall PERF is estimated at 72 percent on a preliminary basis.

8. Actuarial Valuation; Determination of Required Contributions

The required state contributions to PERF are determined on an annual basis by the CalPERS Chief Actuary. The actuary uses demographic and other data (such as employee age, salary, and service credits) and various assumptions (such as estimated salary increases, interest rates, employee turnover, and mortality and disability rates) to determine the amount that the state must contribute in a given year to provide sufficient funds to PERF to pay benefits when due. The actuary then produces a report, called the “actuarial valuation,” in which the actuary reports on the assets, liabilities, and required contribution for the following fiscal year. State law requires the state to make the actuarially required contribution to PERF each year.

A portion of the actuarial valuations performed by CalPERS actuaries are independently reviewed each year by a third-party actuarial firm. The actuarial valuations specific to state employees are reviewed every three years. The most recent review was for the June 30, 2021 actuarial valuation and was completed in December 2022 and presented at the February 13, 2023 CalPERS Board Meeting.

9. Funding Status

The following table sets forth the schedule of funding status relating to the state’s participation in PERF as of the five most recent actuarial valuation dates. Funding status is measured by a comparison of the state’s share of PERF assets to pay state employee benefits with plan liabilities.

On April 18, 2023, the CalPERS Board adopted the contribution rates for the state plans for fiscal year 2023-24. CalPERS issued a notice to state employers on April 19, 2023, that includes the final contribution rates for the state plans for fiscal year 2023-24. The unfunded liability allocable to state employees (excluding judges and elected officials) is estimated to be \$70.8 billion as of June 30, 2022, which is an increase of \$27.2 billion from the June 30, 2021 valuation. The funded ratio decreased to 70.3 percent as of June 30, 2022, from 80.7 percent as of June 30, 2021. The CalPERS Annual Comprehensive Financial Report as of June 30, 2022, estimates the funded ratio for the overall PERF at 72 percent. Based on CalPERS’ July 19, 2023 announcement on its preliminary returns for fiscal year 2022-23, the funded ratio for the overall PERF is estimated at 72 percent as of June 30, 2023.

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TABLE 35
PERF Schedule of Funding Status
State Employees Only
(Dollars in Millions)

	Year (June 30)				
	2018	2019	2020	2021	2022
Market Value of Assets (MVA)	\$136,231	\$143,466	\$151,209	\$182,354	\$167,420
Actuarial Accrued Liabilities	195,906	204,836	214,161	225,974	238,203
Excess of Market Value of Assets over AAL or Surplus (Unfunded) Actuarial					
Accrued Liabilities (UAAL) MVA Basis	(59,675)	(61,370)	(62,952)	(43,621)	(70,783)
Covered Payroll	19,662	20,581	21,527	21,485	N/A
Funded Ratio (MVA)	69.5%	70.0%	70.6%	80.7%	70.3%

Source: CalPERS State Actuarial Valuation for Fiscal Years Ended June 30, 2018 through June 30, 2021. State Valuation and Employer/Employee Contribution Rates, CalPERS April 18, 2022, Board Meeting Agenda Item.

In the state's 2021 Annual Comprehensive Financial Report, the state's proportionate share of the Net Pension Liability for PERF as of the June 30, 2020 measurement date (as calculated in accordance with GASB Statement 68) was approximately \$57.6 billion. See Note 10 in the 2021 Annual Comprehensive Financial Report. Based on information provided by CalPERS, the State Controller's Office has prepared unaudited estimates of the state's proportionate share of the Net Pension Liability for PERF (as calculated in accordance with GASB Statement 68), consisting of the following: approximately \$36.1 billion for the June 30, 2021 measurement date; and approximately \$64.0 billion for the June 30, 2022 measurement date.

10. Other Retirement Plans

In addition to PERF, CalPERS also administers the Judges' Retirement System ("JRS"), the Judges' Retirement System II ("JRS II"), the Legislators' Retirement System ("LRS"), and the 1959 Survivor Benefit program.

In the JRF actuarial reports for the year ended June 30, 2022, CalPERS reported that the JRF had an unfunded actuarial liability of approximately \$2.8 billion. For the same year, the JRF II reported an unfunded liability of \$18.3 million, the LRF reported a funding surplus of \$9.3 million, and the 1959 Survivor Benefit Program reported an unfunded actuarial liability of approximately \$36 million.

The state's fiscal year 2023-24 retirement contributions from the General Fund are estimated to be \$211 million for JRF and \$89 million for JRF II. There is no anticipated 2023-24 retirement contribution for LRF due to the surplus funded status and the termination of the remaining active members in 2022-23. The state's fiscal year 2023-24 General Fund retirement contribution to the 1959 Survivor Benefit Program is approximately \$5.8 million.

Further information concerning JRF, JRF II, and LRF can be found in CalPERS' financial reports and actuarial reports and is set forth in Note 10 (and the "Net Pension Liability and Related Rates" included in the Required Supplementary Information) to the Audited Basic Financial Statements of the State of California for the Year Ended June 30, 2021, attached as an appendix to this Official Statement.

CalSTRS

1. General

CalSTRS was established under the California Education Code in 1913 to provide benefits to California public school and community college teachers and to certain other employees of the state's public school system (pre-kindergarten through community college). CalSTRS is the administrator of a multiple-employer, cost-sharing defined benefit plan, tax-deferred defined contribution plans, a Medicare Premium Payment Program, and a Teachers' Deferred Compensation Fund.

CalSTRS administers the State Teachers' Retirement Plan (the "STRP"), a multiple employer, cost-sharing, defined benefit plan comprised of four programs: the Defined Benefit Program (referred to in this Official Statement as the "DB Program"), the Defined Benefit Supplement Program, the Cash Balance Benefit Program, and the Replacement Benefit Program. Within the STRP there is also a Supplemental Benefit Maintenance Account (the "SBMA") which provides purchasing power protection for retired members.

The state is not an employer (with certain very limited exceptions) in any CalSTRS programs but does contribute to the DB Program and the SBMA from its General Fund pursuant to statutes in the Education Code. The DB Program is funded through a combination of investment earnings and statutorily set contributions from three sources: the members of CalSTRS, the employers, and the state. For contributions from employers and the state, the CalSTRS Board (defined below) was provided limited rate setting authority in 2014 under the provisions of AB 1469 (Chapter 47, Statutes of 2014).

The SBMA is a separate account within the DB Program that is funded with a combination of investment earnings and statutorily set contributions from the state. The Purchasing Power Protection Program payments for retired members are made only to the extent funds are available in the SBMA and are not a vested benefit. See "Funding for the SBMA."

CalSTRS is administered by a 12-member Teachers' Retirement Board (the "CalSTRS Board") that includes four *ex officio* members: the Director of the Department of Finance, State Controller, the State Superintendent of Public Instruction, and the State Treasurer. The other eight CalSTRS Board members serve four-year terms and include three CalSTRS member-elected representatives who represent current educators, and five representatives appointed by the Governor and confirmed by the Senate including: one retired CalSTRS member, three public representatives, and one school board representative.

Certain summary information concerning the DB Program is set forth below.

2. Members and Employers

As of June 30, 2022, the DB Program included approximately 1,800 employers. The following table reflects the total number of members in the DB Program as of June 30, 2021, and 2022.

TABLE 36
DB Program Membership

Membership	June 30, 2021	June 30, 2022
Active Members	429,681	449,418
Inactive Members	230,770	227,163
Retirees and Beneficiaries	320,413	325,468
Total	980,864	1,002,049

Source: CalSTRS Annual Comprehensive Financial Report for Fiscal Years ended June 30, 2021, and June 30, 2022 – Statistical Section.

Based on information CalSTRS reported in its Annual Comprehensive Financial Report for fiscal year ended June 30, 2022, over the past six years, the number of active members grew by 2.5 percent, while the number of retirees and beneficiaries had grown by 13 percent. Over the past year, the number of active members has increased by about 5 percent, while the number of retirees and beneficiaries has grown by about 2 percent.

3. Retirement Benefits

Member benefits are determined by statute in the Education Code and are generally based on a member's age, final compensation, and years of credited service. Members are 100 percent vested in retirement benefits after five years of credited service and are eligible for normal retirement at age 60 and for early retirement at age 55 or at age 50 with 30 years of credited service. The normal retirement benefit is 2 percent of final compensation (as defined in the Education Code) for each year of credited service (increases to a maximum of 2.4 percent of final compensation for members retiring after age 63), and members who retired on or after January 1, 2001, with 30 or more years of service by December 31, 2010 receive monthly longevity bonus payments of up to \$400 per month. PEPPRA increased the retirement age for new CalSTRS members hired on or after January 1, 2013. PEPPRA members who retire at age 62 will be eligible for a benefit equal to 2 percent of final compensation for each year of credited service (increases to a maximum of 2.4 percent of final compensation for members retiring after age 65). The PEPPRA member population in CalSTRS has been increasing steadily over the last few years. As of June 30, 2021, there were about 131,000 active PEPPRA members. According to CalSTRS, there were about 160,000 active PEPPRA members as of June 30, 2022, representing roughly 36 percent of the total active population.

Benefits are increased by 2 percent (a simple, not a compounded, cost-of-living increase) of the initial allowance, on each September 1 following the first anniversary of the effective date of the benefit.

The following table shows the dollar amount of benefits and administrative expenses paid under the DB Program for fiscal years 2017-18 through 2021-22:

TABLE 37
DB Program
Schedule of Benefits Paid and Administrative Expenses
(Dollars in Millions)

Fiscal Year	Amount of Benefits Paid	Administrative Expenses Paid
2017-18	\$13,855	\$204
2018-19	14,528	244
2019-20	15,199	213
2020-21	15,868	238
2021-22	16,583	185

Source: CalSTRS Actuarial Valuations for Fiscal Years ended June 30, 2018 through June 30, 2022.

4. Funding for the DB Program

The DB Program is funded with a combination of investment earnings and contributions from members, employers, and the state. The DB Program is one of the four programs under the STRP. Although specific amounts vary from year to year, from 1992 through 2022, approximately 62 percent of total inflows to the STRP were derived from investment earnings, according to CalSTRS. As described below, historically the contribution rates of the members, employers, and the state are determined by statute in the Education Code instead of actuarially determined amounts as is done for the CalPERS system. Over time, this has contributed to an underfunding of the DB Program.

On June 24, 2014, Governor Brown signed AB 1469, a comprehensive long-term funding solution intended to eliminate the current CalSTRS unfunded liability in the DB Program by 2046. The changes in contribution rates for members, employers and the state required by AB 1469 are described below. While the plan is intended to eliminate the unfunded liability of the DB Program by 2046, there is no assurance that it will be eliminated by that date. See “—Prospective Funding Status; Future Contributions” below. Accordingly, there can be no assurances that the required amounts annually payable among the members, employers, and state will not significantly increase in the future.

Multiple supplemental pension payments from the state to CalSTRS were authorized as part of the 2019-20, 2020-21, and 2021-22 Budgets. They are discussed in further detail later in this section.

Member Contributions. Under AB 1469, the member contribution rate increased over time from 8 percent in fiscal year 2013-14 to 10.25 percent in fiscal year 2016-17 for members not subject to PEPRA, and to 9.205 percent in fiscal year 2016-17 for members subject to PEPRA. In addition, PEPRA members are required to pay at least one-half the normal cost of their DB Program benefits, and under PEPRA, the contribution rate for PEPRA members will be adjusted if the normal cost changes by more than 1 percent since the last time the member contribution rate was set. The contribution rate for PEPRA members was increased to 10.205 percent in fiscal year 2018-19 due to this condition being met. The current rate continues to be set at 10.25 percent for members not subject to PEPRA and 10.205 percent for members subject to PEPRA.

Employer Contributions. Employers are required to make contributions to the DB Program. Prior to the passage of AB 1469, the employer contribution rate was 8.25 percent of creditable compensation. Under AB 1469, employer contributions have increased from 8.25 percent of creditable compensation to the current rate of 19.1 percent. Beginning in fiscal year 2021-22 through fiscal year 2045-46, AB 1469 authorizes the CalSTRS Board to adjust the total employer contribution rate up or down 1 percentage point each year, but no higher than 20.25 percent and no lower than 8.25 percent, to eliminate by 2046 the unfunded actuarial obligation associated with benefit improvements enacted after July 1, 1990, and for service prior to July 1, 2014. In May 2023, the CalSTRS Board elected not to adjust the employer contribution rate for fiscal year 2023-24, and to keep it at 19.1 percent.

Included in the contribution rates listed above is 0.25 percent to be applied toward the cost of unused sick leave credit. Each year, a portion of the employers' contributions is also transferred to the Medicare Premium Program which has the effect of reducing aggregate annual contributions to the DB Program.

State Contributions. The state's General Fund base contribution to the DB Program is 2.017 percent of creditable compensation from two fiscal years prior. For example, for fiscal year 2021-22, the state's contribution was based on creditable compensation from fiscal year 2019-20. Before fiscal year 2014-15, the state also contributed a supplemental contribution based on a percentage of creditable compensation from two fiscal years prior when there was an unfunded obligation or a normal cost deficit existed for benefits in place as of July 1, 1990, in an amount not to exceed 1.505 percent of creditable compensation from two fiscal years prior.

Under AB 1469, the state increased its supplemental contribution to the July 1, 1990, benefit obligation to a rate of 4.311 percent in fiscal year 2016-17. Beginning in fiscal year 2017-18 through fiscal year 2045-46, the CalSTRS Board is authorized to adjust the supplemental state contribution rate up 0.50 percent each year to eliminate the unfunded obligation for benefits in place as of July 1, 1990. If there is no unfunded obligation, the supplemental contribution shall be reduced to zero. In fiscal years 2017-18, 2018-19, 2019-20, and 2021-22 the CalSTRS Board adopted the maximum increase allowed. AB 84 amended the statute to suspend the CalSTRS Board's authority to adjust the state contribution rate for fiscal year 2020-21. The 2020-21 Budget instead authorized the state to make supplemental pension payments to CalSTRS using available Proposition 2 debt repayment funding. The 2021 Budget Act included a \$410 million supplemental pension payment in fiscal year 2021-22 towards the state's share of unfunded liability for the DB Program. The 2022 Budget Act and 2023 Budget Act do not include any supplemental payments to the DB Program.

As described above, AB 1469 provides the CalSTRS Board with limited authority to increase or decrease the school and state contributions based on changing conditions. The plan is intended to eliminate the unfunded liability of the DB Program by 2046. However, while AB 1469 provides for significant increases in the statutorily required contributions to CalSTRS from the state, employers and members, it does not provide that such statutory rates be adjusted to equal actuarially required amounts from time to time. Actuarially required amounts will vary periodically based on a variety of factors, including actuarial assumptions, investment performance and member benefits. To the extent rates established pursuant to AB 1469 are from time to time less than actuarially required amounts, such circumstances could materially adversely affect the funded status of CalSTRS.

5. Accounting Standards

The Basic Financial Statements contained in the CalSTRS Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2022 (the “CalSTRS 2022 Financial Statements”) were prepared in accordance with generally accepted accounting principles. The net pension liability was prepared in accordance with GASB Statement 67. GASB Statement 67 impacts the financial reporting requirements for CalSTRS but does not change the funding requirements for members, employers, or the state. The CalSTRS Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2022, is available on the CalSTRS website at www.calstrs.com. Such information is not incorporated by reference herein.

Under GASB Statement 67, CalSTRS is required to report the net pension liability (“NPL”) instead of the previously required unfunded actuarial accrued liability (“UAAL”). Additionally, CalSTRS opted to provide other pension information to display the proportionate share of contributions per employer. Employers may consider this schedule when determining their proportionate share of the NPL to be recognized in their financial statements pursuant to GASB Statement 68.

Investors should note that the CalSTRS 2022 Financial Statements display the NPL of the entire STRP and do not provide a calculation of the DB Program separately. CalSTRS reports that an actuarial valuation of the DB Program will continue to be prepared. See “Actuarial Valuation” below for information about the most recent valuation report for the DB Program.

In Schedule A of the Independent Auditor’s Report and Other Pension Information of the STRP for the fiscal year ended June 30, 2022 (which is available on the CalSTRS website at www.calstrs.com, however, such information is not incorporated by reference herein), 33.369 percent of the total employer and state contributions is allocated to the state. This value is used by the state’s financial statements to represent the percent of NPL allocated to the state. GASB Statement 68 requires employers and non-employer contributing entities to report any NPL as a liability in their Statement of Net Position. The state’s proportionate share of the NPL is 34.02 percent or \$33 billion as of the June 30, 2020 measurement date pursuant to the state’s financial statements for the fiscal year ended June 30, 2021. See Note 10 in the 2021 Annual Comprehensive Financial Report.

6. Funding for the SBMA

The SBMA is a separate account within the DB Program that is funded with a combination of investment income and contributions from the state. The contribution rate for the state's funding of the SBMA is determined by statute in the Education Code. The Purchasing Power Protection Program funded from the SBMA provides quarterly payments to retired and disabled members and beneficiaries to restore purchasing power to beneficiaries if the purchasing power of their initial retirement or disability allowances have fallen below a specified percentage. The Purchasing Power Protection Program payments are made only to the extent funds are available in the SBMA and are not a vested benefit.

The state's General Fund contribution to the SBMA is 2.5 percent of creditable compensation of the fiscal year ending in the prior calendar year, less a specified amount that is currently limited to \$72 million.

The following table displays the total state contributions to CalSTRS for the DB Program, SBMA, and the additional Pre-1990 Defined Benefit supplemental payments scheduled pursuant to AB 1469 for fiscal years 2019-20 through 2023-24.

TABLE 38
Schedule of General Fund Contributions from the State
(Dollars in Millions)

Fiscal Year	DB Program	SBMA	Pre-1990 DB	Total
2019-20 ^(a)	\$663	\$750	\$1,910	\$3,323
2020-21 ^(a)	683	775	1,969	3,427
2021-22 ^(a)	701	796	2,366 ^(b)	3,863
2022-23 ^(a)	705	802	2,205	3,712
2023-24 ^(a)	747	854	2,338	3,939

^(a) Education Code section 22955.2, which was adopted as part of the 2019-20 Budget, authorizes the state to make multiple discretionary pension payments to CalSTRS using available Proposition 2 debt repayment funding that are not reflected in this table.

^(b) Amount includes \$174 million one-time General Fund discretionary contribution from the state, which equals 0.5 percent of creditable compensation, to offset the rate suspension in 2020-21.

Source: State of California, Department of Finance.

7. Actuarial Methods and Assumptions

CalSTRS retains an independent actuary (the "CalSTRS Consulting Actuary") that prepares annual actuarial valuation reports of the DB Program. The CalSTRS Consulting Actuary also prepares reports reviewing the DB Program's actual experience generally every four years. The CalSTRS Board uses experience reports to evaluate how realistic the long-term assumptions have been and may be in the future. In January 2020, the CalSTRS Consulting Actuary prepared the most recent experience report and recommended the changes in actuarial assumptions described below. The CalSTRS Board adopted these recommended changes at its January 2020

meeting, and they are reflected in the most recent valuation report for the DB Program (the “2022 CalSTRS Valuation”) that was adopted on May 3, 2023. The 2022 CalSTRS Valuation provides an annual update of the fund’s assets and liabilities for the Defined Benefit Program as of June 30, 2022.

In preparing the 2022 CalSTRS Valuation, the CalSTRS Consulting Actuary used the Entry Age Actuarial Cost Method to measure the accruing costs of benefits under the DB Program. GASB Statements 67 and 68 require all state and local governments with pension liabilities to use the Entry Age Actuarial Cost Method beginning in fiscal year 2014-15 if they are not already doing so. Under the Entry Age Actuarial Cost Method, the actuarial present value of projected benefits of each individual is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. The portion of the actuarial present value allocated to the valuation year is called the normal cost and represents the cost assigned to a member for a given year, such that it would meet the continuing costs of a particular benefit if contributed each year starting with the date of membership. The CalSTRS Consulting Actuary notes that the Entry Age Actuarial Cost Method is designed to produce a normal cost rate that remains a level percentage of earned salaries and that the normal cost rate is expected to remain stable so long as the benefit provisions are not amended, the assumptions are not changed, membership experience emerges as assumed, and the demographic characteristics of the membership remain reasonably consistent. Some of the key demographic information taken into account includes assumptions about membership, service retirements, disability retirements, deaths, and merit salary increases, and some of the economic items include assumptions about investment performance, inflation, and wage growth.

The portion of the actuarial value of benefits not provided for at a valuation date by the actuarial present value of future normal costs is called the actuarial obligation, and the excess, if any, of the actuarial obligation over the actuarial value of assets is the unfunded actuarial obligation. Assumptions about how long benefits will be paid for active and inactive members and when such members will retire and how long they will live are required in calculating the actuarial obligation, and economic assumptions and valuation methods are required in valuing assets. The following table sets forth certain actuarial methods and assumptions for the four fiscal years ended June 30.

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TABLE 39
Actuarial Methods and Assumptions—DB Program

Methods	Fiscal Year			
	2018-19	2019-20	2020-21	2021-22
Actuarial Cost Method	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Amortization Method	Level Percent of payroll	Level Percent of payroll	Level Percent of payroll	Level Percent of payroll
Amortization Period	Closed	Closed	Closed	Closed
Amortization Period End Date	June 30, 2046	June 30, 2046	June 30, 2046	June 30, 2046
Asset Valuation Method	Adjustment to market value	Adjustment to market value	Adjustment to market value	Adjustment to market value
Actuarial Assumptions				
Investment Rate of Return	7.00%	7.00%	7.00%	7.00%
Interest on Accounts	3.00	3.00	3.00	3.00
Wage Growth	3.50	3.50	3.50	3.50
Consumer Price Inflation	2.75	2.75	2.75	2.75
Post-retirement Benefit Increases	2.00 (simple)	2.00 (simple)	2.00 (simple)	2.00 (simple)

Source: CalSTRS Annual Comprehensive Financial Reports for Fiscal Years ended June 30, 2019 through June 30, 2022.

The table above refers to the actuarial methods and assumptions used in the CalSTRS Annual Comprehensive Financial Reports, including the assumed investment rate of return. At its February 1, 2017, meeting, the CalSTRS Board voted to lower the assumed investment rate of return in two steps in order to mitigate the impact on members. The CalSTRS Board voted to lower the assumed investment rate of return from 7.50 percent to 7.25 percent effective for fiscal year 2017-18 and to 7.00 percent effective for fiscal year 2018-19. The actuarial valuation is forward-looking and uses assumptions to set future contribution rates. For example, the 2019 CalSTRS Valuation uses the investment rate of return assumed for fiscal year 2020-21 (7.00 percent) to determine the state contribution rate for that same fiscal year.

At its January 31, 2020, meeting, the CalSTRS Board approved several changes to demographic assumptions, with the most significant changes being the termination and service retirement assumption. The demographic assumption changes were based on the July 1, 2015, through June 30, 2018 experience study also adopted by the CalSTRS Board in January 2020. These changes generally create additional funding pressures on the DB Plan.

8. Actuarial Valuation

In calculating the actuarial value of assets, contributions for the past year are added to the actuarial value of assets at the end of the prior year; benefits and expenses are subtracted; an assumed rate of return is added, and as described below, a portion of market value gains and losses are added or subtracted. The assumed investment rate of return on DB Program assets (net of investment and administrative expenses) and the assumed interest to be paid on refunds of member accounts are based in part on an inflation assumption of 2.75 percent for fiscal years 2017-18 and thereafter.

To reduce rate volatility, actual market gains and losses are spread or “smoothed” over a three-year period; that is, one third of the difference between the expected actuarial value of assets and the fair market value of assets is taken into account to determine the actuarial value of assets. For example, based on the 2021 CalSTRS Valuation, due to the asset smoothing method, approximately two-thirds of the approximately \$44.4 billion investment gain has not been recognized (resulting in a difference of \$29.6 billion between the AVA and MVA in the table below).

GASB Statements 67 and 68, beginning in fiscal year 2013-14 for pension plans and fiscal year 2014-15 for employers, required state and local governments with pension liabilities to recognize the differences between expected and actual investment returns over a closed 5-year period instead of the 3-year period currently used by CalSTRS. CalSTRS continues to use the 3-year period for valuation purposes and the 5-year period for financial reporting purposes.

9. Funding Status

The following table sets forth the schedule of funding status as of the five most recent actuarial valuation dates based on information provided by CalSTRS from the actuarial valuation reports for such years. Funding status is measured by a comparison of DB Program assets with DB Program liabilities.

TABLE 40
DB Program Schedule of Funding Status
(Dollars in Millions)

	2017-18 ^(a)	2018-19 ^(a)	2019-20 ^(a)	2020-21 ^(a)	2021-22 ^(a)
Market Value of Assets (MVA)	\$195,611	\$208,083	\$214,128	\$271,946	\$260,286
Actuarial Value of Assets (AVA)	190,451	205,016	216,252	242,363	257,537
Actuarial Accrued Liabilities (AAL)-entry age	297,603	310,719	322,127	332,082	346,089
Excess of Market Value of Assets over AAL or Surplus (Unfunded) Actuarial Accrued Liabilities (UAAL) MVA Basis(a)	(101,992)	(102,636)	(107,999)	(60,136)	(85,803)
Excess of Actuarial Value of Assets over AAL or Surplus (Unfunded) Actuarial Accrued Liabilities (UAAL) AVA Basis	(107,152)	(105,703)	(105,875)	(89,719)	(88,552)
Covered Payroll	31,884	32,897	33,811	33,914	36,017
Funded Ratio (MVA)	66%	67%	66.5%	81.9%	75.2%
Funded Ratio (AVA)	64%	66%	67.1%	73%	74.4%

^(a) The AAL is referred to as the Actuarial Obligation and the UAAL is referred to as the Unfunded Actuarial Obligation (UAO) in the 2018, 2019, 2020, 2021, and 2022 CalSTRS Valuation.

Source: CalSTRS Actuarial Valuations for Fiscal Years ended June 30, 2018, through June 30, 2022.

The market value of the entire DB Program investment assets was \$260.3 billion as of June 30, 2022, a 4.3 percent decrease from \$271.9 billion as of June 30, 2021.

10. Prospective Funding Status; Future Contributions

The 2023 Budget Act includes \$3.9 billion from the General Fund for fiscal year 2023-24 state contributions to CalSTRS.

Under the current CalSTRS actuarial assumptions and the AB 1469 funding plan, with the supplemental pension payments, the state contribution rate is expected to remain the same through fiscal year 2027-28 and beginning in fiscal year 2028-29 the state will have fully funded its share of unfunded actuarial obligation and subsequently the state supplemental contribution rate will be eliminated.

11. Investment Policy; Investment Returns

Pursuant to the state Constitution, the CalSTRS Board has sole and exclusive fiduciary responsibility over all CalSTRS' assets (including the DB Program assets). CalSTRS' assets (including the DB Program assets) are managed both externally by professional investment management firms and internally by CalSTRS investment staff. The CalSTRS Board monitors the performance of the managers with the assistance of an external investment consultant.

CalSTRS has established a series of procedures and guidelines with respect to investments. The procedures, grouped together as the "Investment Policy and Management Plan," serve to guide CalSTRS asset allocation strategy for all CalSTRS' programs, including the DB Program. The CalSTRS Board reviews the Investment Policy and Management Plan annually. CalSTRS follows strategic allocation guidelines that identify targets for the percentage of funds to be invested in each asset class. These targets are typically implemented over a period of several years. The CalSTRS Board approved updated asset allocation targets at its May 4, 2023 meeting. Additional information concerning CalSTRS investments can be found on the CalSTRS website. Such information is not incorporated by reference herein.

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The following tables sets forth the total return on all CalSTRS' assets (including the DB Program assets) for the fiscal years ended June 30, 2014, through June 30, 2023, as well as time-weighted average returns.

TABLE 41
CalSTRS Investment Results Based On Market Value

Fiscal Year	Time-Weighted Annual Return
2013-14	18.3%
2014-15	4.5
2015-16	1.4
2016-17	13.4
2017-18	9.0
2018-19	6.8
2019-20	3.9
2020-21	27.2
2021-22	-1.3
2022-23	6.3

Source: CalSTRS Annual Comprehensive Financial Report for Fiscal Year ended June 30, 2022 for fiscal years 2013-14 through 21-22, fiscal year 2022-23 is based on the July 27, 2023 CalSTRS Newsletter.

TABLE 42
CalSTRS Time-Weighted Net Returns as of June 30, 2022

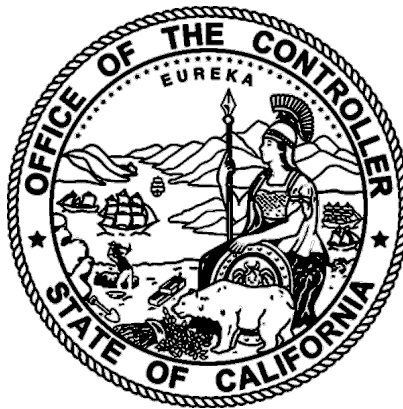
Period	Time-Weighted Rate of Return
3 years	9.3%
5 years	8.7
10 years	9.4
20 years	7.8

Source: CalSTRS Annual Comprehensive Financial Report for Fiscal Year ended June 30, 2022.

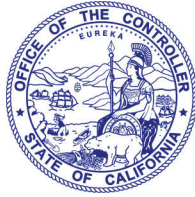
In July 2023, CalSTRS released preliminary values for total fund annualized returns as of June 30, 2023, as follows: for the 3 year period at 10.1 percent, the 5 year period at 8.2 percent, the 10 year period at 8.7 percent and the 20 year period at 8.0 percent.

June 2022

**STATEMENT of GENERAL FUND
CASH RECEIPTS and DISBURSEMENTS**



BETTY T. YEE
California State Controller



BETTY T. YEE
California State Controller

July 11, 2022

Enclosed is the Statement of General Fund Cash Receipts and Disbursements for the period of July 1, 2021, through June 30, 2022. This statement reflects the state's General Fund cash position and compares actual receipts and disbursements for the 2021-22 fiscal year to cash flow estimates prepared by the Department of Finance (DOF).

The statement is prepared in compliance with Provision 5 of Budget Act item 0840-001-0001, using records compiled by the State Controller's Office. Prior-year actual amounts also are displayed for comparative purposes. Attachment A compares actual receipts and disbursements for the 2021-22 fiscal year to cash flow estimates published in the 2022-23 May Revision. These cash flow estimates are predicated on projections and assumptions made by DOF in preparation of the 2022-23 May Revision. Attachment B compares actual receipts and disbursements for the 2021-22 fiscal year to cash flow estimates prepared by DOF based upon the 2021-22 Budget Act.

These monthly financial reports are also available online at www.sco.ca.gov on the Financial Reports, Taxes, and Economy page.

Please direct any questions relating to this report to Coleen Morrow, Bureau Chief of the State Accounting and Reporting Division, Bureau of Cash Management, at (916) 327-1751.

Sincerely,

Original signed by

BETTY T. YEE

STATEMENT OF GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS
A Comparison of Actual to 2022-23 May Revision Estimates
(Amounts in thousands)

	July 1 through June 30				
	2022		Actual Over or		2021
	Actual	Estimate (a)	(Under) Estimate		Actual
			Amount	%	
GENERAL FUND BEGINNING CASH BALANCE	\$ 50,914,128	\$ 50,914,128	\$ -	-	\$ -
Or Beginning Outstanding Loan Balance	-	-	-	-	20,048,690
Add Receipts:					
Revenues	230,387,940	232,582,532	(2,194,592)	(0.9)	205,450,603
Nonrevenues	15,432,519	14,857,697	574,822	3.9	20,749,565
Total Receipts	245,820,459	247,440,229	(1,619,770)	(0.7)	226,200,168
Less Disbursements (c):					
State Operations	56,142,996	59,885,673	(3,742,677)	(6.2)	39,729,678
Local Assistance	138,089,030	143,584,743	(5,495,713)	(3.8)	104,920,661
Capital Outlay	693,792	1,245,713	(551,921)	(44.3)	(13,777)
Nongovernmental	17,231,493	16,844,752	386,741	2.3	10,600,788
Total Disbursements	212,157,311	221,560,881	(9,403,570)	(4.2)	155,237,350
Receipts Over / (Under) Disbursements	33,663,148	25,879,348	7,783,800	30.1	70,962,818
Net Increase / (Decrease) in Temporary Loans	-	-	-	-	(20,048,690)
GENERAL FUND ENDING CASH BALANCE	84,577,276	76,793,476	7,783,800		50,914,128
Special Fund for Economic Uncertainties	3,978,641	3,978,641	-	-	-
TOTAL CASH	\$ 88,555,917	\$ 80,772,117	\$ 7,783,800		\$ 50,914,128
BORROWABLE RESOURCES					
Special Fund for Economic Uncertainties	\$ 3,978,641	\$ 3,978,641	\$ -	-	\$ -
Budget Stabilization Account	15,781,422	15,781,422	-	-	8,310,422
Other Internal Sources (f)	57,351,982	58,003,937	(651,955)	(1.1)	46,856,893
Cash Balance from Borrowable Resources	77,112,045	77,764,000	(651,955)	(0.8)	55,167,315
Less:					
PMIA Loans (AB 55, GC 16312 and 16313)	828,153	800,000	28,153	3.5	725,276
SMIF Loans (SB 84, GC 20825)	3,214,305	3,768,000	(553,695)	(14.7)	3,768,327
SMIF Loans (AB 1054, PUC 3285)	670,000	670,000	-	-	1,510,000
Total Available Borrowable Resources (e)	72,399,587	72,526,000	(126,413)	(0.2)	49,163,712
Outstanding Loans to General Fund (b)	-	-	-	-	-
Outstanding Loans to the SFEU Fund	-	-	-	-	-
UNUSED BORROWABLE RESOURCES	\$ 72,399,587	\$ 72,526,000	\$ (126,413)	(0.2)	\$ 49,163,712

General Note:

This report is based upon funded cash. Funded cash is cash reported to and recorded in the records of the State Controller's Office. Amounts reported as funded cash may differ from amounts in other reports to the extent there are timing differences in the recording of in-transit items.

Footnotes:

- (a) A Statement of Estimated Cash Flow for the 2021-22 fiscal year was prepared by the Department of Finance for the 2022-23 May Revision. Any projections or estimates are set forth as such and not as representation of facts. (Footnote pertains to all pages in this report)
- (b) Outstanding loan balance of \$0.00 billion is comprised of \$0.00 billion of internal borrowing. Current balance is comprised of \$0.00 billion carried forward from June 30, 2021, plus current year Net Increase/(Decrease) in Temporary Loans of \$0.00 billion. (Footnote ties to page A1; Outstanding Loans to General Fund)
- (c) If shown, negative amounts are the result of repayments received that are greater than disbursements made. (Footnote ties to pages A1 and A3; Disbursements)
- (d) Debt Service amounts are net of offsets such as federal subsidies and reimbursements from other sources. To the extent that these offsets do not occur when anticipated, there can be variances between actuals and estimates on a month-to-month basis. (Footnote ties to page A3; Debt Service)

(Continued on A2)

SCHEDULE OF CASH RECEIPTS

(Amounts in thousands)

		July 1 through June 30					
Month of June		2022					2021
2022	2021	Actual	Estimate (a)	Actual Over or (Under) Estimate		Actual	
				Amount	%		
REVENUES							
Alcoholic Beverage Excise Tax	\$ 35,339	\$ 34,988	\$ 432,629	\$ 430,070	\$ 2,559	0.6	\$ 411,969
Corporation Tax	10,620,546	5,616,527	46,005,502	45,611,861	393,641	0.9	26,097,277
Cigarette Tax	4,584	4,608	55,297	54,388	909	1.7	59,071
Estate, Inheritance, and Gift Tax	-	2	64	63	1	1.6	77
Insurance Companies Tax	440,069	543,325	3,482,729	3,467,638	15,091	0.4	3,127,725
Personal Income Tax	13,488,546	16,742,467	143,618,719	148,010,824	(4,392,105)	(3.0)	143,754,577
Retail Sales and Use Taxes	3,189,880	3,029,926	32,805,438	32,452,996	352,442	1.1	28,647,775
Vehicle License Fees	-	-	1	-	1	-	2
Pooled Money Investment Interest	28,302	15,418	173,212	181,148	(7,936)	(4.4)	164,134
Not Otherwise Classified	1,944,302	1,748,514	3,814,349	2,373,544	1,440,805	60.7	3,187,996
Total Revenues	29,751,568	27,735,775	230,387,940	232,582,532	(2,194,592)	(0.9)	205,450,603
NONREVENUES							
Transfers from Special Fund for							
Economic Uncertainties	5,020	1,174,240	765,067	760,047	5,020	0.7	6,836,704
Transfers from Other Funds	570,559	191,110	14,128,190	13,680,390	447,800	3.3	13,283,878
Miscellaneous	105,881	29,440	539,262	417,260	122,002	29.2	628,983
Total Nonrevenues	681,460	1,394,790	15,432,519	14,857,697	574,822	3.9	20,749,565
Total Receipts	\$ 30,433,028	\$ 29,130,565	\$ 245,820,459	\$ 247,440,229	\$ (1,619,770)	(0.7)	\$ 226,200,168

(Continued from A1)

- (e) Cash Balance from Borrowable Resources has been reduced by Pooled Money Investment Account (PMIA) loans pursuant to Assembly Bill (AB) 55 (Chapter 6/1987, Government Code (GC) sections 16312 and 16313) and Surplus Money Investment Fund (SMIF) loans pursuant to Senate Bill (SB) 84 (Chapter 50/2017, GC section 20825) and AB 1054 (Chapter 79/2019, Public Utilities Codes (PUC) section 3285). (Footnote ties to page A1; Total Available Borrowable Resources)
- (f) Other Internal Sources balance includes \$900.0 million for the Safety Net Reserve Fund pursuant to AB 1830 (Chapter 42/2018, Welfare and Institutions Code (WIC) section 11011) and \$4.51 billion for the Public School System Stabilization Account pursuant to Section 21 of Article XVI of the California Constitution. (Footnote ties to page A1; Other Internal Sources)

(Concluded)

SCHEDULE OF CASH DISBURSEMENTS

(Amounts in thousands)

	Month of June		July 1 through June 30					2021
			2022					
	2022	2021	Actual	Estimate (a)	Actual Over or (Under) Estimate		Actual	
					Amount	%		
STATE OPERATIONS (c)								
Legislative/Judicial/Executive	\$ 324,154	\$ 235,725	\$ 4,294,516	\$ 4,553,924	\$ (259,408)	(5.7)	\$ 3,184,817	
Business, Consumer Services and Housing	9,121	10,123	73,246	252,247	(179,001)	(71.0)	104,305	
Transportation	24,082	3,129	138,408	466,075	(327,667)	(70.3)	64,118	
Resources	189,940	141,811	3,090,767	3,230,351	(139,584)	(4.3)	2,674,070	
Environmental Protection Agency	66,007	150,497	949,685	1,017,518	(67,833)	(6.7)	595,164	
Health and Human Services:								
Health Care Services and Public Health	18,100	23,494	2,152,184	2,507,125	(354,941)	(14.2)	2,187,250	
Department of State Hospitals	229,541	169,056	2,082,976	2,057,313	25,663	1.2	1,870,923	
Other Health and Human Services	43,490	54,477	756,825	997,864	(241,039)	(24.2)	716,362	
Education:								
University of California	16,337	38,509	4,496,693	4,513,006	(16,313)	(0.4)	3,482,408	
State Universities and Colleges	536	7,838	5,212,131	5,245,396	(33,265)	(0.6)	3,704,277	
Other Education	26,716	16,583	757,313	810,910	(53,597)	(6.6)	277,154	
Dept. of Corrections and Rehabilitation	1,100,568	948,279	12,927,866	13,065,517	(137,651)	(1.1)	12,187,201	
Governmental Operations	104,990	106,689	11,501,973	11,759,019	(257,046)	(2.2)	1,589,805	
General Government	303,115	223,297	2,626,832	3,336,549	(709,717)	(21.3)	2,381,459	
Public Employees' Retirement System	(259,452)	(242,306)	558,941	770,237	(211,296)	(27.4)	190,878	
Debt Service (d)	(472,157)	(117,331)	4,518,131	5,298,113	(779,982)	(14.7)	4,506,749	
Interest on Loans	-	76	4,509	4,509	-	-	12,738	
Total State Operations	1,725,088	1,769,946	56,142,996	59,885,673	(3,742,677)	(6.2)	39,729,678	
LOCAL ASSISTANCE (c)								
Public Schools - K-12	9,029,420	6,234,017	68,053,698	73,094,644	(5,040,946)	(6.9)	48,604,728	
Community Colleges	1,132,069	839,898	8,220,567	8,728,802	(508,235)	(5.8)	5,809,472	
Debt Service-School Building Bonds	-	-	-	-	-	-	-	
State Teachers' Retirement System	-	-	3,862,582	3,862,582	-	-	3,724,219	
Other Education	523,126	29,348	3,612,125	3,334,073	278,052	8.3	4,228,524	
School Facilities Aid	-	-	-	-	-	-	-	
Dept. of Corrections and Rehabilitation	30,567	8,645	561,671	605,114	(43,443)	(7.2)	464,078	
Dept. of Alcohol and Drug Program	-	-	-	-	-	-	-	
Health Care Services and Public Health:								
Medical Assistance Program	2,414,231	2,122,097	24,216,961	25,038,814	(821,853)	(3.3)	20,571,090	
Other Health Care Services/Public Health	102,980	64,506	1,053,952	903,539	150,413	16.6	446,241	
Developmental Services - Regional Centers	48,200	180,826	5,482,690	5,555,422	(72,732)	(1.3)	4,690,879	
Department of State Hospitals	-	-	-	-	-	-	-	
Dept. of Social Services:								
SSI/SSP/IHSS	1,261,120	772,526	8,233,419	8,019,229	214,190	2.7	7,705,311	
CalWORKs	43,394	(63,568)	1,962,391	2,133,699	(171,308)	(8.0)	1,024,013	
Other Social Services	232,490	166,233	1,852,798	1,690,820	161,978	9.6	1,391,061	
Tax Relief	-	-	393,372	393,372	-	-	397,083	
Other Local Assistance	278,168	125,237	10,582,804	10,224,633	358,171	3.5	5,863,962	
Total Local Assistance	15,095,765	10,479,765	138,089,030	143,584,743	(5,495,713)	(3.8)	104,920,661	

See notes on page A1 and A2.

(Continued)

SCHEDULE OF CASH DISBURSEMENTS (Continued)

(Amounts in thousands)

	Month of June		July 1 through June 30				2021
	2022	2021	2022		Actual Over or (Under) Estimate		
			Actual	Estimate (a)			
					Amount	%	
CAPITAL OUTLAY (c)	12,975	5,637	693,792	1,245,713	(551,921)	(44.3)	(13,777)
NONGOVERNMENTAL (c)							
Transfer to Special Fund for							
Economic Uncertainties	5,020	263,952	4,788,781	4,783,761	5,020	0.1	8,157,389
Transfer to Budget Stabilization Account	-	-	7,471,000	7,471,000	-	-	-
Transfer to Other Funds	414,695	70,462	4,930,658	4,536,963	393,695	8.7	2,349,991
Transfer to Revolving Fund	(1,745)	(1,770)	28,574	32,337	(3,763)	(11.6)	5,482
Advance:							
MediCal Provider Interim Payment	-	-	-	-	-	-	-
State-County Property Tax							
Administration Program	-	15,895	(38,973)	(8,467)	(30,506)	360.3	45,249
Social Welfare Federal Fund	83,070	-	83,028	(42)	83,070	(197,785.7)	17,217
Local Governmental Entities	-	-	-	-	-	-	(2,033)
Tax Relief and Refund Account	-	-	-	-	-	-	-
Counties for Social Welfare	298,784	330,359	(31,575)	29,200	(60,775)	(208.1)	27,493
Total Nongovernmental	799,824	678,898	17,231,493	16,844,752	386,741	2.3	10,600,788
Total Disbursements	\$ 17,633,652	\$ 12,934,246	\$ 212,157,311	\$ 221,560,881	\$ (9,403,570)	(4.2)	\$ 155,237,350
TEMPORARY LOANS							
Special Fund for Economic							
Uncertainties	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ (252)
Budget Stabilization Account	-	-	-	-	-	-	(16,516,422)
Outstanding Registered Warrants Account	-	-	-	-	-	-	-
Other Internal Sources	-	-	-	-	-	-	(3,532,016)
Revenue Anticipation Notes	-	-	-	-	-	-	-
Net Increase / (Decrease) Loans	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ (20,048,690)

See notes on page A1 and A2.

COMPARATIVE STATEMENT OF REVENUES RECEIVED
All Governmental Cost Funds
(Amounts in thousands)

	July 1 through June 30			
	General Fund		Special Funds	
	2022	2021	2022	2021
MAJOR TAXES, LICENSES, AND INVESTMENT INCOME:				
Alcoholic Beverage Excise Taxes	\$ 432,629	\$ 411,969	\$ -	\$ -
Corporation Tax	46,005,502	26,097,277	-	-
Cigarette Tax	55,297	59,071	1,798,238	1,910,724
Cannabis Excise Taxes	-	-	878,560	767,562
Estate, Inheritance, and Gift Tax	64	77	-	-
Insurance Companies Tax	3,482,729	3,127,725	(1,570)	(292)
Motor Vehicle Fuel Tax:				
Gasoline Tax	-	-	7,123,553	6,546,185
Diesel & Liquid Petroleum Gas	-	-	1,324,711	1,267,892
Jet Fuel Tax	-	-	4,129	2,997
Vehicle License Fees	1	2	3,180,074	3,121,269
Personal Income Tax	143,618,719	143,754,577	2,571,295	2,570,002
Retail Sales and Use Taxes	32,805,438	28,647,775	19,422,597	16,501,375
Pooled Money Investment Interest	173,212	164,134	240	623
Total Major Taxes, Licenses, and Investment Income	226,573,591	202,262,607	36,301,827	32,688,337
NOT OTHERWISE CLASSIFIED:				
Alcoholic Beverage License Fees	1,656	1,258	62,330	71,793
Motor Vehicle Registration and Other Fees	-	(2)	7,588,888	7,559,982
Cannabis Licensing Fees	-	-	100,594	93,681
Electrical Energy Tax	-	-	741,713	652,621
Private Rail Car Tax	9,326	10,339	-	-
Penalties on Traffic Violations	-	-	4	11
Health Care Receipts	(9,230)	7,732	-	-
Revenues from State Lands	170,813	85,756	-	-
Abandoned Property	612,045	1,175,469	-	-
Trial Court Revenues	25,629	22,687	1,405,285	1,358,175
Horse Racing Fees	-	668	18,244	18,306
Cap and Trade	-	647	4,500,750	2,623,651
Individual Shared Responsibility Penalty Assessments	242,569	-	-	-
Miscellaneous Tax Revenue	-	-	2,517,502	2,769,935
Miscellaneous	2,761,541	1,883,442	13,965,972	15,738,334
Not Otherwise Classified	3,814,349	3,187,996	30,901,282	30,886,489
Total Revenues, All Governmental Cost Funds	\$ 230,387,940	\$ 205,450,603	\$ 67,203,109	\$ 63,574,826

STATEMENT OF GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS
A Comparison of Actual to 2021-22 Budget Act
(Amounts in thousands)

	July 1 through June 30				
	2022				2021
	Actual	Estimate (a)	Actual Over or (Under) Estimate		Actual
			Amount	%	
GENERAL FUND BEGINNING CASH BALANCE	\$ 50,914,128	\$ 50,914,128	\$ -	-	\$ -
Or Beginning Outstanding Loan Balance	-	-	-	-	20,048,690
Add Receipts:					
Revenues	230,387,940	178,312,726	52,075,214	29.2	205,450,603
Nonrevenues	15,432,519	9,702,905	5,729,614 (h)	59.1	20,749,565
Total Receipts	245,820,459	188,015,631	57,804,828	30.7	226,200,168
Less Disbursements (c):					
State Operations	56,142,996	65,444,846	(9,301,850) (g)	(14.2)	39,729,678
Local Assistance	138,089,030	154,303,635	(16,214,605)	(10.5)	104,920,661
Capital Outlay	693,792	629,304	64,488	10.2	(13,777)
Nongovernmental	17,231,493	13,913,413	3,318,080	23.8	10,600,788
Total Disbursements	212,157,311	234,291,198	(22,133,887)	(9.4)	155,237,350
Receipts Over / (Under) Disbursements	33,663,148	(46,275,567)	79,938,715	(172.7)	70,962,818
Net Increase / (Decrease) in Temporary Loans	-	-	-	-	(20,048,690)
GENERAL FUND ENDING CASH BALANCE	84,577,276	4,638,561	79,938,715		50,914,128
Special Fund for Economic Uncertainties	3,978,641	3,978,641	-	-	-
TOTAL CASH	\$ 88,555,917	\$ 8,617,202	\$ 79,938,715		\$ 50,914,128
BORROWABLE RESOURCES					
Special Fund for Economic Uncertainties	\$ 3,978,641	\$ 3,978,641	\$ -	-	\$ -
Budget Stabilization Account	15,781,422	15,781,422	-	-	8,310,422
Other Internal Sources (f)	57,351,982	45,992,950	11,359,032	24.7	46,856,893
Cash Balance from Borrowable Resources	77,112,045	65,753,013	11,359,032	17.3	55,167,315
Less:					
PMIA Loans (AB 55, GC 16312 and 16313)	828,153	800,000	28,153	3.5	725,276
SMIF Loans (SB 84, GC 20825)	3,214,305	3,268,000	(53,695)	(1.6)	3,768,327
SMIF Loans (AB 1054, PUC 3285)	670,000	670,000	-	-	1,510,000
Total Available Borrowable Resources (e)	72,399,587	61,015,013	11,384,574	18.7	49,163,712
Outstanding Loans to General Fund (b)	-	-	-	-	-
Outstanding Loans to the SFEU Fund	-	-	-	-	-
UNUSED BORROWABLE RESOURCES	\$ 72,399,587	\$ 61,015,013	\$ 11,384,574	18.7	\$ 49,163,712

General Note:

This report is based upon funded cash. Funded cash is cash reported to and recorded in the records of the State Controller's Office. Amounts reported as funded cash may differ from amounts in other reports to the extent there are timing differences in the recording of in-transit items.

Footnotes:

- (a) A Statement of Estimated Cash Flow for the 2021-22 fiscal year was prepared by the Department of Finance for the 2021-22 Budget Act. Any projections or estimates are set forth as such and not as representation of facts. (Footnote pertains to all pages in this report)
- (b) Outstanding loan balance of \$0.00 billion is comprised of \$0.00 billion of internal borrowing. Current balance is comprised of \$0.00 billion carried forward from June 30, 2021, plus current year Net Increase/(Decrease) in Temporary Loans of \$0.00 billion. (Footnote ties to page B1; Outstanding Loans to General Fund)
- (c) If shown, negative amounts are the result of repayments received that are greater than disbursements made. (Footnote ties to pages B1 and B3; Disbursements)
- (d) Debt Service amounts are net of offsets such as federal subsidies and reimbursements from other sources. To the extent that these offsets do not occur when anticipated, there can be variances between actuals and estimates on a month-to-month basis. (Footnote ties to page B3; Debt Service)

(Continued on B2)

SCHEDULE OF CASH RECEIPTS

(Amounts in thousands)

	Month of June		July 1 through June 30				
			2022				2021
	2022	2021	Actual	Estimate (a)	Actual Over or (Under) Estimate		Actual
					Amount	%	
REVENUES							
Alcoholic Beverage Excise Tax	\$ 35,339	\$ 34,988	\$ 432,629	\$ 389,597	\$ 43,032	11.0	\$ 411,969
Corporation Tax	10,620,546	5,616,527	46,005,502	18,097,641	27,907,861	154.2	26,097,277
Cigarette Tax	4,584	4,608	55,297	58,042	(2,745)	(4.7)	59,071
Estate, Inheritance, and Gift Tax	-	2	64	-	64	-	77
Insurance Companies Tax	440,069	543,325	3,482,729	3,427,974	54,755	1.6	3,127,725
Personal Income Tax	13,488,546	16,742,467	143,618,719	123,486,059	20,132,660	16.3	143,754,577
Retail Sales and Use Taxes	3,189,880	3,029,926	32,805,438	28,936,150	3,869,288	13.4	28,647,775
Vehicle License Fees	-	-	1	-	1	-	2
Pooled Money Investment Interest	28,302	15,418	173,212	82,284	90,928	110.5	164,134
Not Otherwise Classified	1,944,302	1,748,514	3,814,349	3,834,979	(20,630)	(0.5)	3,187,996
Total Revenues	29,751,568	27,735,775	230,387,940	178,312,726	52,075,214	29.2	205,450,603
NONREVENUES							
Transfers from Special Fund for Economic Uncertainties	5,020	1,174,240	765,067	-	765,067	-	6,836,704
Transfers from Other Funds	570,559	191,110	14,128,190	9,468,120	4,660,070 (h)	49.2	13,283,878
Miscellaneous	105,881	29,440	539,262	234,785	304,477	129.7	628,983
Total Nonrevenues	681,460	1,394,790	15,432,519	9,702,905	5,729,614	59.1	20,749,565
Total Receipts	\$ 30,433,028	\$ 29,130,565	\$ 245,820,459	\$ 188,015,631	\$ 57,804,828	30.7	\$ 226,200,168

(Continued from B1)

- (e) Cash Balance from Borrowable Resources has been reduced by Pooled Money Investment Account (PMIA) loans pursuant to Assembly Bill (AB) 55 (Chapter 6/1987, Government Code (GC) sections 16312 and 16313) and Surplus Money Investment Fund (SMIF) loans pursuant to Senate Bill (SB) 84 (Chapter 50/2017, GC section 20825) and AB 1054 (Chapter 79/2019, Public Utilities Codes (PUC) section 3285). (Footnote ties to page B1; Total Available Borrowable Resources)
- (f) Other Internal Sources balance includes \$900.0 million for the Safety Net Reserve Fund pursuant to AB 1830 (Chapter 42/2018, Welfare and Institutions Code (WIC) section 11011) and \$4.51 billion for the Public School System Stabilization Account pursuant to Section 21 of Article XVI of the California Constitution. (Footnote ties to page B1; Other Internal Sources)
- (g) Includes \$8.10 billion for the Golden State Stimulus II payments, pursuant to SB 139 (Chapter 71/2021), made in August 2021 that were estimated to be paid in November 2021 for \$1.50 billion and December 2021 for \$600.0 million. (Footnote ties to page B1; State Operations and page B3; Governmental Operations)
- (h) The 2021-22 Budget Act estimated \$9.20 billion in transfers from the Coronavirus Fiscal Recovery Fund of 2021 to the General Fund in September 2021, which occurred in December 2021. (Footnote ties to page B1; Nonrevenues and page B2; Transfers from Other Funds)

(Concluded)

SCHEDULE OF CASH DISBURSEMENTS

(Amounts in thousands)

	Month of June		July 1 through June 30					
			2022		2021			
	2022	2021	Actual	Estimate (a)	Actual Over or (Under) Estimate		Actual	
					Amount	%		
STATE OPERATIONS (c)								
Legislative/Judicial/Executive	\$ 324,154	\$ 235,725	\$ 4,294,516	\$ 2,737,797	\$ 1,556,719	56.9	\$ 3,184,817	
Business, Consumer Services and Housing	9,121	10,123	73,246	140,742	(67,496)	(48.0)	104,305	
Transportation	24,082	3,129	138,408	676,429	(538,021)	(79.5)	64,118	
Resources	189,940	141,811	3,090,767	3,878,348	(787,581)	(20.3)	2,674,070	
Environmental Protection Agency	66,007	150,497	949,685	2,448,996	(1,499,311)	(61.2)	595,164	
Health and Human Services:								
Health Care Services and Public Health	18,100	23,494	2,152,184	1,581,142	571,042	36.1	2,187,250	
Department of State Hospitals	229,541	169,056	2,082,976	2,455,807	(372,831)	(15.2)	1,870,923	
Other Health and Human Services	43,490	54,477	756,825	949,241	(192,416)	(20.3)	716,362	
Education:								
University of California	16,337	38,509	4,496,693	4,674,206	(177,513)	(3.8)	3,482,408	
State Universities and Colleges	536	7,838	5,212,131	5,193,301	18,830	0.4	3,704,277	
Other Education	26,716	16,583	757,313	370,466	386,847	104.4	277,154	
Dept. of Corrections and Rehabilitation	1,100,568	948,279	12,927,866	12,822,881	104,985	0.8	12,187,201	
Governmental Operations	104,990	106,689	11,501,973	11,646,789	(144,816) (g)	(1.2)	1,589,805	
General Government	303,115	223,297	2,626,832	10,285,155	(7,658,323)	(74.5)	2,381,459	
Public Employees' Retirement System	(259,452)	(242,306)	558,941	715,961	(157,020)	(21.9)	190,878	
Debt Service (d)	(472,157)	(117,331)	4,518,131	4,847,901	(329,770)	(6.8)	4,506,749	
Interest on Loans	-	76	4,509	19,684	(15,175)	(77.1)	12,738	
Total State Operations	1,725,088	1,769,946	56,142,996	65,444,846	(9,301,850)	(14.2)	39,729,678	
LOCAL ASSISTANCE (c)								
Public Schools - K-12	9,029,420	6,234,017	68,053,698	70,505,524	(2,451,826)	(3.5)	48,604,728	
Community Colleges	1,132,069	839,898	8,220,567	8,665,203	(444,636)	(5.1)	5,809,472	
Debt Service-School Building Bonds	-	-	-	-	-	-	-	
State Teachers' Retirement System	-	-	3,862,582	4,272,582	(410,000)	(9.6)	3,724,219	
Other Education	523,126	29,348	3,612,125	3,489,401	122,724	3.5	4,228,524	
School Facilities Aid	-	-	-	-	-	-	-	
Dept. of Corrections and Rehabilitation	30,567	8,645	561,671	470,116	91,555	19.5	464,078	
Dept. of Alcohol and Drug Program	-	-	-	-	-	-	-	
Health Care Services and Public Health:								
Medical Assistance Program	2,414,231	2,122,097	24,216,961	28,406,786	(4,189,825)	(14.7)	20,571,090	
Other Health Care Services/Public Health	102,980	64,506	1,053,952	695,257	358,695	51.6	446,241	
Developmental Services - Regional Centers	48,200	180,826	5,482,690	6,092,067	(609,377)	(10.0)	4,690,879	
Department of State Hospitals	-	-	-	-	-	-	-	
Dept. of Social Services:								
SSI/SSP/IHSS	1,261,120	772,526	8,233,419	8,209,742	23,677	0.3	7,705,311	
CalWORKs	43,394	(63,568)	1,962,391	(505,439)	2,467,830	(488.3)	1,024,013	
Other Social Services	232,490	166,233	1,852,798	3,009,635	(1,156,837)	(38.4)	1,391,061	
Tax Relief	-	-	393,372	415,001	(21,629)	(5.2)	397,083	
Other Local Assistance	278,168	125,237	10,582,804	20,577,760	(9,994,956)	(48.6)	5,863,962	
Total Local Assistance	15,095,765	10,479,765	138,089,030	154,303,635	(16,214,605)	(10.5)	104,920,661	

See notes on page B1 and B2.

(Continued)

SCHEDULE OF CASH DISBURSEMENTS (Continued)

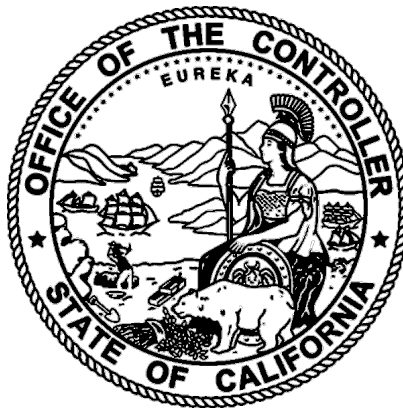
(Amounts in thousands)

	Month of June		July 1 through June 30				
			2022		Actual Over or		2021
	2022	2021	Actual	Estimate (a)	(Under) Estimate		Actual
					Amount	%	
CAPITAL OUTLAY (c)	12,975	5,637	693,792	629,304	64,488	10.2	(13,777)
NONGOVERNMENTAL (c)							
Transfer to Special Fund for Economic Uncertainties	5,020	263,952	4,788,781	3,978,641	810,140	20.4	8,157,389
Transfer to Budget Stabilization Account	-	-	7,471,000	7,471,000	-	-	-
Transfer to Other Funds	414,695	70,462	4,930,658	2,438,772	2,491,886	102.2	2,349,991
Transfer to Revolving Fund	(1,745)	(1,770)	28,574	-	28,574	-	5,482
Advance:							
MediCal Provider Interim Payment	-	-	-	-	-	-	-
State-County Property Tax Administration Program	-	15,895	(38,973)	-	(38,973)	-	45,249
Social Welfare Federal Fund	83,070	-	83,028	-	83,028	-	17,217
Local Governmental Entities	-	-	-	-	-	-	(2,033)
Tax Relief and Refund Account	-	-	-	-	-	-	-
Counties for Social Welfare	298,784	330,359	(31,575)	25,000	(56,575)	(226.3)	27,493
Total Nongovernmental	799,824	678,898	17,231,493	13,913,413	3,318,080	23.8	10,600,788
Total Disbursements	\$ 17,633,652	\$ 12,934,246	\$ 212,157,311	\$ 234,291,198	\$ (22,133,887)	(9.4)	\$ 155,237,350
TEMPORARY LOANS							
Special Fund for Economic Uncertainties	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ (252)
Budget Stabilization Account	-	-	-	-	-	-	(16,516,422)
Outstanding Registered Warrants Account	-	-	-	-	-	-	-
Other Internal Sources	-	-	-	-	-	-	(3,532,016)
Revenue Anticipation Notes	-	-	-	-	-	-	-
Net Increase / (Decrease) Loans	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ (20,048,690)

See notes on page B1 and B2.

June 2023

**STATEMENT of GENERAL FUND
CASH RECEIPTS and DISBURSEMENTS**



MALIA M. COHEN
California State Controller



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

July 10, 2023

Enclosed is the Statement of General Fund Cash Receipts and Disbursements for the period of July 1, 2022, through June 30, 2023. This statement reflects the state's General Fund cash position and compares actual receipts and disbursements for the 2022-23 fiscal year to cash flow estimates prepared by the Department of Finance (DOF).

The statement is provided in compliance with Provision 5 of Budget Act item 0840-001-0001, using records compiled by the State Controller's Office. Prior-year actual amounts also are displayed for comparative purposes. Attachment A compares actual receipts and disbursements for the 2022-23 fiscal year to cash flow estimates published in the 2023-24 May Revision. These cash flow estimates are predicated on projections and assumptions made by the DOF in preparation of the 2023-24 May Revision. Attachment B compares actual receipts and disbursements for the 2022-23 fiscal year to cash flow estimates prepared by the DOF based upon the 2022-23 Budget Act.

These monthly financial reports are also available online at www.sco.ca.gov on the Financial Reports, Taxes, and Economy page.

Please direct any questions relating to this report to Coleen Morrow, Bureau Chief of the State Accounting and Reporting Division, Bureau of Cash Management, at (916) 327-1751.

Sincerely,

Original signed by

KC MOHSENI
Division Chief, State Accounting and Reporting Division

STATEMENT OF GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS
A Comparison of Actual to 2023-24 May Revision Estimates
(Amounts in thousands)

	July 1 through June 30				
	2023				2022
	Actual	Estimate (a)	Actual Over or (Under) Estimate		Actual
			Amount	%	
GENERAL FUND BEGINNING CASH BALANCE	\$ 84,577,276	\$ 84,577,276	\$ -	-	\$ 50,914,128
Or Beginning Outstanding Loan Balance	-	-	-	-	-
Add Receipts:					
Revenues	166,697,494	166,209,145	488,349	0.3	230,387,940
Nonrevenues	7,499,171	7,126,976	372,195	5.2	15,432,519
Total Receipts	174,196,665	173,336,121	860,544	0.5	245,820,459
Less Disbursements (c):					
State Operations	64,519,698	69,632,074	(5,112,376) (g)	(7.3)	56,142,996
Local Assistance	167,940,875	174,085,667	(6,144,792)	(3.5)	138,089,030
Capital Outlay	1,732,138	1,742,259	(10,121) (j)	(0.6)	693,792
Nongovernmental	10,570,389	10,144,979	425,410	4.2	17,231,493
Total Disbursements	244,763,100	255,604,979	(10,841,879)	(4.2)	212,157,311
Receipts Over / (Under) Disbursements	(70,566,435)	(82,268,858)	11,702,423	(14.2)	33,663,148
Net Increase / (Decrease) in Temporary Loans	-	-	-	-	-
GENERAL FUND ENDING CASH BALANCE	14,010,841	2,308,418	11,702,423		84,577,276
Special Fund for Economic Uncertainties	3,318,616	3,463,343	(144,727)	(4.2)	3,978,641
TOTAL CASH	\$ 17,329,457	\$ 5,771,761	\$ 11,557,696		\$ 88,555,917
BORROWABLE RESOURCES					
Special Fund for Economic Uncertainties	\$ 3,318,616	\$ 3,463,343	\$ (144,727) (h)	(4.2)	\$ 3,978,641
Budget Stabilization Account	23,288,422	23,288,422	-	-	15,781,422
Other Internal Sources (f)	74,055,664	68,394,000	5,661,664	8.3	57,351,982
Cash Balance from Borrowable Resources	100,662,702	95,145,765	5,516,937	5.8	77,112,045
Less:					
PMIA Loans (AB 55, GC 16312 and 16313)	358,954	343,000	15,954	4.7	828,153
SMIF Loans (SB 84, GC 20825)	2,730,869	3,230,000	(499,131)	(15.5)	3,214,305
SMIF Loans (AB 1054, PUC 3285)	-	-	-	-	670,000
Total Available Borrowable Resources (e)	97,572,879	91,572,765	6,000,114	6.6	72,399,587
Outstanding Loans to General Fund (b)	-	-	-	-	-
Outstanding Loans to the SFEU Fund	-	-	-	-	-
UNUSED BORROWABLE RESOURCES	\$ 97,572,879	\$ 91,572,765	\$ 6,000,114	6.6	\$ 72,399,587

General Note:

This report is based upon funded cash. Funded cash is cash reported to and recorded in the records of the State Controller's Office. Amounts reported as funded cash may differ from amounts in other reports to the extent there are timing differences in the recording of in-transit items.

Footnotes:

- (a) A Statement of Estimated Cash Flow for the 2022-23 fiscal year was prepared by the Department of Finance for the 2023-24 May Revision. Any projections or estimates are set forth as such and not as representation of facts. (Footnote pertains to all pages in this report)
- (b) Outstanding loan balance of \$0.00 billion is comprised of \$0.00 billion of internal borrowing. Current balance is comprised of \$0.00 billion carried forward from June 30, 2022, plus current year Net Increase/(Decrease) in Temporary Loans of \$0.00 billion. (Footnote ties to page A1; Outstanding Loans to General Fund)
- (c) If shown, negative amounts are the result of repayments received that are greater than disbursements made. (Footnote ties to pages A1, A3 and A4; Disbursements)
- (d) Debt Service amounts are net of offsets such as federal subsidies and reimbursements from other sources. To the extent that these offsets do not occur when anticipated, there can be variances between actuals and estimates on a month-to-month basis. (Footnote ties to page A3; Debt Service)

(Continued on A2)

SCHEDULE OF CASH RECEIPTS

(Amounts in thousands)

	June		July 1 through June 30				
			2023				2022
	2023	2022	Actual	Estimate (a)	Actual Over or (Under) Estimate		Actual
					Amount	%	
REVENUES							
Alcoholic Beverage Excise Tax	\$ 32,608	\$ 35,339	\$ 421,647	\$ 432,742	\$ (11,095)	(2.6)	\$ 432,629
Corporation Tax	6,489,917	10,620,546	29,936,654	29,019,296	917,358	3.2	46,005,502
Cigarette Tax	4,536	4,584	48,542	47,416	1,126	2.4	55,297
Estate, Inheritance, and Gift Tax	-	-	348	311	37	11.9	64
Insurance Companies Tax	255,879	440,069	3,666,334	3,672,635	(6,301)	(0.2)	3,482,729
Personal Income Tax	9,645,857	13,488,546	94,678,329	95,827,529	(1,149,200) (i)	(1.2)	143,618,719
Retail Sales and Use Taxes	3,052,162	3,189,880	33,234,802	33,210,245	24,557	0.1	32,805,438
Vehicle License Fees	-	-	2	-	2	-	1
Pooled Money Investment Interest	252,860	28,302	1,929,132	1,856,033	73,099	3.9	173,212
Not Otherwise Classified	1,148,575	1,944,302	2,781,704	2,142,938	638,766	29.8	3,814,349
Total Revenues	20,882,394	29,751,568	166,697,494	166,209,145	488,349	0.3	230,387,940
NONREVENUES							
Transfers from Special Fund for Economic Uncertainties	24,405	5,020	563,395	498,288	65,107 (h)	13.1	765,067
Transfers from Other Funds	110,248	570,559	6,233,917	5,972,468	261,449	4.4	14,128,190
Miscellaneous	42,605	105,881	701,859	656,220	45,639	7.0	539,262
Total Nonrevenues	177,258	681,460	7,499,171	7,126,976	372,195	5.2	15,432,519
Total Receipts	\$ 21,059,652	\$ 30,433,028	\$ 174,196,665	\$ 173,336,121	\$ 860,544	0.5	\$ 245,820,459

(Continued from A1)

- (e) Cash Balance from Borrowable Resources has been reduced by Pooled Money Investment Account (PMIA) loans pursuant to Assembly Bill (AB) 55 (Chapter 6/1987, Government Code (GC) sections 16312 and 16313) and Surplus Money Investment Fund (SMIF) loans pursuant to Senate Bill (SB) 84 (Chapter 50/2017, GC section 20825) and AB 1054 (Chapter 79/2019, Public Utilities Codes (PUC) section 3285). (Footnote ties to page A1; Total Available Borrowable Resources)
- (f) Other Internal Sources balance includes \$900.0 million for the Safety Net Reserve Fund pursuant to AB 1830 (Chapter 42/2018, Welfare and Institutions Code (WIC) section 11011) and \$9.51 billion for the Public School System Stabilization Account pursuant to Section 21 of Article XVI of the California Constitution. (Footnote ties to page A1; Other Internal Sources)
- (g) Includes a \$1.4 billion transfer from the Golden State Stimulus Emergency Fund made to the General Fund pursuant to SB 88 (Chapter 8, Statutes of 2021, Welfare and Institutions Code (WIC) section 8150 (f) (3)). (Footnote ties to page A1; State Operations and page A3; Governmental Operations)
- (h) Pursuant to Control Section 12.30 of the 2022 Budget Act the annual transfer of funds between the General Fund and the Special Fund for Economic Uncertainties (SFEU) to bring the balance in the SFEU to \$3.51 billion was expected in January 2023, but occurred in February 2023. (Footnote ties to page A1; Special Fund for Economic Uncertainties and Borrowable Resources - Special Fund for Economic Uncertainties and page A2; Transfers from Special Fund for Economic Uncertainties)
- (i) Personal Income Tax revenues are lower than projected for the 2023-24 May Revision due to the stock market substantially declining in 2022. Moreover, on March 2, 2023 the Franchise Tax Board extended the Personal Income Tax filing and payment due date to October 16, 2023. (Footnote ties to page A2; Personal Income Tax)
- (j) Pursuant to AB 178 (Chapter 45, Statutes of 2022), a transfer of \$917 million from the General Fund to the State Project Infrastructure Fund was anticipated as a Transfer to Other Funds, but was recorded as Capital Outlay. (Footnote ties to page A1; Capital Outlay and page A4; Capital Outlay and Transfer to Other Funds)

SCHEDULE OF CASH DISBURSEMENTS

(Amounts in thousands)

	June		July 1 through June 30					2022
			2023					
	2023	2022	Actual	Estimate (a)	Actual Over or (Under) Estimate		Actual	
					Amount	%		
STATE OPERATIONS (c)								
Legislative/Judicial/Executive	\$ 293,687	\$ 324,154	\$ 10,654,802	\$ 10,164,788	\$ 490,014	4.8	\$ 4,294,516	
Business, Consumer Services and Housing	12,050	9,121	146,567	276,558	(129,991)	(47.0)	73,246	
Transportation	9,580	24,082	461,801	727,345	(265,544)	(36.5)	138,408	
Resources	467,750	189,940	3,828,398	3,894,996	(66,598)	(1.7)	3,090,767	
Environmental Protection Agency	23,539	66,007	367,224	512,599	(145,375)	(28.4)	949,685	
Health and Human Services:								
Health Care Services and Public Health	27,217	18,100	1,018,832	1,383,161	(364,329)	(26.3)	2,152,184	
Department of State Hospitals	232,143	229,541	2,273,192	2,245,089	28,103	1.3	2,082,976	
Other Health and Human Services	80,477	43,490	816,348	1,061,734	(245,386)	(23.1)	756,825	
Education:								
University of California	11,009	16,337	4,647,872	4,840,568	(192,696)	(4.0)	4,496,693	
State Universities and Colleges	68,734	536	5,765,446	4,936,453	828,993	16.8	5,212,131	
Other Education	29,204	26,716	458,706	523,544	(64,838)	(12.4)	757,313	
Dept. of Corrections and Rehabilitation	1,043,748	1,100,568	13,490,242	13,516,068	(25,826)	(0.2)	12,927,866	
Governmental Operations	140,458	104,990	12,695,525	14,901,500	(2,205,975) (g)	(14.8)	11,501,973	
General Government	250,693	303,115	3,533,529	3,748,859	(215,330)	(5.7)	2,626,832	
Public Employees' Retirement System	(348,537)	(259,452)	(258,430)	773,020	(1,031,450)	(133.4)	558,941	
Debt Service (d)	(346,211)	(472,157)	4,605,588	6,109,389	(1,503,801)	(24.6)	4,518,131	
Interest on Loans	25	-	14,056	16,403	(2,347)	(14.3)	4,509	
Total State Operations	1,995,566	1,725,088	64,519,698	69,632,074	(5,112,376)	(7.3)	56,142,996	
LOCAL ASSISTANCE (c)								
Public Schools - K-12	13,354,282	9,029,420	79,941,358	84,286,275	(4,344,917)	(5.2)	68,053,698	
Community Colleges	727,534	1,132,069	9,847,255	10,245,098	(397,843)	(3.9)	8,220,567	
Debt Service-School Building Bonds	-	-	-	-	-	-	-	
State Teachers' Retirement System	-	-	3,712,257	3,712,257	(0)	-	3,862,582	
Other Education	296,999	523,126	7,317,978	6,397,383	920,595	14.4	3,612,125	
School Facilities Aid	-	-	-	-	-	-	-	
Dept. of Corrections and Rehabilitation	35,753	30,567	789,060	780,370	8,690	1.1	561,671	
Dept. of Alcohol and Drug Program	-	-	-	-	-	-	-	
Health Care Services and Public Health:								
Medical Assistance Program	2,377,966	2,414,231	30,614,624	30,677,817	(63,193)	(0.2)	24,216,961	
Other Health Care Services/Public Health	18,396	102,980	568,911	600,930	(32,019)	(5.3)	1,053,952	
Developmental Services - Regional Centers	337,163	48,200	5,948,781	5,925,938	22,843	0.4	5,482,690	
Department of State Hospitals	-	-	-	-	-	-	-	
Dept. of Social Services:								
SSI/SSP/IHSS	1,170,978	1,261,120	9,030,766	8,983,447	47,319	0.5	8,233,419	
CalWORKs	17,507	43,394	2,505,653	2,735,531	(229,878)	(8.4)	1,962,391	
Other Social Services	151,320	232,490	2,299,127	2,204,826	94,301	4.3	1,852,798	
Tax Relief	-	-	387,750	415,001	(27,251)	(6.6)	393,372	
Other Local Assistance	770,929	278,168	14,977,355	17,120,794	(2,143,439)	(12.5)	10,582,804	
Total Local Assistance	19,258,827	15,095,765	167,940,875	174,085,667	(6,144,792)	(3.5)	138,089,030	

See notes on page A1 and A2.

(Continued)

SCHEDULE OF CASH DISBURSEMENTS (Continued)

(Amounts in thousands)

	June		July 1 through June 30					2022
			2023		Actual Over or		Actual	
	2023	2022	Actual	Estimate (a)	(Under) Estimate			
					Amount	%		
CAPITAL OUTLAY (c)	33,697	12,975	1,732,138	1,742,259	(10,121) (j)	(0.6)	693,792	
NONGOVERNMENTAL (c)								
Transfer to Special Fund for								
Economic Uncertainties	-	5,020	-	-	-	-	4,788,781	
Transfer to Budget Stabilization Account	-	-	7,507,000	7,507,000	-	-	7,471,000	
Transfer to Other Funds	305,073	414,695	3,014,137	2,618,456	395,681 (j)	15.1	4,930,658	
Transfer to Revolving Fund	(1,729)	(1,745)	84,211	88,235	(4,024)	(4.6)	28,574	
Advance:								
MediCal Provider Interim Payment	-	-	-	-	-	-	-	
State-County Property Tax								
Administration Program	8,803	-	(22,462)	(11,842)	(10,620)	89.7	(38,973)	
Social Welfare Federal Fund	65,827	83,070	(45,598)	(111,425)	65,827	(59.1)	83,028	
Local Governmental Entities	-	-	(1,348)	(1,348)	-	-	-	
Tax Relief and Refund Account	-	-	-	-	-	-	-	
Counties for Social Welfare	333,233	298,784	34,449	55,903	(21,454)	(38.4)	(31,575)	
Total Nongovernmental	711,207	799,824	10,570,389	10,144,979	425,410	4.2	17,231,493	
Total Disbursements	\$ 21,999,297	\$ 17,633,652	\$ 244,763,100	\$ 255,604,979	\$ (10,841,879)	(4.2)	\$ 212,157,311	
TEMPORARY LOANS								
Special Fund for Economic								
Uncertainties	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	
Budget Stabilization Account	-	-	-	-	-	-	-	
Outstanding Registered Warrants Account	-	-	-	-	-	-	-	
Other Internal Sources	-	-	-	-	-	-	-	
Revenue Anticipation Notes	-	-	-	-	-	-	-	
Net Increase / (Decrease) Loans	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	

See notes on page A1 and A2.

COMPARATIVE STATEMENT OF REVENUES RECEIVED
All Governmental Cost Funds
(Amounts in thousands)

	July 1 through June 30			
	General Fund		Special Funds	
	2023	2022	2023	2022
MAJOR TAXES, LICENSES, AND INVESTMENT INCOME:				
Alcoholic Beverage Excise Taxes	\$ 421,647	\$ 432,629	\$ -	\$ -
Corporation Tax	29,936,654	46,005,502	-	-
Cigarette Tax	48,542	55,297	1,585,419	1,798,238
Cannabis Excise Taxes	-	-	528,238	878,560
Estate, Inheritance, and Gift Tax	348	64	-	-
Insurance Companies Tax	3,666,334	3,482,729	443	(1,570)
Motor Vehicle Fuel Tax:				
Gasoline Tax	-	-	7,299,063	7,123,553
Diesel & Liquid Petroleum Gas	-	-	1,356,898	1,324,711
Jet Fuel Tax	-	-	4,099	4,129
Vehicle License Fees	2	1	3,475,649	3,180,074
Personal Income Tax	94,678,329	143,618,719	1,700,965	2,571,295
Retail Sales and Use Taxes	33,234,802	32,805,438	20,411,635	19,422,597
Pooled Money Investment Interest	1,929,132	173,212	2,280	240
Total Major Taxes, Licenses, and Investment Income	163,915,790	226,573,591	36,364,689	36,301,827
NOT OTHERWISE CLASSIFIED:				
Alcoholic Beverage License Fees	2,133	1,656	79,081	62,330
Motor Vehicle Registration and Other Fees	10	-	8,122,530	7,588,888
Cannabis Licensing Fees	-	-	76,730	100,594
Electrical Energy Tax	-	-	877,428	741,713
Private Rail Car Tax	9,866	9,326	-	-
Penalties on Traffic Violations	-	-	3	4
Health Care Receipts	1,928	(9,230)	-	-
Revenues from State Lands	151,350	170,813	-	-
Abandoned Property	1,086,742	612,045	-	-
Trial Court Revenues	25,748	25,629	1,422,209	1,405,285
Horse Racing Fees	-	-	19,419	18,244
Cap and Trade	-	-	4,013,036	4,500,750
Individual Shared Responsibility				
Penalty Assessments	303,750	242,569	-	-
Miscellaneous Tax Revenue	-	-	2,074,055	2,517,502
Miscellaneous	1,200,177	2,761,541	14,824,065	13,965,972
Not Otherwise Classified	2,781,704	3,814,349	31,508,556	30,901,282
Total Revenues, All Governmental Cost Funds	\$ 166,697,494	\$ 230,387,940	\$ 67,873,245	\$ 67,203,109

STATEMENT OF GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS
A Comparison of Actual to 2022-23 Budget Act
(Amounts in thousands)

	July 1 through June 30					
	2023					2022
	Actual	Estimate (a)	Actual Over or (Under) Estimate			Actual
			Amount	%		
GENERAL FUND BEGINNING CASH BALANCE	\$ 84,577,276	\$ 84,577,276	\$ -	-	\$	50,914,128
Or Beginning Outstanding Loan Balance	-	-	-	-		-
Add Receipts:						
Revenues	166,697,494	219,388,398	(52,690,904)	(24.0)		230,387,940
Nonrevenues	7,499,171	3,518,453	3,980,718	(j) 113.1		15,432,519
Total Receipts	174,196,665	222,906,851	(48,710,186)	(21.9)		245,820,459
Less Disbursements (c):						
State Operations	64,519,698	74,717,223	(10,197,525)	(k) (13.6)		56,142,996
Local Assistance	167,940,875	174,752,624	(6,811,749)	(g)/(i) (3.9)		138,089,030
Capital Outlay	1,732,138	1,291,774	440,364	(h) 34.1		693,792
Nongovernmental	10,570,389	9,673,710	896,679	9.3		17,231,493
Total Disbursements	244,763,100	260,435,331	(15,672,231)	(6.0)		212,157,311
Receipts Over / (Under) Disbursements	(70,566,435)	(37,528,480)	(33,037,955)	88.0		33,663,148
Net Increase / (Decrease) in Temporary Loans	-	-	-	-		-
GENERAL FUND ENDING CASH BALANCE	14,010,841	47,048,796	(33,037,955)			84,577,276
Special Fund for Economic Uncertainties	3,318,616	3,514,325	(195,709)	(l) (5.6)		3,978,641
TOTAL CASH	\$ 17,329,457	\$ 50,563,121	\$ (33,233,664)		\$	88,555,917
BORROWABLE RESOURCES						
Special Fund for Economic Uncertainties	\$ 3,318,616	\$ 3,514,325	\$ (195,709)	(l) (5.6)	\$	3,978,641
Budget Stabilization Account	23,288,422	23,288,422	-	-		15,781,422
Other Internal Sources (f)	74,055,664	65,532,000	8,523,664	13.0		57,351,982
Cash Balance from Borrowable Resources	100,662,702	92,334,747	8,327,955	9.0		77,112,045
Less:						
PMIA Loans (AB 55, GC 16312 and 16313)	358,954	800,000	(441,046)	(55.1)		828,153
SMIF Loans (SB 84, GC 20825)	2,730,869	3,768,000	(1,037,131)	(27.5)		3,214,305
SMIF Loans (AB 1054, PUC 3285)	-	-	-	-		670,000
Total Available Borrowable Resources (e)	97,572,879	87,766,747	9,806,132	11.2		72,399,587
Outstanding Loans to General Fund (b)	-	-	-	-		-
Outstanding Loans to the SFEU Fund	-	-	-	-		-
UNUSED BORROWABLE RESOURCES	\$ 97,572,879	\$ 87,766,747	\$ 9,806,132	11.2	\$	72,399,587

General Note:

This report is based upon funded cash. Funded cash is cash reported to and recorded in the records of the State Controller's Office. Amounts reported as funded cash may differ from amounts in other reports to the extent there are timing differences in the recording of in-transit items.

Footnotes:

- (a) A Statement of Estimated Cash Flow for the 2022-23 fiscal year was prepared by the Department of Finance for the 2022-23 Budget Act. Any projections or estimates are set forth as such and not as representation of facts. (Footnote pertains to all pages in this report)
- (b) Outstanding loan balance of \$0.00 billion is comprised of \$0.00 billion of internal borrowing. Current balance is comprised of \$0.00 billion carried forward from June 30, 2022, plus current year Net Increase/(Decrease) in Temporary Loans of \$0.00 billion. (Footnote ties to page B1; Outstanding Loans to General Fund)
- (c) If shown, negative amounts are the result of repayments received that are greater than disbursements made. (Footnote ties to pages B1, B3 and B4; Disbursements)
- (d) Debt Service amounts are net of offsets such as federal subsidies and reimbursements from other sources. To the extent that these offsets do not occur when anticipated, there can be variances between actuals and estimates on a month-to-month basis. (Footnote ties to page B3; Debt Service)

(Continued on B2)

SCHEDULE OF CASH RECEIPTS

(Amounts in thousands)

	June		July 1 through June 30					2022
			2023					
	2023	2022	Actual	Estimate (a)	Actual Over or (Under) Estimate		Actual	
					Amount	%		
REVENUES								
Alcoholic Beverage Excise Tax	\$ 32,608	\$ 35,339	\$ 421,647	\$ 434,664	\$ (13,017)	(3.0)	\$ 432,629	
Corporation Tax	6,489,917	10,620,546	29,936,654	38,321,049	(8,384,395)	(21.9)	46,005,502	
Cigarette Tax	4,536	4,584	48,542	48,612	(70)	(0.1)	55,297	
Estate, Inheritance, and Gift Tax	-	-	348	-	348	-	64	
Insurance Companies Tax	255,879	440,069	3,666,334	3,667,059	(725)	(0.0)	3,482,729	
Personal Income Tax	9,645,857	13,488,546	94,678,329	137,287,759	(42,609,430) (m)	(31.0)	143,618,719	
Retail Sales and Use Taxes	3,052,162	3,189,880	33,234,802	33,919,815	(685,013)	(2.0)	32,805,438	
Vehicle License Fees	-	-	2	-	2	-	1	
Pooled Money Investment Interest	252,860	28,302	1,929,132	412,462	1,516,670	367.7	173,212	
Not Otherwise Classified	1,148,575	1,944,302	2,781,704	5,296,978	(2,515,274)	(47.5)	3,814,349	
Total Revenues	20,882,394	29,751,568	166,697,494	219,388,398	(52,690,904)	(24.0)	230,387,940	
NONREVENUES								
Transfers from Special Fund for Economic Uncertainties	24,405	5,020	563,395	464,316	99,079 (l)	21.3	765,067	
Transfers from Other Funds	110,248	570,559	6,233,917	2,836,204	3,397,713 (j)	119.8	14,128,190	
Miscellaneous	42,605	105,881	701,859	217,933	483,926	222.1	539,262	
Total Nonrevenues	177,258	681,460	7,499,171	3,518,453	3,980,718	113.1	15,432,519	
Total Receipts	\$ 21,059,652	\$ 30,433,028	\$ 174,196,665	\$ 222,906,851	\$ (48,710,186)	(21.9)	\$ 245,820,459	

(Continued from B1)

- (e) Cash Balance from Borrowable Resources has been reduced by Pooled Money Investment Account (PMIA) loans pursuant to Assembly Bill (AB) 55 (Chapter 6/1987, Government Code (GC) sections 16312 and 16313) and Surplus Money Investment Fund (SMIF) loans pursuant to Senate Bill (SB) 84 (Chapter 50/2017, GC section 20825) and AB 1054 (Chapter 79/2019, Public Utilities Codes (PUC) section 3285). (Footnote ties to page B1; Total Available Borrowable Resources)
- (f) Other Internal Sources balance includes \$900.0 million for the Safety Net Reserve Fund pursuant to AB 1830 (Chapter 42/2018, Welfare and Institutions Code (WIC) section 11011) and \$9.51 billion for the Public School System Stabilization Account pursuant to Section 21 of Article XVI of the California Constitution. (Footnote ties to page B1; Other Internal Sources)
- (g) Includes \$7.94 billion in Learning Recovery Grant payments, pursuant to AB 182 (Chapter 53/2022, Education Code section 32526), made in August 2022 that were estimated to be paid from July 2022 through June 2023. (Footnote ties to page B1; Local Assistance and page B3; Public Schools - K-12)
- (h) Pursuant to AB 178 (Chapter 45, Statutes of 2022), a transfer of \$917 million from the General Fund to the State Project Infrastructure Fund was anticipated in September 2022 as a Transfer to Other Funds, but was recorded as Capital Outlay in January 2023. (Footnote ties to page B1; Capital Outlay and page B4; Capital Outlay and Transfer to Other Funds)
- (i) Pursuant to subdivision (b) of Section 21 of Article XVI of California Constitution, approximately \$5.0 billion expenditure transfer was anticipated from the General Fund to the Public School System Stabilization Account in September 2022, which occurred in October 2022. (Footnote ties to page B1; Local Assistance and page B3; Other Local Assistance)
- (j) Pursuant to Control Section 11.96 (i) (Chapter 249, Statutes of 2022) a transfer of \$3.1 billion was made from the Coronavirus Fiscal Recovery Fund to the General Fund. (Footnote ties to page B1; Nonrevenues and page B2; Transfers from Other Funds)
- (k) Includes a \$1.4 billion transfer from the Golden State Stimulus Emergency Fund made to the General Fund pursuant to SB 88 (Chapter 8, Statutes of 2021, Welfare and Institutions Code (WIC) section 8150 (f) (3)). (Footnote ties to page B1; State Operations and page B3; Governmental Operations)
- (l) Pursuant to Control Section 12.30 of the 2022 Budget Act the annual transfer of funds between the General Fund and the Special Fund for Economic Uncertainties (SFEU) to bring the balance in the SFEU to \$3.51 billion was expected in January 2023, but occurred in February 2023. (Footnote ties to page B1; Special Fund for Economic Uncertainties and Borrowable Resources - Special Fund for Economic Uncertainties and page B2; Transfers from Special Fund for Economic Uncertainties)
- (m) Personal Income Tax revenues are lower than projected for the 2022-23 Budget Act due to the stock market substantially declining in 2022. Moreover, on March 2, 2023 the Franchise Tax Board extended the Personal Income Tax filing and payment due date to October 16, 2023. (Footnote ties to page B2; Personal Income Tax)

(Concluded)

SCHEDULE OF CASH DISBURSEMENTS

(Amounts in thousands)

	June		July 1 through June 30					2022
	2023	2022	Actual	Estimate (a)	Actual Over or (Under) Estimate		Actual	
					Amount	%		
STATE OPERATIONS (c)								
Legislative/Judicial/Executive	\$ 293,687	\$ 324,154	\$ 10,654,802	\$ 11,484,337	\$ (829,535)	(7.2)	\$ 4,294,516	
Business, Consumer Services and Housing	12,050	9,121	146,567	149,860	(3,293)	(2.2)	73,246	
Transportation	9,580	24,082	461,801	545,191	(83,390)	(15.3)	138,408	
Resources	467,750	189,940	3,828,398	3,987,802	(159,404)	(4.0)	3,090,767	
Environmental Protection Agency	23,539	66,007	367,224	499,619	(132,395)	(26.5)	949,685	
Health and Human Services:								
Health Care Services and Public Health	27,217	18,100	1,018,832	1,677,462	(658,630)	(39.3)	2,152,184	
Department of State Hospitals	232,143	229,541	2,273,192	2,339,097	(65,905)	(2.8)	2,082,976	
Other Health and Human Services	80,477	43,490	816,348	951,840	(135,492)	(14.2)	756,825	
Education:								
University of California	11,009	16,337	4,647,872	5,248,638	(600,766)	(11.4)	4,496,693	
State Universities and Colleges	68,734	536	5,765,446	5,154,589	610,857	11.9	5,212,131	
Other Education	29,204	26,716	458,706	1,013,508	(554,802)	(54.7)	757,313	
Dept. of Corrections and Rehabilitation	1,043,748	1,100,568	13,490,242	12,977,257	512,985	4.0	12,927,866	
Governmental Operations	140,458	104,990	12,695,525	14,351,961	(1,656,436) (k)	(11.5)	11,501,973	
General Government	250,693	303,115	3,533,529	8,744,338	(5,210,809)	(59.6)	2,626,832	
Public Employees' Retirement System	(348,537)	(259,452)	(258,430)	773,018	(1,031,448)	(133.4)	558,941	
Debt Service (d)	(346,211)	(472,157)	4,605,588	4,802,806	(197,218)	(4.1)	4,518,131	
Interest on Loans	25	-	14,056	15,900	(1,844)	(11.6)	4,509	
Total State Operations	1,995,566	1,725,088	64,519,698	74,717,223	(10,197,525)	(13.6)	56,142,996	
LOCAL ASSISTANCE (c)								
Public Schools - K-12	13,354,282	9,029,420	79,941,358	83,066,738	(3,125,380) (g)	(3.8)	68,053,698	
Community Colleges	727,534	1,132,069	9,847,255	10,868,672	(1,021,417)	(9.4)	8,220,567	
Debt Service-School Building Bonds	-	-	-	-	-	-	-	
State Teachers' Retirement System	-	-	3,712,257	3,712,256	1	0.0	3,862,582	
Other Education	296,999	523,126	7,317,978	3,338,983	3,978,995	119.2	3,612,125	
School Facilities Aid	-	-	-	-	-	-	-	
Dept. of Corrections and Rehabilitation	35,753	30,567	789,060	858,993	(69,933)	(8.1)	561,671	
Dept. of Alcohol and Drug Program	-	-	-	-	-	-	-	
Health Care Services and Public Health:								
Medical Assistance Program	2,377,966	2,414,231	30,614,624	35,082,179	(4,467,555)	(12.7)	24,216,961	
Other Health Care Services/Public Health	18,396	102,980	568,911	1,222,020	(653,109)	(53.4)	1,053,952	
Developmental Services - Regional Centers	337,163	48,200	5,948,781	7,370,512	(1,421,731)	(19.3)	5,482,690	
Department of State Hospitals	-	-	-	-	-	-	-	
Dept. of Social Services:								
SSI/SSP/IHSS	1,170,978	1,261,120	9,030,766	7,510,244	1,520,522	20.2	8,233,419	
CalWORKs	17,507	43,394	2,505,653	2,712,173	(206,520)	(7.6)	1,962,391	
Other Social Services	151,320	232,490	2,299,127	2,637,808	(338,681)	(12.8)	1,852,798	
Tax Relief	-	-	387,750	415,000	(27,250)	(6.6)	393,372	
Other Local Assistance	770,929	278,168	14,977,355	15,957,046	(979,691) (i)	(6.1)	10,582,804	
Total Local Assistance	19,258,827	15,095,765	167,940,875	174,752,624	(6,811,749)	(3.9)	138,089,030	

See notes on page B1 and B2.

(Continued)

SCHEDULE OF CASH DISBURSEMENTS (Continued)

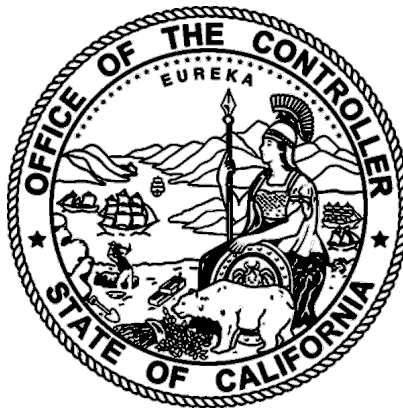
(Amounts in thousands)

	June		July 1 through June 30					2022
	2023	2022	Actual	Estimate (a)	Actual Over or (Under) Estimate		Actual	
					Amount	%		
CAPITAL OUTLAY (c)	33,697	12,975	1,732,138	1,291,774	440,364	(h) 34.1	693,792	
NONGOVERNMENTAL (c)								
Transfer to Special Fund for Economic Uncertainties	-	5,020	-	-	-	-	4,788,781	
Transfer to Budget Stabilization Account	-	-	7,507,000	7,507,000	-	-	7,471,000	
Transfer to Other Funds	305,073	414,695	3,014,137	2,166,710	847,427	(h) 39.1	4,930,658	
Transfer to Revolving Fund	(1,729)	(1,745)	84,211	-	84,211	-	28,574	
Advance:								
MediCal Provider Interim Payment	-	-	-	-	-	-	-	
State-County Property Tax Administration Program	8,803	-	(22,462)	-	(22,462)	-	(38,973)	
Social Welfare Federal Fund	65,827	83,070	(45,598)	-	(45,598)	-	83,028	
Local Governmental Entities	-	-	(1,348)	-	(1,348)	-	-	
Tax Relief and Refund Account	-	-	-	-	-	-	-	
Counties for Social Welfare	333,233	298,784	34,449	-	34,449	-	(31,575)	
Total Nongovernmental	711,207	799,824	10,570,389	9,673,710	896,679	9.3	17,231,493	
Total Disbursements	\$ 21,999,297	\$ 17,633,652	\$ 244,763,100	\$ 260,435,331	\$ (15,672,231)	(6.0)	\$ 212,157,311	
TEMPORARY LOANS								
Special Fund for Economic Uncertainties	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	
Budget Stabilization Account	-	-	-	-	-	-	-	
Outstanding Registered Warrants Account	-	-	-	-	-	-	-	
Other Internal Sources	-	-	-	-	-	-	-	
Revenue Anticipation Notes	-	-	-	-	-	-	-	
Net Increase / (Decrease) Loans	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	

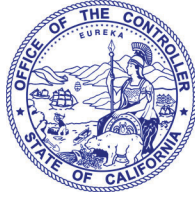
See notes on page B1 and B2.

August 2023

**STATEMENT of GENERAL FUND
CASH RECEIPTS and DISBURSEMENTS**



MALIA M. COHEN
California State Controller



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

September 8, 2023

Enclosed is the Statement of General Fund Cash Receipts and Disbursements for the period of July 1, 2023, through August 31, 2023. This statement reflects the state's General Fund cash position and compares actual receipts and disbursements for the 2023-24 fiscal year to cash flow estimates prepared by the Department of Finance (DOF).

The statement is provided in compliance with Provision 5 of Budget Act item 0840-001-0001, using records compiled by the State Controller's Office. Prior-year actual amounts also are displayed for comparative purposes. Attachment A compares actual receipts and disbursements for the 2023-24 fiscal year to cash flow estimates prepared by the DOF based upon the 2023-24 Budget Act.

These monthly financial reports are also available online at www.sco.ca.gov on the Financial Reports, Taxes, and Economy page.

Please direct any questions relating to this report to Coleen Morrow, Bureau Chief of the State Accounting and Reporting Division, Bureau of Cash Management, at (916) 327-1751.

Sincerely,

Original signed by

KC MOHSENI
Division Chief, State Accounting and Reporting Division

STATEMENT OF GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS
A Comparison of Actual to 2023-24 Budget Act
(Amounts in thousands)

	July 1 through August 31				
	2023				2022
	Actual	Estimate (a)	Actual Over or (Under) Estimate		Actual
			Amount	%	
GENERAL FUND BEGINNING CASH BALANCE	\$ 14,010,841	\$ 14,010,841	\$ -	-	\$ 84,577,276
Or Beginning Outstanding Loan Balance	-	-	-	-	-
Add Receipts:					
Revenues	21,917,409	20,995,614	921,795	4.4	21,982,565
Nonrevenues	115,919	2,080,556	(1,964,637)	(94.4)	2,641,547
Total Receipts	22,033,328	23,076,170	(1,042,842)	(4.5)	24,624,112
Less Disbursements (c):					
State Operations	9,868,574	10,763,589	(895,015)	(8.3)	28,301,716
Local Assistance	25,916,071	22,736,339	3,179,732	14.0	26,491,487
Capital Outlay	53,931	83,646	(29,715)	(35.5)	23,072
Nongovernmental	1,978,088	2,099,767	(121,679)	(5.8)	257,231
Total Disbursements	37,816,664	35,683,341	2,133,323	6.0	55,073,506
Receipts Over / (Under) Disbursements	(15,783,336)	(12,607,171)	(3,176,165)	25.2	(30,449,394)
Net Increase / (Decrease) in Temporary Loans	1,772,495	-	1,772,495	-	-
GENERAL FUND ENDING CASH BALANCE	-	1,403,670	(1,403,670)		54,127,882
Special Fund for Economic Uncertainties	1,527,413	3,318,616	(1,791,203)	(54.0)	3,978,641
TOTAL CASH	\$ 1,527,413	\$ 4,722,286	\$ (3,194,873)		\$ 58,106,523
BORROWABLE RESOURCES					
Special Fund for Economic Uncertainties	\$ 3,299,908	\$ 3,318,616	\$ (18,708)	(0.6)	\$ 3,978,643
Budget Stabilization Account	23,288,422	23,288,422	-	-	15,781,422
Other Internal Sources (f)	78,479,024	73,146,350	5,332,674	7.3	61,785,893
Cash Balance from Borrowable Resources	105,067,354	99,753,388	5,313,966	5.3	81,545,958
Less:					
PMIA Loans (AB 55, GC 16312 and 16313)	380,513	360,000	20,513	5.7	841,492
SMIF Loans (SB 84, GC 20825)	2,856,818	2,730,000	126,818	4.6	3,214,305
SMIF Loans (AB 1054, PUC 3285)	-	-	-	-	530,000
Total Available Borrowable Resources (e)	101,830,023	96,663,388	5,166,635	5.3	76,960,161
Outstanding Loans to General Fund (b)	1,772,495	-	1,772,495	-	-
Outstanding Loans to the SFEU Fund	-	-	-	-	-
UNUSED BORROWABLE RESOURCES	\$ 100,057,528	\$ 96,663,388	\$ 3,394,140	3.5	\$ 76,960,161

General Note:

This report is based upon funded cash. Funded cash is cash reported to and recorded in the records of the State Controller's Office. Amounts reported as funded cash may differ from amounts in other reports to the extent there are timing differences in the recording of in-transit items.

Footnotes:

- (a) A Statement of Estimated Cash Flow for the 2023-24 fiscal year was prepared by the Department of Finance for the 2023-24 Budget Act. Any projections or estimates are set forth as such and not as representation of facts. (Footnote pertains to all pages in this report)
- (b) Outstanding loan balance of \$1.77 billion is comprised of \$1.77 billion of internal borrowing. Current balance is comprised of \$0.00 billion carried forward from June 30, 2023, plus current year Net Increase/(Decrease) in Temporary Loans of \$1.77 billion. (Footnote ties to page A1; Outstanding Loans to General Fund)
- (c) If shown, negative amounts are the result of repayments received that are greater than disbursements made. (Footnote ties to pages A1, A3 and A4; Disbursements)
- (d) Debt Service amounts are net of offsets such as federal subsidies and reimbursements from other sources. To the extent that these offsets do not occur when anticipated, there can be variances between actuals and estimates on a month-to-month basis. (Footnote ties to page A3; Debt Service)

(Continued on A2)

SCHEDULE OF CASH RECEIPTS

(Amounts in thousands)

	August		July 1 through August 31					2022
			2023					
	2023	2022	Actual	Estimate (a)	Actual Over or (Under) Estimate		Actual	
					Amount	%		
REVENUES								
Alcoholic Beverage Excise Tax	\$ 29,803	\$ 32,785	\$ 76,210	\$ 77,927	\$ (1,717)	(2.2)	\$ 75,872	
Corporation Tax	504,961	383,431	1,011,796	1,268,125	(256,329)	(20.2)	1,223,229	
Cigarette Tax	4,330	4,296	8,989	7,273	1,716	23.6	9,334	
Estate, Inheritance, and Gift Tax	-	9	1	-	1	-	9	
Insurance Companies Tax	496,656	491,118	599,353	435,588	163,765	37.6	553,312	
Personal Income Tax	7,726,627	7,389,532	13,984,052	14,027,395	(43,343)	(0.3)	14,243,663	
Retail Sales and Use Taxes	3,998,633	4,140,581	5,381,509	4,773,620	607,889	12.7	5,487,519	
Vehicle License Fees	-	-	-	-	-	-	-	
Pooled Money Investment Interest	237,446	72,267	424,397	277,386	147,011	53.0	112,776	
Not Otherwise Classified	346,396	130,563	431,102	128,300	302,802	236.0	276,851	
Total Revenues	13,344,852	12,644,582	21,917,409	20,995,614	921,795	4.4	21,982,565	
NONREVENUES								
Transfers from Special Fund for								
Economic Uncertainties	18,708	-	18,708	-	18,708	-	-	
Transfers from Other Funds	1,528	72,901	29,218	2,019,300	(1,990,082)	(98.6)	2,574,338	
Miscellaneous	47,867	32,710	67,993	61,256	6,737	11.0	67,209	
Total Nonrevenues	68,103	105,611	115,919	2,080,556	(1,964,637)	(94.4)	2,641,547	
Total Receipts	\$ 13,412,955	\$ 12,750,193	\$ 22,033,328	\$ 23,076,170	\$ (1,042,842)	(4.5)	\$ 24,624,112	

(Continued from A1)

- (e) Cash Balance from Borrowable Resources has been reduced by Pooled Money Investment Account (PMIA) loans pursuant to Assembly Bill (AB) 55 (Chapter 6/1987, Government Code (GC) sections 16312 and 16313) and Surplus Money Investment Fund (SMIF) loans pursuant to Senate Bill (SB) 84 (Chapter 50/2017, GC section 20825) and AB 1054 (Chapter 79/2019, Public Utilities Codes (PUC) section 3285). (Footnote ties to page A1; Total Available Borrowable Resources)
- (f) Other Internal Sources balance includes \$900.0 million for the Safety Net Reserve Fund pursuant to AB 1830 (Chapter 42/2018, Welfare and Institutions Code (WIC) section 11011) and \$9.51 billion for the Public School System Stabilization Account pursuant to Section 21 of Article XVI of the California Constitution. (Footnote ties to page A1; Other Internal Sources)

(Concluded)

SCHEDULE OF CASH DISBURSEMENTS

(Amounts in thousands)

	August		July 1 through August 31					
			2023				2022	
	2023	2022	Actual	Estimate (a)	Actual Over or (Under) Estimate		Actual	
					Amount	%		
STATE OPERATIONS (c)								
Legislative/Judicial/Executive	\$ 262,911	\$ 230,941	\$ 624,448	\$ 513,938	\$ 110,510	21.5	\$ 8,655,290	
Business, Consumer Services and Housing	7,549	21,679	44,396	28,030	16,366	58.4	43,865	
Transportation	727	1,206	17,227	36,318	(19,091)	(52.6)	1,405	
Resources	350,754	248,054	668,586	821,266	(152,680)	(18.6)	551,981	
Environmental Protection Agency	19,471	55,458	45,022	29,766	15,256	51.3	104,994	
Health and Human Services:								
Health Care Services and Public Health	(3,996)	84,866	185,941	162,046	23,895	14.7	261,192	
Department of State Hospitals	184,977	165,577	377,898	388,957	(11,059)	(2.8)	353,031	
Other Health and Human Services	97,365	119,215	206,750	167,396	39,354	23.5	205,189	
Education:								
University of California	382,420	345,958	764,452	814,298	(49,846)	(6.1)	702,698	
State Universities and Colleges	408,365	417,395	819,225	819,169	56	0.0	837,387	
Other Education	41,291	35,229	68,778	167,486	(98,708)	(58.9)	63,003	
Dept. of Corrections and Rehabilitation	1,188,535	1,216,350	2,314,811	2,301,493	13,318	0.6	2,310,036	
Governmental Operations	323,352	151,680	2,108,272	2,041,464	66,808	3.3	12,734,073	
General Government	527,269	584,732	868,659	1,665,336	(796,677)	(47.8)	973,140	
Public Employees' Retirement								
System	(352,946)	(338,555)	334,995	376,782	(41,787)	(11.1)	99,693	
Debt Service (d)	480,609	456,133	418,780	428,471	(9,691)	(2.3)	404,520	
Interest on Loans	334	207	334	1,373	(1,039)	(75.7)	219	
Total State Operations	3,918,987	3,796,125	9,868,574	10,763,589	(895,015)	(8.3)	28,301,716	
LOCAL ASSISTANCE (c)								
Public Schools - K-12	3,232,082	10,348,642	6,717,475	6,079,963	637,512	10.5	11,650,410	
Community Colleges	418,299	1,015,250	1,247,487	777,607	469,880	60.4	1,826,537	
Debt Service-School Building Bonds	-	-	-	-	-	-	-	
State Teachers' Retirement System	-	-	771,218	771,218	-	-	727,634	
Other Education	1,297,485	1,478,953	1,700,024	1,350,902	349,122	25.8	1,650,340	
School Facilities Aid	-	-	-	-	-	-	-	
Dept. of Corrections and Rehabilitation	29,697	354,778	223,775	365,392	(141,617)	(38.8)	360,033	
Dept. of Alcohol and Drug Program	-	-	-	-	-	-	-	
Health Care Services and Public Health:								
Medical Assistance Program	6,109,276	1,990,103	9,183,881	5,945,355	3,238,526	54.5	4,498,985	
Other Health Care Services/Public Health	55,702	133,886	99,229	457,163	(357,934)	(78.3)	84,490	
Developmental Services - Regional Centers	418,916	270,031	1,186,441	1,242,896	(56,455)	(4.5)	1,116,511	
Department of State Hospitals	-	-	-	-	-	-	-	
Dept. of Social Services:								
SSI/SSP/IHSS	327,194	844,854	1,573,155	1,631,255	(58,100)	(3.6)	1,696,082	
CalWORKs	137,809	275,337	736,222	964,083	(227,861)	(23.6)	689,314	
Other Social Services	238,349	75,248	365,208	441,972	(76,764)	(17.4)	295,906	
Tax Relief	-	-	-	-	-	-	-	
Other Local Assistance	1,027,598	1,026,491	2,111,956	2,708,533	(596,577)	(22.0)	1,895,245	
Total Local Assistance	13,292,407	17,813,573	25,916,071	22,736,339	3,179,732	14.0	26,491,487	

See notes on page A1 and A2.

(Continued)

SCHEDULE OF CASH DISBURSEMENTS (Continued)

(Amounts in thousands)

	August		July 1 through August 31				2022
	2023	2022	Actual	Estimate (a)	Actual Over or (Under) Estimate		Actual
					Amount	%	
CAPITAL OUTLAY (c)	16,497	15,651	53,931	83,646	(29,715)	(35.5)	23,072
NONGOVERNMENTAL (c)							
Transfer to Special Fund for Economic Uncertainties	-	-	-	-	-	-	-
Transfer to Budget Stabilization Account	-	-	-	-	-	-	-
Transfer to Other Funds	17,000	6,750	2,300,371	2,433,000	(132,629)	(5.5)	600,563
Transfer to Revolving Fund	79,782	61,414	19,000	-	19,000	-	4,893
Advance:							
MediCal Provider Interim Payment	-	-	-	-	-	-	-
State-County Property Tax Administration Program	7,001	1	52,809	-	52,809	-	43,611
Social Welfare Federal Fund	-	5,438	(60,859)	-	(60,859)	-	(93,052)
Local Governmental Entities	-	-	-	-	-	-	-
Tax Relief and Refund Account	-	-	-	-	-	-	-
Counties for Social Welfare	-	(298,784)	(333,233)	(333,233)	-	-	(298,784)
Total Nongovernmental	103,783	(225,181)	1,978,088	2,099,767	(121,679)	(5.8)	257,231
Total Disbursements	\$ 17,331,674	\$ 21,400,168	\$ 37,816,664	\$ 35,683,341	\$ 2,133,323	6.0	\$ 55,073,506
TEMPORARY LOANS							
Special Fund for Economic Uncertainties	\$ 1,772,495	\$ -	\$ 1,772,495	\$ -	\$ 1,772,495	-	\$ -
Budget Stabilization Account	-	-	-	-	-	-	-
Outstanding Registered Warrants Account	-	-	-	-	-	-	-
Other Internal Sources	-	-	-	-	-	-	-
Revenue Anticipation Notes	-	-	-	-	-	-	-
Net Increase / (Decrease) Loans	\$ 1,772,495	\$ -	\$ 1,772,495	\$ -	\$ 1,772,495	-	\$ -

See notes on page A1 and A2.

COMPARATIVE STATEMENT OF REVENUES RECEIVED
All Governmental Cost Funds
(Amounts in thousands)

	July 1 through August 31			
	General Fund		Special Funds	
	2023	2022	2023	2022
MAJOR TAXES, LICENSES, AND INVESTMENT INCOME:				
Alcoholic Beverage Excise Taxes	\$ 76,210	\$ 75,872	\$ -	\$ -
Corporation Tax	1,011,796	1,223,229	-	(338)
Cigarette Tax	8,989	9,334	252,791	287,549
Cannabis Excise Taxes	-	-	150,333	140,125
Estate, Inheritance, and Gift Tax	1	9	-	-
Insurance Companies Tax	599,353	553,312	2,691	3,136
Motor Vehicle Fuel Tax:				
Gasoline Tax	-	-	1,271,151	1,180,816
Diesel & Liquid Petroleum Gas	-	-	227,691	215,531
Jet Fuel Tax	-	-	785	786
Vehicle License Fees	-	-	592,258	524,486
Personal Income Tax	13,984,052	14,243,663	263,009	267,398
Retail Sales and Use Taxes	5,381,509	5,487,519	2,941,351	2,987,135
Pooled Money Investment Interest	424,397	112,776	677	114
Total Major Taxes, Licenses, and Investment Income	21,486,307	21,705,714	5,702,737	5,606,738
NOT OTHERWISE CLASSIFIED:				
Alcoholic Beverage License Fees	200	302	15,292	12,797
Motor Vehicle Registration and Other Fees	(10)	5	1,400,873	1,264,579
Cannabis Licensing Fees	-	-	13,411	18,721
Electrical Energy Tax	-	-	230,672	172,783
Private Rail Car Tax	-	-	-	-
Penalties on Traffic Violations	-	-	-	1
Health Care Receipts	138	255	-	-
Revenues from State Lands	2,473	19,491	-	-
Abandoned Property	(76,613)	39,871	-	-
Trial Court Revenues	4,776	4,437	147,343	143,344
Horse Racing Fees	-	-	4,897	3,920
Cap and Trade	-	-	-	-
Individual Shared Responsibility				
Penalty Assessments	18,962	41,899	9,510	-
Miscellaneous Tax Revenue	-	-	-	645,686
Miscellaneous	481,176	170,591	3,035,023	2,303,945
Not Otherwise Classified	431,102	276,851	4,857,021	4,565,776
Total Revenues, All Governmental Cost Funds	\$ 21,917,409	\$ 21,982,565	\$ 10,559,758	\$ 10,172,514

APPENDIX B

THE BOOK-ENTRY ONLY SYSTEM

The information in numbered paragraphs 1 through 10 of this Appendix B regarding DTC's Book Entry System has been provided by DTC for use in securities offering documents, and the State takes no responsibility for the accuracy or completeness thereof. The State cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the bonds (the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Construction Bonds and the Refunding Bonds, respectively, each in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any such maturity exceeds \$500 million, one Bond certificate will be issued with respect to each \$500 million of principal amount, and an additional Bond certificate will be issued with respect to any remaining principal amount of such maturity.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings rating of AA+. The DTC

Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State Treasurer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the State Treasurer, on the payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the State Treasurer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State Treasurer, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the State Treasurer. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

10. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the State believes to be reliable, but the State takes no responsibility for the accuracy thereof.

The foregoing description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest and other payments with respect to the Bonds to Direct Participants, Indirect Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in such Bonds and other related transactions by and between DTC, the Direct Participants, the Indirect Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the Direct Participants, the Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the Participants, as the case may be. The State Treasurer will not have any responsibility or obligation to Direct Participants and Indirect Participants or the persons for whom they act as nominees with respect to the Bonds.

THE STATE TREASURER, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES FOR OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE HOLDERS OF THE BONDS (OTHER

THAN UNDER THE CAPTION “TAX MATTERS”) SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

The State Treasurer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). If the State Treasurer determines not to continue the DTC book-entry only system, or DTC discontinues providing its services with respect to the Bonds and the State Treasurer does not select another qualified securities depository, the State will deliver physical Bond certificates to the Beneficial Owners. The Bonds may thereafter be transferred upon the books of the State Treasurer by the registered owners, in person or by authorized attorney, upon surrender of Bonds at the Office of the State Treasurer in Sacramento, California, accompanied by delivery of an executed instrument of transfer in a form approved by the State Treasurer and upon payment of any charges provided for in the Resolutions. Certificated bonds may be exchanged for Bonds of other authorized denominations of the same aggregate principal amount and maturity at the Office of the State Treasurer in Sacramento, California, upon payment of any charges provided for in the Resolutions. No transfer or exchange of Bonds will be made by the State Treasurer during the period between the record date and the next interest payment date.

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered as of September 14, 2023 by the Treasurer of the State of California (the “State Treasurer”) in connection with the issuance of \$1,045,150,000 aggregate principal amount of the State of California Various Purpose General Obligation Bonds and \$1,536,445,000 aggregate principal amount of the State of California Various Purpose General Obligation Refunding Bonds (collectively, the “Bonds”) as authorized by the related general obligation bond acts approved by the voters of the State of California (the “State”) and identified in the Official Statement (defined below) (the “Acts”). The Bonds are being issued pursuant to resolutions of finance committees (the “Resolutions”) designated under the Acts. Pursuant to the Resolutions, the State Treasurer, on behalf of the State, covenants and agrees as follows:

Section 1. Nature of the Disclosure Certificate. This Disclosure Certificate is executed and delivered for the benefit of the Holders and Beneficial Owners (as defined below) of the Bonds from time to time, and in order to assist the Participating Underwriters (as defined below) in complying with the Rule (as defined below), but shall not be deemed to create any monetary liability on the part of the State or the State Treasurer to any other persons, including Holders or Beneficial Owners of the Bonds based on the Rule. The sole remedy in the event of any failure of the State Treasurer to comply with this Disclosure Certificate shall be an action to compel performance of any act required hereunder.

Section 2. Definitions. In addition to the definitions set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the State Treasurer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person who has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” shall mean the State Treasurer, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the State Treasurer and which has filed with the State Treasurer a written acceptance of such designation.

“Financial Obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Holder” shall mean any person listed on the registration books of the State Treasurer as the registered owner of any Bonds.

“Listed Event” shall mean any of the events listed in Section 5(a) or (b) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive reports or notices pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” shall mean the official statement relating to the Bonds, dated September 7, 2023.

“Participating Underwriter” shall mean any of the underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the Securities and Exchange Commission.

“State” shall mean the State of California.

Section 3. Provision of Annual Reports; Additional Information.

(a) The State Treasurer on behalf of the State shall, or shall cause the Dissemination Agent to, not later than April 1 of each year in which the Bonds are outstanding, commencing with the report for the 2022-23 fiscal year (which is due not later than April 1, 2024), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that the audited financial statements of the State may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date in accordance with Section 4(a). If the State’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(d). The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than 15 business days prior to said date, the State Treasurer shall provide the Annual Report to the Dissemination Agent (if other than the State Treasurer). If the State Treasurer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the State Treasurer shall, in a timely manner, send or cause to be sent to the MSRB a notice in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the State Treasurer) file a report with the State Treasurer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

(d) The State will promptly file the audited Basic Financial Statements of the State for the fiscal year ended June 30, 2022, when available, in the same manner as the Annual Report set forth in Section 3(a).

Section 4. Content of Annual Reports. The Annual Report shall contain or include by reference the following:

(a) The audited Basic Financial Statements of the State for the fiscal year ended on the previous June 30, prepared in accordance with generally accepted accounting principles promulgated to apply to government entities from time to time by the Governmental Accounting Standards Board. If the State's audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available.¹

(b) Financial information relating to the State's General Fund budget for the fiscal year ended on the previous June 30 and information concerning the State budget for the fiscal year in which the Annual Report is issued. Such information shall describe the sources of revenues, the principal categories of expenditures, and changes in fund balances, a summary of expected State revenues and budgeted expenditures, and significant assumptions relating to revenue and expenditure expectations; including updating information of the type appearing in the following tables contained under the caption APPENDIX A—"THE STATE OF CALIFORNIA—CURRENT STATE BUDGET" in the Official Statement:

Tables Entitled

General Fund Beginning Balance, Revenues, Expenditures, and Ending Fund Balance by Fiscal Year — Budgetary-Legal Basis

General Fund Revenues by Source, and Expenditures by Agency

(c) Information concerning the total amount of the State's authorized and outstanding debt, long-term lease obligations and other long-term liabilities as of the most recent June 30, which debt is supported by payments from the State's General Fund and which includes short-term debt. Such information shall include schedules of debt service for outstanding general obligation bonds and lease-purchase debt. This shall be accomplished by updating information of the type appearing in the following tables contained under the caption APPENDIX A—"THE STATE OF CALIFORNIA—STATE DEBT TABLES" in the Official Statement.

¹ The State's audited financial statements for the last few fiscal years have been delayed. The causes of such delays may continue to impact the ability of the State to provide audited or unaudited financial statements by April 1 for one or more subsequent fiscal years. For further discussion, see "FINANCIAL STATEMENTS" and APPENDIX A—"THE STATE OF CALIFORNIA—FINANCIAL STATEMENTS" in the Official Statement (which is not incorporated herein by this reference), available on Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

Tables Entitled

Outstanding State Debt

Authorized and Outstanding General Obligation Bonds

General Obligation and Revenue Bonds Summary of Debt Service Requirements

Schedule of Debt Service Requirements for General Fund Non-Self Liquidating Bonds Fixed Rate

Schedule of Debt Service Requirements for General Fund Non-Self Liquidating Bonds Variable Rate

Schedule of Debt Service Requirements for Enterprise Fund Self Liquidating Bonds Fixed Rate

Schedule of Debt Service Requirements for Lease-Revenue Debt Fixed Rate

State Public Works Board and Other Lease-Revenue Financing Outstanding Issues

State Agency Revenue Bonds and Conduit Financing

Notwithstanding the foregoing, information referenced in this Section 4(c) will no longer be updated for any twelve-month period ended June 30 that commences after all of the debt, long-term lease obligations, other long-term liabilities and/or short-term debt referenced in the respective table, as applicable, is no longer outstanding.

(d) Financial information relating to the State referenced in section 4(b) and 4(c) may be updated from time to time, and such updates may involve displaying data in a different format or table or eliminating data that is no longer available.

(e) The Annual Report may consist of one or more documents. Any or all of the items listed above may be included in the Annual Report by reference to other documents that have been filed by the State with the MSRB, including any final official statement (in which case such final official statement must also be available from the MSRB). The State Treasurer shall clearly identify in the Annual Report each such document so included by reference.

Section 5. Reporting of Significant Events.

(a) The State Treasurer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;

2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. Tender offers;
7. Defeasances;
8. Rating changes;
9. Bankruptcy, insolvency, receivership or similar event of the obligated person; or
10. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the State, any of which reflect financial difficulties.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The State Treasurer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds;

2. Modifications to rights of Bond holders;
3. Optional, unscheduled or contingent Bond calls;
4. Release, substitution, or sale of property securing repayment of the Bonds;
5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
7. Appointment of a successor or additional trustee or the change of name of a trustee; or
8. Incurrence of a Financial Obligation of the State, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the State, any of which affect Holders.

(c) The State Treasurer notes that Sections 5(a)(2), (3) and (4) and 5(b)(4) are not applicable to the Bonds.

(d) Any notice required to be given pursuant to subsection (a) or (b) above shall be filed with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notice of the Listed Event described in subsection (b)(3) above need not be given under this subsection any earlier than the notice of the underlying event is given to Holders of affected Bonds pursuant to the Resolutions.

Section 6. Termination of Reporting Obligation. The State's obligations under Sections 3, 4 and 5 of this Disclosure Certificate shall terminate with respect to any Bonds upon the maturity, legal defeasance, prior redemption or acceleration of such Bonds.

Section 7. Dissemination Agent. The State Treasurer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out the obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the State Treasurer pursuant to this Disclosure Certificate. If at any time there is not any other designated Dissemination Agent, the State Treasurer shall be the Dissemination Agent. The initial Dissemination Agent shall be the State Treasurer.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the State Treasurer may amend any provision of this Disclosure Certificate,

and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3(a), 4, 5(a), 5(b) or 5(d), 8(a), 8(b) (excluding the requirement that the related determination be set forth in an opinion of nationally recognized bond counsel) or 8(c) (excluding both the percentage of Holders required for approval and the requirement that the related determination be set forth in an opinion of nationally recognized bond counsel), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of 60 percent of the Bonds outstanding or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds. The State also may amend this Disclosure Certificate without approval by the Holders to the extent permitted by rule, order or other official pronouncement of the SEC.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the State Treasurer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the State. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(d), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the State Treasurer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the State Treasurer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the State Treasurer shall not have any obligation under this Disclosure Certificate to update such information or include it in any Annual Report or future notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the State or State Treasurer to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds

may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the State or State Treasurer to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the State or State Treasurer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity (except the right of the Dissemination Agent or any Holder or Beneficial Owner to enforce the provisions of this Disclosure Certificate on behalf of the Holders). This Disclosure Certificate is not intended to create any monetary rights on behalf of any person based upon the Rule.

Section 12. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the State Treasurer shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof, and the Holders of the Bonds shall retain all the benefits afforded to them hereunder. The State Treasurer hereby declares that she would have executed and delivered this Disclosure Certificate and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 13. Governing Law. The laws of the State shall govern this Disclosure Certificate, the interpretation thereof and any right or liability arising hereunder. Any action or proceeding to enforce or interpret any provision of this Disclosure Certificate shall be brought, commenced or prosecuted in any courts of the State located in Sacramento County, California.

IN WITNESS WHEREOF, the State Treasurer has executed this Disclosure Certificate as of the date first above written.

By: _____
Deputy Treasurer
For California State Treasurer Fiona Ma

CONTINUING DISCLOSURE EXHIBIT A

**FORM OF NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD OF
FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: STATE OF CALIFORNIA

Name of Bond Issue: STATE OF CALIFORNIA
Various Purpose General Obligation Bonds
Various Purpose General Obligation Refunding Bonds

Date of Issuance: September 14, 2023

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Certificate of the Issuer, dated the Date of Issuance. [The Issuer anticipates that the Annual Report will be filed by _____.]

Dated: _____

STATE OF CALIFORNIA

By: [to be signed only if filed]

APPENDIX D

PROPOSED FORMS OF LEGAL OPINIONS

FORM OF FINAL OPINION OF BOND COUNSEL

[Closing Date]

The Honorable Fiona Ma
State Treasurer
Sacramento, California

\$2,581,595,000
STATE OF CALIFORNIA
GENERAL OBLIGATION BONDS

(Final Opinion)

We have acted as bond counsel to the State of California (the “State”) in connection with the issuance by the State of (i) \$1,045,150,000 aggregate principal amount of State of California Various Purpose General Obligation Bonds (the “Construction Bonds”) and (ii) \$1,536,445,000 aggregate principal amount of State of California Various Purpose General Obligation Refunding Bonds (the “Refunding Bonds,” and together with the Construction Bonds, the “Bonds”). All the bond acts under which the Bonds are issued are identified in Schedule A hereto, which is incorporated by reference. The Bonds are authorized pursuant to the respective bond acts identified in Schedule A (collectively, the “Laws”) and are issued pursuant to Part 3 of Division 4 of Title 2 of the California Government Code and pursuant to resolutions (the “Resolutions”) adopted by the respective finance committees designated under the Laws. The Bonds comprise the separate series of Bonds identified on Schedule A.

In such connection, we have reviewed the Resolutions; the tax certificate of the State relating to the Bonds, dated the date hereof (the “Tax Certificate”); opinions of counsel to the State; other certifications of officials of the State; the judgment entered on January 15, 2015, by the Superior Court for the State of California, County of Sacramento, in the action entitled High-Speed Rail Authority, et al. v. All Persons Interested, etc., Case No. 34-2013-00140689, writ entered sub nom. California High-Speed Rail Authority, et al. v. Superior Court (2014) 228 Cal.App.4th 676 (the “High-Speed Passenger Train Bonds Validation Judgment”); and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. We disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and

delivery thereof by, and validity against, any parties other than the State. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolutions and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes.

We call attention to the fact that the rights and obligations under the Bonds, the Resolutions and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against the State. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or to have the effect of a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Preliminary Official Statement, dated August 28, 2023 and the Official Statement, dated September 7, 2023, or other offering material relating to the Bonds and express no opinion or view with respect thereto.

Based on and subject to the foregoing, and, solely with respect to the State of California High-Speed Passenger Train Bonds, Series AT, also based on the High-Speed Passenger Train Bonds Validation Judgment, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The State has lawful authority for the issuance of the Bonds, and the Bonds constitute valid and binding general obligations of the State payable in accordance with the Laws from the General Fund of the State. The full faith and credit of the State is pledged to the punctual payment of the principal of and interest on the Bonds as the principal and interest become due and payable.
2. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that, for tax years beginning after December 31, 2022, interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Interest on the Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

Per

Schedule A

\$1,045,150,000

STATE OF CALIFORNIA VARIOUS PURPOSE GENERAL OBLIGATION BONDS

FINANCE COMMITTEE	BOND ACT	NAME OF BONDS (STATE OF CALIFORNIA)	SERIES	PRINCIPAL AMOUNT
California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act Finance Committee	California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002	California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Bonds	CW	\$4,035,000
California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Finance Committee	California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Act of 2018	California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Bonds	V	\$100,000,000
California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Finance Committee	California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Act of 2018	California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Bonds	W	\$14,665,000
Children's Hospital Bond Act Finance Committee	Children's Hospital Bond Act of 2018	Children's Hospital Bonds	F	\$29,125,000
Disaster Preparedness and Flood Prevention Bond Finance Committee	Disaster Preparedness and Flood Prevention Bond Act of 2006	Disaster Preparedness and Flood Prevention Bonds	BD	\$66,910,000
Highway Safety, Traffic Reduction, Air Quality, and Port Security Committee	Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006	Highway Safety, Traffic Reduction, Air Quality, and Port Security Bonds	CX	\$26,750,000
State School Building Finance Committee	Kindergarten Through Community College Public Education Facilities Bond Act of 2016	Kindergarten Through Community College Public Education Facilities Bonds	AT	\$71,935,000
Higher Education Facilities Finance Committee	Kindergarten Through Community College Public Education Facilities Bond Act of 2016	Kindergarten Through Community College Public Education Facilities Bonds	AU	\$200,000,000

FINANCE COMMITTEE	BOND ACT	NAME OF BONDS (STATE OF CALIFORNIA)	SERIES	PRINCIPAL AMOUNT
Higher Education Facilities Finance Committee	Kindergarten Through Community College Public Education Facilities Bond Act of 2016	Kindergarten Through Community College Public Education Facilities Bonds	AV	\$47,675,000
State School Building Finance Committee	Kindergarten-University Public Education Facilities Bond Act of 2006	Kindergarten-University Public Education Facilities Bonds	DH	\$19,965,000
Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Finance Committee	Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006	Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bonds	BG	\$64,030,000
Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection (Villaraigosa-Keeley Act) Finance Committee	Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Act of 2000 (the Villaraigosa-Keeley Act)	Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bonds	DF	\$1,485,000
High-Speed Passenger Train Finance Committee	Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century	High-Speed Passenger Train Bonds	AS	\$3,850,000
High-Speed Passenger Train Finance Committee	Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century	High-Speed Passenger Train Bonds	AT	\$9,745,000
Water Quality, Supply, and Infrastructure Improvement Finance Committee	Water Quality, Supply, and Infrastructure Improvement Act of 2014	Water Quality, Supply, and Infrastructure Improvement Bonds	AJ	\$200,000,000
Water Quality, Supply, and Infrastructure Improvement Finance Committee	Water Quality, Supply, and Infrastructure Improvement Act of 2014	Water Quality, Supply, and Infrastructure Improvement Bonds	AK	\$182,345,000
Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 Finance Committee	Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002	Water Security, Clean Drinking Water, Coastal and Beach Protection Bonds	CT	\$2,635,000

\$1,536,445,000
STATE OF CALIFORNIA
VARIOUS PURPOSE GENERAL OBLIGATION REFUNDING BONDS

FINANCE COMMITTEE	BOND ACT	NAME OF BONDS (STATE OF CALIFORNIA)	SERIES	PRINCIPAL AMOUNT
State School Building Finance Committee	Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998	Class Size Reduction Kindergarten-University Public Education Facilities Bonds	FS	\$82,710,000
State School Building Finance Committee	Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998	Class Size Reduction Kindergarten-University Public Education Facilities Bonds	FT	\$46,915,000
Higher Education Facilities Finance Committee	Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998	Class Size Reduction Kindergarten-University Public Education Facilities Bonds	FU	\$29,165,000
Higher Education Facilities Finance Committee	Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998	Class Size Reduction Kindergarten-University Public Education Facilities Bonds	FV	\$39,265,000
Transportation Improvement Finance Committee	Clean Air and Transportation Improvement Bond Act of 1990	Clean Air and Transportation Improvement Bonds	DJ	\$4,105,000
Highway Safety, Traffic Reduction, Air Quality, and Port Security Committee	Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006	Highway Safety, Traffic Reduction, Air Quality, and Port Security Bonds	CY	\$526,690,000
Higher Education Facilities Finance Committee	Kindergarten-University Public Education Facilities Bond Act of 2002	Kindergarten-University Public Education Facilities Bonds	FJ	\$41,215,000
State School Building Finance Committee	Kindergarten-University Public Education Facilities Bond Act of 2002	Kindergarten-University Public Education Facilities Bonds	FK	\$199,520,000

FINANCE COMMITTEE	BOND ACT	NAME OF BONDS (STATE OF CALIFORNIA)	SERIES	PRINCIPAL AMOUNT
State School Building Finance Committee	Kindergarten-University Public Education Facilities Bond Act of 2004	Kindergarten-University Public Education Facilities Bonds	EK	\$33,855,000
State School Building Finance Committee	Kindergarten-University Public Education Facilities Bond Act of 2006	Kindergarten-University Public Education Facilities Bonds	DJ	\$239,610,000
Higher Education Facilities Finance Committee	Kindergarten-University Public Education Facilities Bond Act of 2006	Kindergarten-University Public Education Facilities Bonds	DK	\$115,695,000
Safe, Clean, Reliable Water Supply Finance Committee	Safe, Clean, Reliable Water Supply Act	Safe, Clean, Reliable Water Supply Bonds	CN	\$22,215,000
Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Finance Committee	Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Act	Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Bonds	CQ	\$39,290,000
Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection (Villaraigosa-Keeley Act) Finance Committee	Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Act of 2000 (the Villaraigosa-Keeley Act)	Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bonds	DG	\$5,975,000
Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection (Villaraigosa-Keeley Act) Finance Committee	Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Act of 2000 (the Villaraigosa-Keeley Act)	Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bonds	DH	\$4,735,000
Seismic Retrofit Finance Committee	Seismic Retrofit Bond Act of 1996	Seismic Retrofit Bonds	CN	\$5,000,000
Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 Finance Committee	Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002	Water Security, Clean Drinking Water, Coastal and Beach Protection Bonds	CU	\$100,485,000

FORM OF OPINION OF THE ATTORNEY GENERAL

[Closing Date]

The Honorable Fiona Ma
State Treasurer
Sacramento, California

\$1,045,150,000
STATE OF CALIFORNIA
Various Purpose General Obligation Bonds

\$1,536,445,000
STATE OF CALIFORNIA
Various Purpose General Obligation Refunding Bonds

The Honorable Fiona Ma:

We have acted as counsel to the State of California (the “State”) in connection with the issuance by the State of (i) \$1,045,150,000 aggregate principal amount of State of California Various Purpose General Obligation Bonds (the “Construction Bonds”) and (ii) \$1,536,445,000 aggregate principal amount of State of California Various Purpose General Obligation Refunding Bonds (the “Refunding Bonds,” and together with the Construction Bonds, the “Bonds”). The Bonds are all dated [Closing Date], and are issued as separate series as identified in Schedule A hereto, which is incorporated by reference. The Bonds are authorized pursuant to the respective bond acts identified in Schedule A (collectively, the “Laws”) and are issued pursuant to Chapter 4 of Part 3 of Division 4 of Title 2 of the California Government Code and to resolutions (the “Resolutions”) adopted by the respective finance committees designated under the Laws.

In such connection, we have examined the record of proceedings submitted to us relative to the issuance of the Bonds, including the Resolutions, certifications of officials of the State, the judgment entered on January 15, 2015, by the Superior Court for the State of California, County of Sacramento, in the action entitled *High-Speed Rail Authority, et al. v. All Persons Interested, etc.*, Case No. 34-2013-00140689, writ entered sub nom. *California High-Speed Rail Authority, et al. v. Superior Court* (2014) 228 Cal.App.4th 676 (the “High-Speed Passenger Train Bonds Validation Judgment”), and such other documents and matters deemed necessary by us to render the opinions set forth herein, although in doing so, we have not undertaken to verify independently and have assumed the accuracy of the factual matters represented, warranted or certified therein.

The opinions expressed herein are based upon an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof and we disclaim any obligation to update this letter. We have neither undertaken to determine, nor to inform any person, whether any such actions are taken or omitted or events do occur or whether any other matters come to our attention after the date hereof. We have assumed the genuineness of all documents and signatures presented to us, the conformity to original documents and certificates of

all documents and certificates submitted to us as copies, and the authenticity of the originals of such latter documents and certificates. Furthermore, we have assumed compliance with the agreements and covenants contained in the Resolutions.

Solely with respect to the State of California High-Speed Passenger Train Bonds, Series AT, we have relied upon the High-Speed Passenger Train Bonds Validation Judgment.

We call attention to the fact that the rights and obligations under the Bonds and the Resolutions and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations contained in state law regarding legal remedies against the State. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, severability or waiver provisions contained in the foregoing documents. We express no opinion as to whether interest on the Bonds is excluded from gross income for federal income tax purposes or exempt from state personal income taxes or as to any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Preliminary Official Statement, dated August 28, 2023 or the Official Statement dated September 7, 2023, or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the opinion that the State has lawful authority for the issuance of the Bonds, and the Bonds constitute the valid and binding general obligations of the State payable in accordance with the Laws from the General Fund of the State. The full faith and credit of the State is pledged to the punctual payment of the principal of and interest on the Bonds, as the principal and interest become due and payable.

Sincerely,

Deputy Attorney General

For ROB BONTA
Attorney General

Schedule A

\$1,045,150,000

STATE OF CALIFORNIA VARIOUS PURPOSE GENERAL OBLIGATION BONDS

FINANCE COMMITTEE	BOND ACT	NAME OF BONDS (STATE OF CALIFORNIA)	SERIES	PRINCIPAL AMOUNT
California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act Finance Committee	California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002	California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Bonds	CW	\$4,035,000
California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Finance Committee	California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Act of 2018	California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Bonds	V	\$100,000,000
California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Finance Committee	California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Act of 2018	California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Bonds	W	\$14,665,000
Children's Hospital Bond Act Finance Committee	Children's Hospital Bond Act of 2018	Children's Hospital Bonds	F	\$29,125,000
Disaster Preparedness and Flood Prevention Bond Finance Committee	Disaster Preparedness and Flood Prevention Bond Act of 2006	Disaster Preparedness and Flood Prevention Bonds	BD	\$66,910,000
Highway Safety, Traffic Reduction, Air Quality, and Port Security Committee	Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006	Highway Safety, Traffic Reduction, Air Quality, and Port Security Bonds	CX	\$26,750,000
State School Building Finance Committee	Kindergarten Through Community College Public Education Facilities Bond Act of 2016	Kindergarten Through Community College Public Education Facilities Bonds	AT	\$71,935,000
Higher Education Facilities Finance Committee	Kindergarten Through Community College Public Education Facilities Bond Act of 2016	Kindergarten Through Community College Public Education Facilities Bonds	AU	\$200,000,000

FINANCE COMMITTEE	BOND ACT	NAME OF BONDS (STATE OF CALIFORNIA)	SERIES	PRINCIPAL AMOUNT
Higher Education Facilities Finance Committee	Kindergarten Through Community College Public Education Facilities Bond Act of 2016	Kindergarten Through Community College Public Education Facilities Bonds	AV	\$47,675,000
State School Building Finance Committee	Kindergarten-University Public Education Facilities Bond Act of 2006	Kindergarten-University Public Education Facilities Bonds	DH	\$19,965,000
Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Finance Committee	Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006	Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bonds	BG	\$64,030,000
Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection (Villaraigosa-Keeley Act) Finance Committee	Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Act of 2000 (the Villaraigosa-Keeley Act)	Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bonds	DF	\$1,485,000
High-Speed Passenger Train Finance Committee	Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century	High-Speed Passenger Train Bonds	AS	\$3,850,000
High-Speed Passenger Train Finance Committee	Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century	High-Speed Passenger Train Bonds	AT	\$9,745,000
Water Quality, Supply, and Infrastructure Improvement Finance Committee	Water Quality, Supply, and Infrastructure Improvement Act of 2014	Water Quality, Supply, and Infrastructure Improvement Bonds	AJ	\$200,000,000
Water Quality, Supply, and Infrastructure Improvement Finance Committee	Water Quality, Supply, and Infrastructure Improvement Act of 2014	Water Quality, Supply, and Infrastructure Improvement Bonds	AK	\$182,345,000
Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 Finance Committee	Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002	Water Security, Clean Drinking Water, Coastal and Beach Protection Bonds	CT	\$2,635,000

\$1,536,445,000
STATE OF CALIFORNIA
VARIOUS PURPOSE GENERAL OBLIGATION REFUNDING BONDS

FINANCE COMMITTEE	BOND ACT	NAME OF BONDS (STATE OF CALIFORNIA)	SERIES	PRINCIPAL AMOUNT
State School Building Finance Committee	Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998	Class Size Reduction Kindergarten-University Public Education Facilities Bonds	FS	\$82,710,000
State School Building Finance Committee	Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998	Class Size Reduction Kindergarten-University Public Education Facilities Bonds	FT	\$46,915,000
Higher Education Facilities Finance Committee	Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998	Class Size Reduction Kindergarten-University Public Education Facilities Bonds	FU	\$29,165,000
Higher Education Facilities Finance Committee	Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998	Class Size Reduction Kindergarten-University Public Education Facilities Bonds	FV	\$39,265,000
Transportation Improvement Finance Committee	Clean Air and Transportation Improvement Bond Act of 1990	Clean Air and Transportation Improvement Bonds	DJ	\$4,105,000
Highway Safety, Traffic Reduction, Air Quality, and Port Security Committee	Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006	Highway Safety, Traffic Reduction, Air Quality, and Port Security Bonds	CY	\$526,690,000
Higher Education Facilities Finance Committee	Kindergarten-University Public Education Facilities Bond Act of 2002	Kindergarten-University Public Education Facilities Bonds	FJ	\$41,215,000
State School Building Finance Committee	Kindergarten-University Public Education Facilities Bond Act of 2002	Kindergarten-University Public Education Facilities Bonds	FK	\$199,520,000

FINANCE COMMITTEE	BOND ACT	NAME OF BONDS (STATE OF CALIFORNIA)	SERIES	PRINCIPAL AMOUNT
State School Building Finance Committee	Kindergarten-University Public Education Facilities Bond Act of 2004	Kindergarten-University Public Education Facilities Bonds	EK	\$33,855,000
State School Building Finance Committee	Kindergarten-University Public Education Facilities Bond Act of 2006	Kindergarten-University Public Education Facilities Bonds	DJ	\$239,610,000
Higher Education Facilities Finance Committee	Kindergarten-University Public Education Facilities Bond Act of 2006	Kindergarten-University Public Education Facilities Bonds	DK	\$115,695,000
Safe, Clean, Reliable Water Supply Finance Committee	Safe, Clean, Reliable Water Supply Act	Safe, Clean, Reliable Water Supply Bonds	CN	\$22,215,000
Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Finance Committee	Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Act	Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Bonds	CQ	\$39,290,000
Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection (Villaraigosa-Keeley Act) Finance Committee	Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Act of 2000 (the Villaraigosa-Keeley Act)	Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bonds	DG	\$5,975,000
Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection (Villaraigosa-Keeley Act) Finance Committee	Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Act of 2000 (the Villaraigosa-Keeley Act)	Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bonds	DH	\$4,735,000
Seismic Retrofit Finance Committee	Seismic Retrofit Bond Act of 1996	Seismic Retrofit Bonds	CN	\$5,000,000
Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 Finance Committee	Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002	Water Security, Clean Drinking Water, Coastal and Beach Protection Bonds	CU	\$100,485,000

APPENDIX E

LETTERS FROM CERTAIN UNDERWRITERS



August 10, 2023

Blake Fowler
Office of the Treasurer of the State of California

RE: State of California Various Purpose General Obligation Bonds and Various Purpose General
Obligation Refunding Bonds – September 2023

Dear Mr. Fowler:

Citigroup Global Markets Inc. is providing the following language for inclusion in the Offering Statement.

Citigroup Global Markets Inc., an underwriter of the Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

Citigroup Global Markets Inc.

August 15, 2023

State of California
Office of the State Treasurer

Attn: Blake Fowler

Re: State of California Various Purpose General Obligation Bond Sale (Tax-Exempt) (the "Bonds")

Dear Mr. Fowler:

BofA Securities, Inc. is providing the following language for inclusion in the Official Statement:

BofA Securities, Inc., an underwriter of the Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Bonds.

Sincerely,

BofA Securities, Inc.



August 15, 2023

Mr. Blake Fowler
Director, Public Finance Division
Office of the Treasurer of the State of California

RE: State of California Various Purpose General Obligation Bonds and Various Purpose
General Obligation Refunding Bonds (Tax-Exempt), September 2023 (the "Bonds")

Dear Mr. Fowler:

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Bonds, has entered into a negotiated dealer agreement (the "Dealer Agreement") with Charles Schwab & Co. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Dealer Agreement, CS&Co. may purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

J.P. MORGAN SECURITIES LLC

Morgan Stanley

August 24, 2023

Mr. Blake Fowler
Director, Public Finance Division
Office of the Treasurer of the State of California

RE: State of California General Obligation Bonds, Series 2023, September Sale (Tax-Exempt)
(the “Bonds”)

Dear Mr. Fowler:

Morgan Stanley & Co. LLC is providing the following language for inclusion in the
Official Statement.

Morgan Stanley & Co. LLC, an underwriter of the Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

Morgan Stanley & Co. LLC



TD Securities (USA) LLC
Public Finance Investment Banking
One Vanderbilt Ave
New York, NY 10017
www.tdsecurities.com

August 24, 2023

Mr. Blake Fowler
Director, Public Finance Division
Office of the Treasurer of the State of California
Public Finance Division

Re: Distribution Agreement and Other Disclosures
The State of California
September 2023 Tax-Exempt General Obligation Bonds (the “Bonds”)

Dear Mr. Fowler:

TD Securities (USA) LLC is providing the following language for inclusion in the Official Statement.

TD Securities (USA) LLC (“TD Securities”), one of the Underwriters of the Bonds, has entered into a negotiated dealer agreement (the TD Dealer Agreement) with TD Ameritrade for the retail distribution of certain securities offerings, including the Bonds at the original issue price. Pursuant to the TD Dealer Agreement, TD Ameritrade may purchase Bonds from the Underwriter at the original issue prices less a negotiated portion of the selling concession applicable to any of the Bonds TD Ameritrade sells.

TD Securities and its affiliates comprise a full-service securities firm and may engage in various activities, including securities trading, investment banking and financial advisory services, investment management, principal investment, hedging, financing and brokerage activities and financial planning. TD Securities and its affiliates, in the ordinary course of business, may engage in such activities with the Issuer or any other party that may be involved in this transaction, and receive its customary fees and expenses. Furthermore, in the ordinary course of business, TD Securities or an affiliate may, for its own account or the account of third-parties, have investment, trading, commercial banking and other relationships that may relate to the securities and/or other instruments of the Obligor or any other party that may be involved in this transaction.

Sincerely,

TD Securities (USA) LLC



August 17, 2023

Mr. Blake Fowler
Director, Public Finance Division
Office of the Treasurer of the State of California

Re: The State of California, Various Purpose General Obligation Bonds, September 2023
Series – Third-Party Distribution Agreement

Dear Mr. Fowler,

UBS Financial Services Inc. ("UBS FSI") has entered into a distribution and service agreement with its affiliate UBS Securities LLC ("UBS Securities") for the distribution of certain municipal securities offerings. UBS FSI would like to utilize this agreement in connection with the offering and sale of the State of California's Various Purpose General Obligation Bonds, April 2023 Series (the "Bonds"). If utilized, UBS FSI would share a portion of its underwriting compensation with respect to the Bonds with UBS Securities. If you consent to the use of this agreement in connection with the above referenced transaction, UBS FSI requests that the language below be included in the Official Statement. UBS FSI and UBS Securities are each subsidiaries of UBS Group AG.

UBS Financial Services Inc. is providing the following language for inclusion in the Official Statement.

UBS Financial Services Inc. ("UBS FSI") has entered into a distribution and service agreement with its affiliate UBS Securities LLC ("UBS Securities") for the distribution of certain municipal securities offerings. Pursuant to such agreement, UBS FSI will share a portion of its underwriting compensation with UBS Securities. UBS FSI and UBS Securities are each subsidiaries of UBS Group AG.

UBS Financial Services Inc.



August 17, 2023

Mr. Blake Fowler
Director, Public Finance Division
State Treasurer's Office of the State of California

Re: Disclosures by Wells Fargo Corporate & Investment Banking
State of California
Various Purpose General Obligation Bonds Tax-Exempt, September 2023 Sale (the "Bonds")

Dear Mr. Fowler:

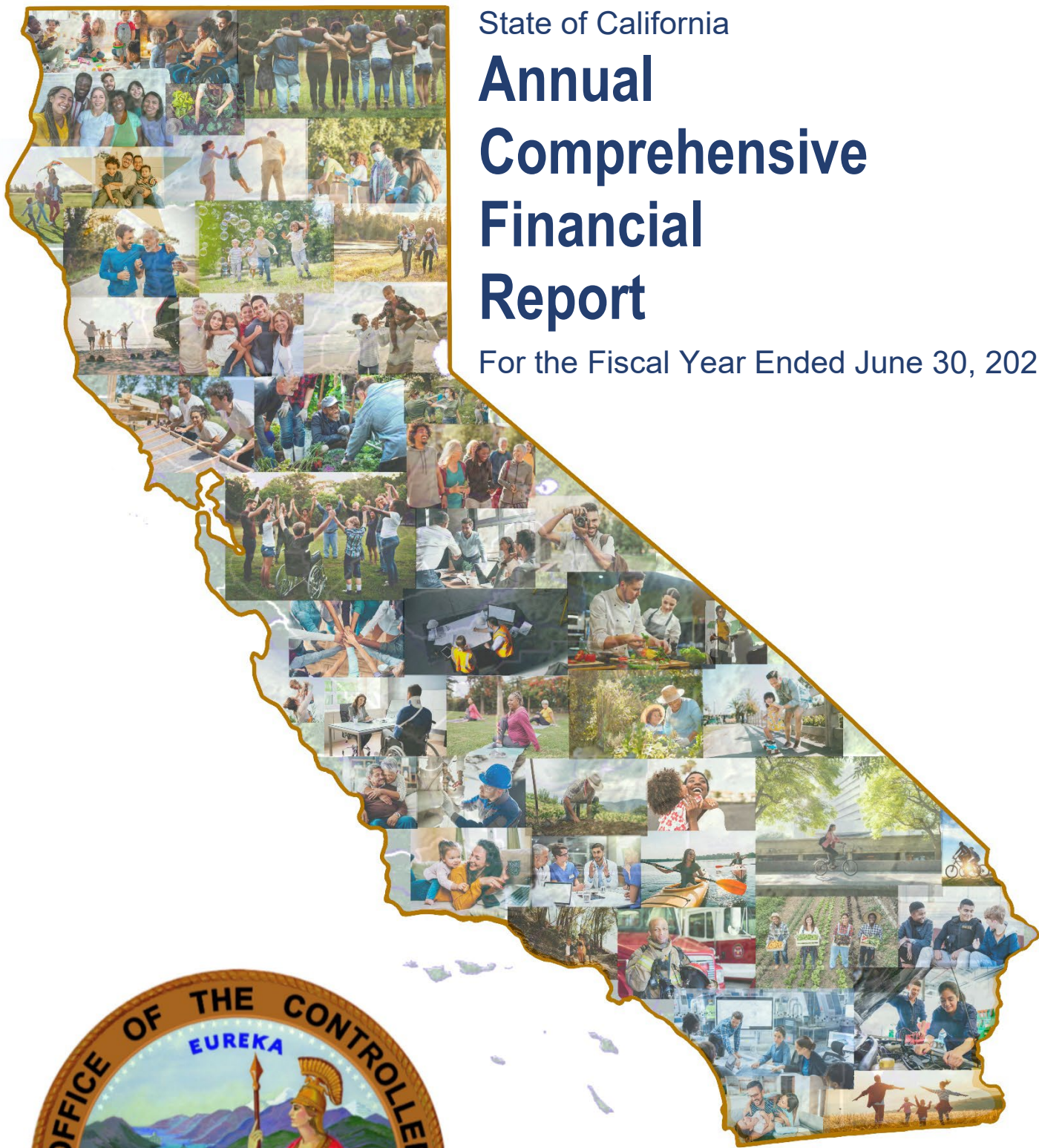
Wells Fargo Corporate & Investment Banking is providing the following language for inclusion in the Official Statement.

Wells Fargo Bank, National Association ("WFBNA"), acting through its Municipal Finance Group, an Underwriter of the Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("WFA"), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Bonds with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

Wells Fargo Corporate & Investment Banking is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

APPENDIX F

**STATE OF CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**



State of California

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2021



MALIA M. COHEN

California State Controller



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

Cover designed by Sacramento artist Matteo Borge



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

March 23, 2023

To the Citizens, Governor, and Members of the Legislature of the State of California:

I am pleased to submit the State of California's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2021. This report meets the requirements of Government Code section 12460 for an annual report prepared in accordance with accounting principles generally accepted in the United States and contains information to help readers gain a reasonable understanding of California's financial condition. The ability of the State Controller's Office (SCO) to produce this report is dependent upon the timely receipt of accurate financial statements from every state department. While there is no statutory deadline for publication of the ACFR, its completion satisfies several compliance requirements for the state. The late timing of this year's report is addressed below in greater detail.

The 2020-21 fiscal year began during the height of the COVID-19 pandemic in California amid mandated economic shutdowns, a record high state unemployment rate, and murmurs of a deep economic recession. To accentuate the many challenges arising from the pandemic, the adopted 2020 Budget Act presented an estimated budget deficit of \$54.3 billion. The Governor and the Legislature responded swiftly and deliberately to eliminate the deficit through reduced spending, revised tax policy, debt management, and effective utilization of federal program funding. The state ended the year with General Fund revenues of \$197.0 billion, a \$41.1 billion (26.3%) increase over the previous fiscal year. Net position for the primary government increased by \$4.9 billion overall, while program expansion from COVID-19 grant funding resulted in revenues exceeding expenses by \$36.9 billion for governmental activities. Governmental activities include most expenses normally associated with state government such as health and human services, education, transportation, corrections and rehabilitation programs, and general government administration.

While the 2020-21 fiscal year may have begun in apparent economic crisis, it ended in tremendous economic recovery. The General Fund reported an increase in fund balance of \$45.6 billion, and ended the fiscal year with \$63.9 billion in cash, a \$60.8 billion increase from the prior year ending cash balance of \$3.1 billion. Finally, the 2021 Budget Act allocated an estimated \$47.0 billion General Fund surplus that included essential federal resources for statewide programs for the subsequent fiscal year.

The ACFR for the fiscal year ended June 30, 2021, will mark the fourth consecutive year that California has published its financial statements well beyond the regulatory deadline of nine months after the fiscal year end. The late publication of the ACFR started when the SCO and departments began transitioning to the Financial Information System for California (FISCal). Multiple departments have struggled to submit financial reports to the SCO that are timely and accurate and to consistently reconcile their FISCal accounting records to supporting information and to the accounts of the SCO. These conditions,

along with other adverse conditions pertaining to FISCAL financial reporting have been recounted in the *California State Auditor's Internal Control and Compliance Audit Report* for several years, culminating with modified audit opinions issued by the State Auditor on the ACFR for the fiscal year ended June 30, 2020, and again for the fiscal year ended June 30, 2021.

The SCO remains dedicated to supporting timely and accurate financial reporting, and is confident that the efforts currently underway which include moving the SCO Book of Record to FISCAL will lead to measurable advancements in improving timely financial reporting. The SCO has initiated discussions with partner agencies to collaborate on the path forward to lead in this effort. This partnership has been critical to understanding root causes and identifying important risks and issues, as well as mitigation strategies to address barriers to success. Along with our partners, the SCO continues its efforts to leverage the state's training and technical assistance resources and streamline statewide fiscal operations to meet our shared goal of overcoming challenges and improving financial reporting outcomes. While this work is ongoing, the SCO remains thankful for the urgency partner agencies have placed on addressing challenges in order to maintain the integrity and transparency of the state's finances.

I extend my sincere appreciation to all state government agencies for their efforts and cooperation in submitting the information required for the ACFR. Thank you to the California State Auditor's office for maintaining the highest standards of professionalism in ensuring the accountability of the state's finances. Finally, thank you to my team for their skill, dedication, and perseverance in completing this complex financial report and ensuring the proper accounting and reporting of the state's fiscal resources.

Sincerely,

Original signed by

MALIA M. COHEN

STATE OF CALIFORNIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2021



Prepared by the office of

MALIA M. COHEN
California State Controller

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Introductory Section

Report Overview

General Overview

The State's management assumes responsibility for the accuracy, completeness, and fairness of information presented in the ACFR, including all disclosures, based on a comprehensive framework of internal controls established for this purpose. The internal control structure is designed to provide reasonable, but not absolute, assurance that the financial statements are free of material misstatements. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Legislature and Governor.

The California State Auditor has issued a modified opinion on several components of the State's basic financial statements for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States, which warrants additional description:

- An *unmodified opinion* has been issued for the aggregate discretely presented component units, the General Fund, Transportation Fund, Environmental and Natural Resources Fund, Health Care Related Programs Fund, Electric Power Fund, Water Resources Fund, State Lottery Fund, California State University Fund, and aggregate remaining fund information.
- A *modified opinion*, consisting of a disclaimer of opinion, has been issued for the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Fund Net Position; and the Statement of Cash Flows of the Unemployment Programs Fund.
- A *modified opinion*, consisting of a qualified opinion, has been issued for the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance of the Federal Fund, for governmental activities within the government-wide Statement of Net Position and Statement of Activities, and for business-type activities within the government-wide Statement of Net Position and Statement of Activities .

The modified opinions are the result of the State's inability to provide the California State Auditor with sufficient appropriate audit evidence to conclude that the aforementioned financial statements taken as a whole are free from material misstatement. A disclaimer of opinion suggests that the effects of known or potential misstatements on the respective financial statements are both material and pervasive, while a qualified opinion indicates that the effects of known or potential misstatements are material, but not pervasive. The modified opinions are the result of ongoing challenges experienced by one state department in administering California's unemployment insurance program and preparing its financial statements using the Financial Information System for California (FISCal) accounting system. The State Controller's Office is aware that other significant accounting issues involving FISCal exist but have not impacted the State's reporting to this magnitude.

The State of California also is required to undergo an annual Single Audit in conformity with the provisions of the United States Code of Federal Regulations, Title 2, Part 200, Subpart F, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. This report is issued separately.

The Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and contains an introduction, overview, and analysis of the financial statements. The MD&A also contains information regarding California's economy for the year ended June 30, 2021, and its economic performance as of and for the year ended June 30, 2022, and beyond. The MD&A complements this report overview and should be read in conjunction with it.

Profile of the State of California

The State of California was admitted to the Union on September 9, 1850. The State's population, as of 2021, is estimated to be approximately 39 million residents. The State's government is divided into three branches: Executive, Legislative, and Judicial. Executive power is vested in the Governor. Other members of the Executive branch include the Lieutenant Governor, Attorney General, Secretary of State, State Treasurer, State Controller, Insurance Commissioner, and the State Superintendent of Public Instruction. All officers of the Executive branch are elected to a four-year term. The Legislative branch of government is the State's law-making authority and is made up of two houses: the Senate and the Assembly. The Judicial branch is charged with interpreting the laws of the State. It provides settlement of disputes between parties in controversy, determines the guilt or innocence of those accused of violating laws, and protects the rights of Californians.

California's government includes control agencies that help to regulate internal governmental operations. The State Controller's Office, the State's independent fiscal watchdog, ensures that the State's budget is spent properly, offers fiscal guidance to local governments, reports on the State's financial position, and uncovers fraud and abuse of taxpayer dollars. The Department of Finance, part of the Executive branch of government, establishes fiscal policies to carry out the State's programs and serves as the Governor's chief fiscal policy advisor. The California State Auditor promotes the efficient and effective management of public funds through independent evaluations of state and local governments.

The State of California provides a wide range of services to its citizens, including social, health, and human services; kindergarten through 12th grade (K-12) and higher education; transportation; business, consumer services, and housing; corrections and rehabilitation programs; and other general government services. The State is also financially accountable for legally separate entities (component units) that provide and support post-secondary education programs; provide financing for low and moderate income housing and other public needs; promote agricultural activities; and provide financial assistance to public agencies and small businesses. The State, through its related organizations (organizations for which the primary government is not financially accountable), provides services such as the operation of the statewide energy transmission grid; earthquake insurance for homeowners and renters; workers' compensation insurance; health insurance for individuals, families, and employees of small businesses; financing for pollution control facilities, and for acquiring, constructing, and equipping health facilities; and loans to students attending public and private nonprofit colleges and universities. The financial information of these institutions is not included in the State's financial statements.

The State Legislature approves an annual budget that contains estimates of revenues and expenditures for the ensuing fiscal year. This budget is the result of negotiations between the Governor and the Legislature. The State Controller's Office is statutorily responsible for controlling revenues due the primary government and for expenditures of each appropriation contained in the budget. The State's annual budget is submitted by the Governor no later than January 10 preceding the beginning of the fiscal year on July 1, and must be approved by the Legislature by June 15 each year. This annual budget serves as the foundation for the State's financial planning and control. Additional information on the budgetary basis of accounting can be found in Note 2, Budgetary and Legal Compliance, in the Budgetary Comparison Schedule at the end of the nonmajor governmental funds combining statements, and in the Required Supplementary Information section of the ACFR that follows the Notes to the Financial Statements.

Overview of the State's Economy

California's economy, the largest among the 50 states, accounted for 14.6% of the U.S. Gross Domestic Product (GDP) in 2021 and was ranked fifth largest in the world (in terms of GDP) at the end of the year. The sectors of California's diverse economy include high technology, trade, entertainment, manufacturing, government, tourism, construction, and services. California's GDP totaled \$3.3 trillion at

fiscal year-end, and, as the nation's leader in agricultural production, the State's farming operations generated over \$49.1 billion in cash receipts for the 2020 crop year. In 2021, California exported \$174.9 billion in products; its three largest export markets are Mexico (\$27.2 billion), Canada (\$18.0 billion), and China (\$16.6 billion). California's six largest exports are computer and electronic products, machinery (except electrical), chemicals, transportation equipment, agricultural products, and miscellaneous manufactured commodities. California also enjoys one of the finest and most diverse collections of natural, cultural, and recreational resources in the nation. In 2021, California's travel and tourism industry generated revenues of \$100.2 billion—a 46.3% increase over the previous year; and travel-generated state and local tax revenues of \$15.0 billion—a 23.1% increase over the previous year. The increase was primarily due to renewed interest in travel following the COVID-19 pandemic, as well as increased commodity prices. Compared to the peak of 2019 before the pandemic, travel spending in 2021 was still down 30.9% and travel-generated tax revenue was down 25.4%.

Budget Outlook

Fiscal Year 2021-22

The Governor's enacted 2021-22 Budget prepared for an uncertain economic environment after a rapid recovery from the COVID-19 pandemic resulted in inconsistent outcomes of higher than expected revenue collection and an unbalanced economy, primarily with regard to the labor force and industry impacts. The enacted Budget emphasized one-time spending and addressed suspended expenditures, projecting General Fund revenues of \$175.3 billion after a \$3.4 billion transfer to the Budget Stabilization Account (BSA), the State's "rainy day" fund. The Budget also provided immediate pandemic relief to families and businesses, and made investments to tackle California's long-standing challenges while continuing to build reserves.

Fiscal Year 2022-23

After two years committed to COVID-19 pandemic response, California faced new challenges heading into fiscal year 2022-23. Persistent supply-chain impairment caused by the pandemic coupled with Russia's invasion of Ukraine has led to global inflation marked by soaring prices. Additionally, extreme weather due to climate change has resulted in drought conditions, wildfires, and storms that threaten California's vast infrastructure. Despite these circumstances, the State continues to move forward successfully in an uncertain economy due to continued fiscal responsibility. On June 27, 2022, the State enacted the 2022-23 Budget Act. The Budget prioritizes continued building of reserves, elimination of budgetary debt, and reduction of liabilities. The Budget advances specific measures to provide immediate economic relief for families and small businesses, address the impacts of climate change, improve K-12 and higher education programs and facilities, expand access to health care, strengthen California's infrastructure, modernize the state's transportation system, increase broadband internet access, confront homelessness and behavioral health challenges, and build and restore safer communities. By the end of fiscal year 2022-23, the Budget estimates an increase in total reserves to \$37.2 billion—\$23.3 billion in the BSA, \$9.5 billion in the Public School System Stabilization Account, \$3.5 billion in the Special Fund for Economic Uncertainties, and \$900 million in the Safety Net Reserve.

The 2022-23 Budget projects General Fund revenue of \$219.7 billion (\$242.2 billion after transfers) and expenditures of \$234.4 billion. The Budget anticipates increased revenue from personal income taxes and sales and use taxes, and decreased revenue from corporation taxes. As usual, personal income taxes contribute the majority of General Fund revenue at 61.8% (\$137.5 billion), while corporation taxes contribute 17.3% (\$38.5 billion), and sales and use taxes contribute 15.3% (\$34.0 billion).

Long-term Financial Planning

Long-term financial planning issues and initiatives that will affect the State's long-term financial goals include the following:

- California continues a strong financial recovery in the wake of the COVID-19 pandemic. Revenue projections remain optimistic in spite of economic uncertainty and threats of recession due to global inflation looming on the horizon. The 2022-23 Budget reflects a decline in expected General Fund revenues of 4.3% from the prior year. The Budget projects that personal income tax revenues will increase marginally from \$136.5 billion in the previous fiscal year to \$137.5 billion, and sales and use tax revenues will also increase from \$32.8 billion in the previous fiscal year to \$34.0 billion. These increases are predicted to be eclipsed by a decrease in corporation tax of \$7.9 billion, from \$46.4 billion in the previous year to \$38.5 billion. General Fund personal income tax and sales and use tax revenues are forecasted to rise to \$156.2 billion and \$37.3 billion, respectively, in fiscal year 2025-26. Corporation tax revenues are projected to increase 18.1% by fiscal year 2025-26, to \$38.6 billion.
- The Consumer Price Index increased 9.1% during the year ended June 30, 2022, the largest increase in 40 years. Most notably, prices for food increased 10.4% and energy prices increased 41.6%.
- The 2022 Budget Act reflects the State's commitment to addressing the unfunded pension liabilities over the long-term. The Budget includes \$2.9 billion in supplemental Proposition 2 debt repayment funding to further reduce the unfunded liabilities of the State's pension plans. The proposed supplemental payments will result in a minimum of \$5.8 billion in estimated savings for the State over the next three decades. Depending on the availability of Proposition 2 funding, an additional \$5.0 billion is expected to be paid to CalPERS over the next three fiscal years to fund the State's pension liabilities.
- The State's employee bargaining units and excluded and exempt employees prefund retiree health benefits. As of June 30, 2021, more than \$4.0 billion was set aside in a prefunding trust fund to pay future retiree health benefits. The trust fund is expected to approach \$7.9 billion in assets by the end of fiscal year 2022-23.
- The 2022 Budget Act includes several multi-year proposals utilizing one-time funding to reduce the State's long-term debt obligations, including shifting \$3.2 billion in capital projects currently authorized for lease revenue bond financing to the General Fund over three years, and redeeming another \$1.7 billion in callable general obligation bonds during the 2024-25 fiscal year. If fully implemented, these actions will result in total debt service savings of approximately \$2.5 billion over the life of the bonds.
- In recent years, California has faced lengthening fire seasons and catastrophic wildfires. The 2020 fire season was recorded as the largest wildfire season in California's modern history, with over 4.2 million acres burned. The 2021 fire season saw more than 2.6 million acres burned, and included five of the 20 largest California wildfires on record. The 2022 fire season was less severe, with just under 363,000 acres burned. The 2022-23 Budget prioritizes investments to advance wildfire prevention and all-hazard emergency preparedness and response.
- Since the turn of the century, California has experienced unprecedented periods of inadequate precipitation, pointing to an impending water crisis fueled by climate change. The water years ended September 30, 2020 and 2021 marked the second driest two-year period on record for California, and the third straight year of drought. The drought led to 395,000 acres of farmland idled in 2021, which equated to \$962 million in revenue lost from farming operations. The 2022-23 Budget allocates a total of \$5.2 billion over four years to contribute to long-term water resilience. Additionally, the Budget includes a one-time investment of \$2.8 billion to support immediate drought relief efforts, advance drinking water and clean water projects, support dam safety and flood management, and support agricultural water conservation.

Principal Officials of the State of California

Executive Branch

Gavin Newsom
Governor

Eleni Kounalakis
Lieutenant Governor

Malia M. Cohen
State Controller

Rob Bonta
Attorney General

Fiona Ma, CPA
State Treasurer

Dr. Shirley N. Weber
Secretary of State

Tony Thurmond
Superintendent of Public Instruction

Ricardo Lara
Insurance Commissioner

Board of Equalization
Ted Gaines, Member, First District
Sally J. Lieber, Member, Second District
Antonio Vazquez, Member, Third District
Mike Schaefer, Member, Fourth District

Legislative Branch

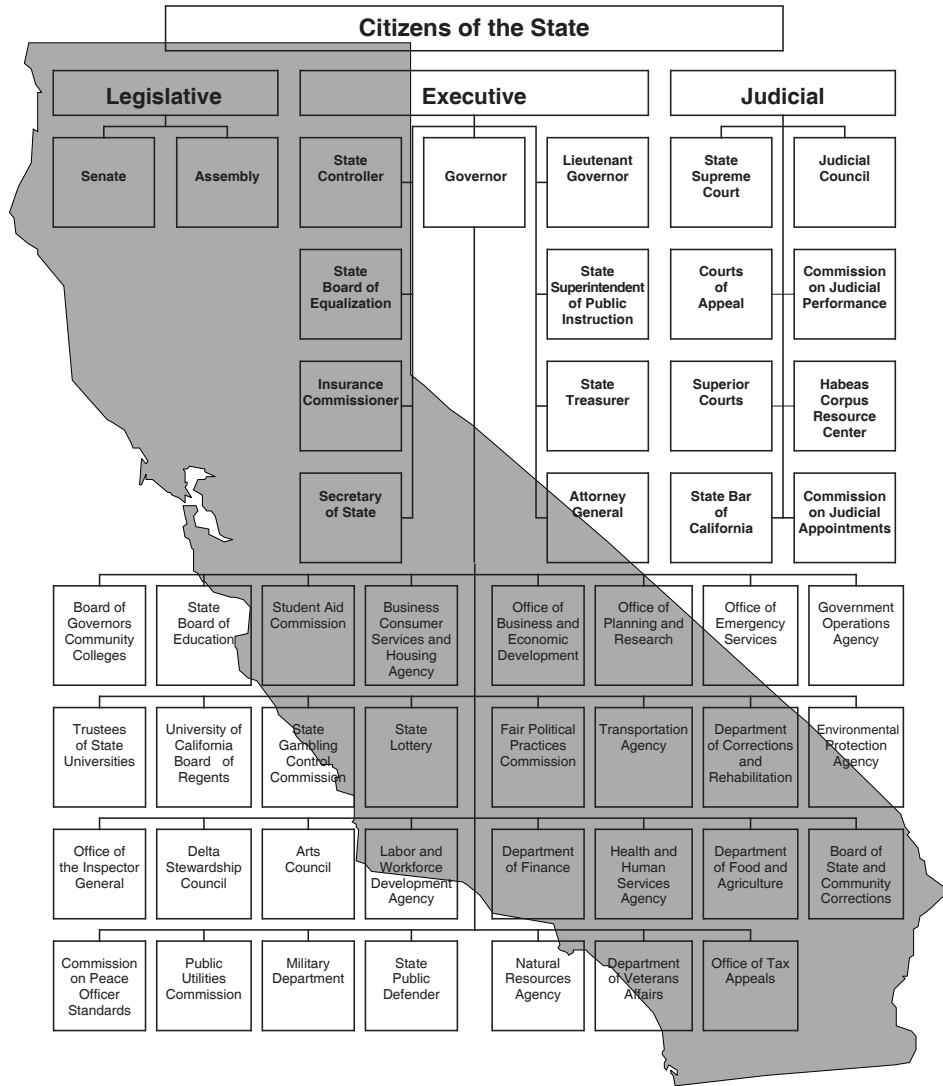
Toni G. Atkins
President pro Tempore, Senate

Anthony Rendon
Speaker of the Assembly

Judicial Branch

Patricia Guerrero
Chief Justice, State Supreme Court

Organization Chart of the State of California



Financial Section



Independent Auditor's Report

THE GOVERNOR AND THE LEGISLATURE OF THE
STATE OF CALIFORNIA

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of California, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the State of California's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. Because of the matters described in the *Basis for Disclaimer of Opinion on the Unemployment Programs Fund* paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Unemployment Programs Fund.

Furthermore, we did not audit the financial statements of the following:

Government-wide Financial Statements

- Certain governmental funds that, in the aggregate, represent 1 percent of the assets and deferred outflows, and less than 1 percent of the revenues of the governmental activities.
- Certain enterprise funds that, in the aggregate, represent 86 percent of the assets and deferred outflows, and 45 percent of the revenues of the business-type activities.
- The University of California and the California Housing Finance Agency that represent 93 percent of the assets and deferred outflows, and 95 percent of the revenues of the discretely presented component units.

Fund Financial Statements

- The following major enterprise funds: Electric Power, Water Resources, State Lottery, and California State University.
- The Golden State Tobacco Securitization Corporation, the Public Building Construction, the Public Employees' Retirement, the State Teachers' Retirement, the State Water Pollution Control Revolving,

the Safe Drinking Water State Revolving, and the 1943 Veterans Farm and Home Building funds, that represent 88 percent of the assets and deferred outflows, and 67 percent of the additions, revenues, and other financing sources of the aggregate remaining fund information.

- The discretely presented component units noted above.

The related financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those funds and entities, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Golden State Tobacco Securitization Corporation, the Public Building Construction fund, the State Lottery fund, and the Campus Foundations of the University of California, which represent 14 percent of the university's total assets and deferred outflows, and 3 percent of its revenues, were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Except for the matters described in the *Basis for Disclaimer of Opinion on the Unemployment Programs Fund* paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

OPINION UNIT	TYPE OF OPINION
Governmental Activities.....	Qualified
Business-Type Activities.....	Qualified
Aggregate Discretely Presented Component Units.....	Unmodified
General Fund.....	Unmodified
Federal Fund.....	Qualified
Transportation Fund.....	Unmodified
Environmental and Natural Resources Fund.....	Unmodified
Health Care Related Programs Fund.....	Unmodified
Electric Power Fund.....	Unmodified
Water Resources Fund.....	Unmodified
State Lottery Fund.....	Unmodified
Unemployment Programs Fund.....	Disclaimer
California State University Fund.....	Unmodified
Aggregate Remaining Fund Information.....	Unmodified

Basis for Disclaimer of Opinion on the Unemployment Programs Fund

The Employment Development Department had inadequate internal control over its financial reporting for unemployment benefits. In addition, the department was unable to estimate potentially fraudulent claims. As a result, the department was unable to provide complete and accurate accounting information supporting the financial activity of the State's unemployment program. The condition of the department's records did not permit us, nor was it practicable to extend other auditing procedures, to obtain sufficient appropriate audit evidence to conclude that Noncurrent Receivables, Benefits Payable, Unemployment and Disability Insurance, and Distributions to Beneficiaries within the Unemployment Programs Fund are free of material misstatement. As a result of this matter, we were unable to determine whether further audit adjustments to these accounts were necessary. The issues described above also caused the \$19.8 billion material misstatement of the Loans Payable account balance.

Disclaimer of Opinion on the Unemployment Programs Fund

Because of the significance of the matters described in the *Basis for Disclaimer of Opinion on the Unemployment Programs Fund* paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements for the Unemployment Programs Fund. Accordingly, we do not express an opinion on these financial statements.

Basis for Qualified Opinions on Business-Type Activities, the Federal Fund, and Governmental Activities

The issues we discuss in the *Basis for Disclaimer of Opinion on the Unemployment Programs Fund* paragraph also affect the Business-Type Activities. Therefore, we were unable to obtain sufficient appropriate audit evidence about the Unemployment Programs Fund balances that represent 72 percent of Noncurrent Receivables, 100 percent of Benefits Payable, 100 percent of Unemployment Programs Expenses, and 100 percent of Unemployment Programs Revenues within Business-Type Activities. Similarly, there is a material misstatement of \$19.8 billion in the Loans Payable account balance.

The Employment Development Department's inadequate internal control over its financial reporting also affected the financial statements of the Federal Fund, which the department uses to report activities related to federally-funded unemployment programs. For this reason, the department was unable to provide complete and accurate accounting information supporting revenues and benefit payments. In addition, the Employment Development Department was unable to estimate potentially fraudulent claims. We were therefore unable to obtain sufficient appropriate audit evidence about these adjustments. Together, these issues affected department balances representing 14 percent of Due From Other Governments, 100 percent of Benefits Payable, 100 percent of Other Liabilities, 48 percent of Intergovernmental Revenues, and 57 percent of Health and Human Services Expenditures within the Federal Fund. As a result of these matters, we were unable to determine whether any adjustments to these accounts were necessary.

Finally, the issues we discuss above pertaining to the Federal Fund also affect the Governmental Activities. Therefore, we were unable to obtain sufficient appropriate audit evidence about the Federal Fund balances that represent 13 percent of Due From Other Governments, 100 percent of Benefits Payable, 90 percent of Other Current Liabilities, 54 percent of Health and Human Services Revenues, and 43 percent of Health and Human Services Expenses within Governmental Activities.

Qualified Opinions on Business-Type Activities, the Federal Fund, and Governmental Activities

In our opinion, based on our audit and the reports of other auditors, except for the possible effects of the matters described in the *Basis for Qualified Opinions on Business-Type Activities, the Federal Fund, and Governmental Activities* paragraphs, the financial statements of Business-Type Activities, the Federal Fund, and Governmental Activities of the State present fairly, in all material respects, their respective financial position, as of June 30, 2021, and their respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component units, each major fund except for the Federal Fund and Unemployment Programs Fund, and the aggregate remaining fund information of the State of California, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in fiscal year 2020-21, the State adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, and other required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of California's basic financial statements. The introductory section, combining financial statements and schedules of nonmajor and other funds, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements and schedules of nonmajor and other funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used

Management's Discussion and Analysis

The following Management's Discussion and Analysis is required supplementary information to the State of California's financial statements. It describes and analyzes the financial position of the State, providing an overview of the State's activities for the fiscal year ended June 30, 2021. We encourage readers to consider the information that we present here in conjunction with the information presented in the Controller's transmittal letter at the front of this report and in the State's financial statements and notes, which follow this section.

Financial Highlights – Primary Government

Government-wide Highlights

California began the fiscal year ended June 30, 2021, in dire uncertainty regarding the magnitude of the public health crisis caused by the COVID-19 pandemic, the duration of the resulting economic shutdowns in the state, the condition of the state budget, and the ultimate impact of the pandemic on the state economy. Due in large part to substantial federal investments through the CARES Act and the American Rescue Plan Act, California persevered through the pandemic to record its twelfth straight year of revenue growth for fiscal year 2020-21. General revenues, comprised primarily of taxes, showed surprisingly significant growth, increasing by \$48.7 billion (27.2%) for fiscal year 2020-21, compared to an increase of \$5.2 billion (3.0%) in fiscal year 2019-20. The increase in general revenues is attributed to higher than expected tax collections from high-income Californians who experienced good economic outcomes through the pandemic, and from whom a large share of state tax payments are derived. Expenses and transfers for the State's governmental activities increased by \$147.0 billion (42.0%) and were less than total revenues received, resulting in a \$36.9 billion increase in the governmental activities' net position, as restated. On the contrary, expenses for the State's business-type activities exceeded total revenues and transfers, resulting in a \$32.0 billion decrease in the business-type activities' net position, as restated, for fiscal year 2020-21.

Net Position – Although current year activity reflects a combined \$4.9 billion increase in the primary government's net position, net position at the beginning of the year was restated as a result of reclassification of funds previously reported as fiduciary funds to special revenue funds, resulting from the implementation of GASB Statement No. 84, *Fiduciary Activities* (see Note 1 for further detail). The impact on the primary government's beginning net position as a result of this implementation was an increase of \$923 million.

The primary government ended fiscal year 2020-21 with a deficit net position of \$49.7 billion, an increase of \$4.9 billion (9.0%) from the previous year, as restated. The total deficit net position is reduced by \$123.4 billion for net investment in capital assets and by \$54.0 billion for restricted net position, yielding a negative unrestricted net position of \$227.1 billion. Restricted net position is dedicated for specified uses and is not available to fund current activities. More than 85.4%, or \$194.0 billion, of the negative \$227.1 billion unrestricted net position consists of unfunded, employee-related, long-term liabilities (net pension liability, net OPEB liability, and compensated absences) that are recognized as soon as an obligation occurs, even though payment will occur over many future periods. In addition, the State's outstanding bonded debt consists of \$64.8 billion to build capital assets of school districts and other local governmental entities. Bonded debt reduces the State's unrestricted net position; however, local governments, not the State, own the capital assets that would normally offset this reduction.

to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the combining financial statements and schedules of nonmajor and other funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2023 on our consideration of the State of California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of California's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of California's internal control over financial reporting and compliance.

CALIFORNIA STATE AUDITOR

Linus Li

LINUS LI, CPA
Acting Deputy State Auditor
Sacramento, California

March 23, 2023

Fund Highlights

Governmental Funds – As of June 30, 2021, the primary government’s governmental funds reported a combined ending fund balance of \$108.8 billion, which was an increase of \$41.9 billion over the prior fiscal year fund balance, as restated. The unrestricted fund balance, comprised of committed, assigned, and unassigned balances, was \$59.7 billion, an increase of \$42.4 billion from the prior fiscal year unrestricted fund balance of \$17.3 billion. The nonspendable and restricted fund balances were \$2.9 billion and \$46.2 billion, respectively.

Proprietary Funds – As of June 30, 2021, the primary government’s proprietary funds reported a combined ending deficit net position of \$44.2 billion, a decrease of \$31.8 billion from the prior fiscal year, as restated. The total net position is reduced by \$3.2 billion for net investment in capital assets, expendable restrictions of \$7.8 billion, and nonexpendable restrictions of \$2 million, yielding a negative unrestricted net position of \$55.2 billion.

Noncurrent Assets and Liabilities

As of June 30, 2021, the primary government’s noncurrent assets totaled \$180.6 billion, of which \$157.9 billion is related to capital assets. State highway infrastructure assets of \$81.0 billion represent the largest portion of the State’s capital assets.

The primary government’s noncurrent liabilities totaled \$329.5 billion, which consists of \$194.0 billion in unfunded employee-related future obligations, \$74.6 billion in general obligation bonds, \$28.6 billion in revenue bonds, and \$32.3 billion in other noncurrent liabilities. During fiscal year 2020-21, the primary government’s noncurrent liabilities increased by \$24.8 billion (8.2%) over the previously reported noncurrent liabilities. The net increase in noncurrent liabilities includes an increase of \$17.4 billion in loans payable, an increase of \$3.5 billion in net OPEB liability, and an increase of \$2.2 billion in net pension liability.

Overview of the Financial Statements

This discussion and analysis is an introduction to the section presenting the State’s basic financial statements, which includes four components: (1) government-wide financial statements, (2) fund financial statements, (3) discretely presented component units financial statements, and (4) notes to the financial statements. This report also contains required supplementary information, and combining financial statements and schedules intended to furnish additional detail that supports the basic financial statements.

Government-wide Financial Statements

Government-wide financial statements are designed to provide readers with a broad overview of the State’s finances. The government-wide financial statements do not include fiduciary programs and activities of the primary government and component units because fiduciary resources are not available to support state programs.

The statements provide both short-term and long-term information about the State’s financial position to help readers assess the State’s economic condition at the end of the fiscal year. These statements are prepared using the economic resources measurement focus and the accrual basis of accounting, similar to methods used by most businesses. These statements take into account all revenues and expenses

connected with the fiscal year, regardless of when the State received or paid the cash. The government-wide financial statements include two statements: the Statement of Net Position and the Statement of Activities.

- The *Statement of Net Position* presents all of the State’s financial and capital resources in a format in which assets and deferred outflows of resources equal liabilities and deferred inflows of resources, plus net position. Over time, increases or decreases in net position indicate whether the financial position of the State is improving or deteriorating.
- The *Statement of Activities* presents information showing how the State’s net position changed during the most recent fiscal year. The State reports changes in net position as soon as the event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, this statement reports revenues and expenses for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the State.

The government-wide financial statements separate into different columns the three types of state programs and activities—governmental activities, business-type activities, and component units.

- *Governmental activities* are mostly supported by taxes, such as personal income and sales and use taxes, and intergovernmental revenues, primarily federal grants. Most services and expenses normally associated with state government fall into this activity category, including general government; education (public K–12 schools and institutions of higher education); health and human services; natural resources and environmental protection; business, consumer services, and housing; transportation; corrections and rehabilitation; and interest on long-term debt.
- *Business-type activities* typically recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The business-type activities of the State of California include providing unemployment insurance programs, providing housing loans to California veterans, providing water to local water districts, providing services to California State University students, selling California State Lottery tickets, and selling electric power. These activities are conducted with minimal financial assistance from the governmental activities or general revenues of the State.
- *Component units* are organizations that are legally separate from the State, but for which the State is financially accountable, or whose relationship with the State is so significant that their exclusion would cause the State’s financial statements to be misleading or incomplete. Various types of component units are presented; all are legally separate. However, blended component units function as part of the State’s operations. Fiduciary component units are primarily the resources and operations of the California Public Employees’ Retirement System (CalPERS) and the California State Teachers’ Retirement System. Discretely presented component units contain some form of accountability either from or to the State.

Most component units prepare their own separately issued financial statements. For information regarding obtaining the financial statements of the individual component units, refer to Note 1A, Reporting Entity.

Fund Financial Statements

The State of California, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal and contractual requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the State may be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- *Governmental funds* are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's short-term financing requirements. This approach is known as the *flow of current financial resources measurement focus* and the *modified accrual basis of accounting*. These governmental fund statements provide a detailed short-term view of the State's finances, enabling readers to determine whether adequate financial resources exist to meet the State's current needs.

Because governmental fund financial statements provide a narrower focus than do government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate comparison between governmental funds and governmental activities. Primary differences between the government-wide and fund-based statements relate to noncurrent assets, such as land and buildings, and noncurrent liabilities, such as bonded debt and amounts owed for net pension liability, compensated absences, and capital lease obligations. These amounts are reported in the government-wide statements but not in the fund-based statements.

- *Proprietary funds* show activities that operate more like those found in the private sector. The State of California has two proprietary fund types—enterprise funds and internal service funds.
 - *Enterprise funds* record activities for which a fee is charged to external users; they are presented as business-type activities in the government-wide financial statements.
 - *Internal service funds* accumulate and allocate costs internally among the State's various functions. For example, internal service funds provide public buildings construction, information technology, printing, fleet management, and architectural services primarily for state departments. As a result, their activity is considered governmental.

- *Fiduciary funds* account for resources held for the benefit of parties outside the State. Fiduciary funds and the activities of fiduciary component units are not reflected in the government-wide financial statements because the resources of these funds are not available to support state programs. The accounting used for fiduciary funds and similar component units is similar to that used for trusts.

Discretely Presented Component Units Financial Statements

The State has financial accountability for discretely presented component units, which have certain independent qualities and operate in a similar manner to private sector businesses. The activities of the discretely presented component units are classified as enterprise activities.

Notes to the Financial Statements

The notes to the financial statements in this publication provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements, which describe particular accounts in more detail, immediately follow the discretely presented component units' financial statements.

Required Supplementary Information

A section of required supplementary information follows the notes to the basic financial statements in this publication. This section includes several schedules of information for the State's pension and OPEB plans and the State's contributions to those plans; information on infrastructure assets based on the modified approach; a budgetary comparison schedule; and a reconciliation of the budgetary basis and the GAAP basis fund balances for the major governmental funds presented in the governmental fund financial statements.

Combining Financial Statements and Schedules

The Combining Financial Statements and Schedules – Nonmajor and Other Funds section presents combining statements that provide separate financial statements for nonmajor governmental funds, nonmajor proprietary funds, fiduciary funds, and nonmajor component units as supplementary information. The basic financial statements present only summary information for these activities.

Government-wide Financial Analysis

Net Position

The primary government's combined deficit net position (governmental and business-type activities) improved by \$4.9 billion (9.0%), from a negative \$54.6 billion, as restated, to a negative \$49.7 billion at June 30, 2021. As previously mentioned, the net position at the beginning of fiscal year 2020-21 was restated as a result of the reclassification of funds previously reported as fiduciary funds, as required by GASB Statement No. 84.

The primary government's \$123.4 billion net investment in capital assets, such as land, buildings, equipment, and infrastructure (roads, bridges, and other immovable assets) comprise a significant portion of its net position. This amount of capital assets is net of any outstanding debt used to acquire those assets. The State uses capital assets when providing services to citizens; consequently, these assets are not available for future spending. Although the State's investment in capital assets is reported net of related debt, the resources needed to repay this debt must come from other sources because the State cannot use the capital assets to pay off the liabilities.

The primary government's deficit net position includes another \$54.0 billion, which represents resources that are externally restricted as to how they may be used, such as resources pledged to debt service. The internally-imposed earmarking of resources is not presented in this publication as restricted net position. As of June 30, 2021, the primary government's combined unrestricted deficit net position was \$227.1 billion—\$174.4 billion for governmental activities and \$52.7 billion for business-type activities.

A significant factor contributing to the unrestricted net deficit is that governments recognize a liability on the government-wide Statement of Net Position as soon as an obligation occurs, while financing and budgeting functions focus on when a liability will be paid. As of June 30, 2021, the primary government recognized \$194.0 billion (85.4% of the \$227.1 billion unrestricted net deficit) in unfunded employee-related obligations—net pension liability, net OPEB liability, and compensated absences. In addition, the primary government recognized \$64.8 billion in outstanding bonded debt issued to build capital assets for school districts and other local governmental entities, a common state practice nationwide. As the State does not own these capital assets, neither the assets nor the related bonded debt is included in the portion of net position reported as net investment in capital assets. Instead, the bonded debt is reported as a noncurrent liability that increases the State's unrestricted deficit net position. The State can expect continued deficits in the unrestricted net position of governmental activities as long as it has significant unfunded employee-related obligations and outstanding obligations for school districts and other local governmental entities.

Table 1 presents condensed financial information derived from the Statement of Net Position for the primary government.

Table 1

Net Position – Primary Government – Two-year Comparison

June 30, 2021 and 2020

(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
ASSETS						
Current and other assets	\$ 232,590	\$ 160,907	\$ 28,979	\$ 26,712	\$ 261,569	\$ 187,619
Capital assets	142,535	138,808	15,358	14,407	157,893	153,215
Total assets	375,125	299,715	44,337	41,119	419,462	340,834
DEFERRED OUTFLOWS OF RESOURCES						
Total assets and deferred outflows of resources	26,921	30,222	3,598	3,543	30,519	33,765
LIABILITIES						
Noncurrent liabilities	\$ 267,265	\$ 260,464	\$ 62,207	\$ 44,192	\$ 329,472	\$ 304,656
Other liabilities	127,774	97,103	23,565	6,546	151,339	103,649
Total liabilities	395,039	357,567	85,772	50,738	480,811	408,305
DEFERRED INFLOWS OF RESOURCES						
Total liabilities and deferred inflows of resources	14,327	16,895	4,500	4,242	18,827	21,137
NET POSITION						
Net investment in capital assets	120,745	116,773	2,678	2,907	123,423	119,680
Restricted	46,363	46,671	7,653	7,724	54,016	54,395
Unrestricted	(174,428)	(207,969)	(52,668)	(20,949)	(227,096)	(228,918)
Total net position (deficit)	(7,320)	(44,525)	(42,337)	(10,318)	(49,657)	(54,843)
Total liabilities, deferred inflows of resources, and net position	\$ 402,046	\$ 329,937	\$ 47,935	\$ 44,662	\$ 449,981	\$ 374,599

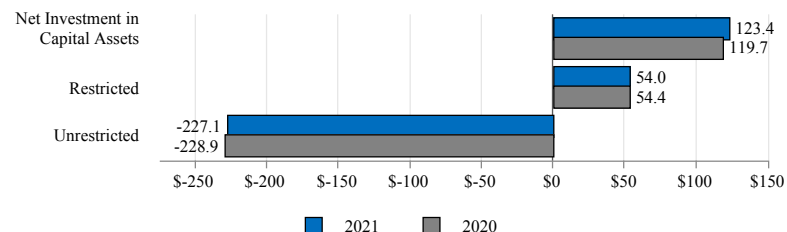
Note: Prior-year adjustments recorded in the current year have not been reflected in the prior-year column.

Chart 1 presents a two-year comparison of the State's net position.

Chart 1

Net Position – Primary Government – Two-year Comparison

June 30, 2021 and 2020
(amounts in billions)



Changes in Net Position

The expenses of the primary government totaled \$569.0 billion for the fiscal year ended June 30, 2021. Of this amount, \$345.8 billion (60.8%) was funded with program revenues (charges for services or program-specific grants and contributions), leaving \$223.2 billion to be funded with general revenues (mainly taxes). The primary government's general revenues of \$228.1 billion were greater than the unfunded expenses. As a result, the total net position, as restated, increased by \$4.9 billion, or 9.0%.

Table 2 presents condensed financial information derived from the Statement of Activities for the primary government.

Table 2

Changes in Net Position – Primary Government – Two-year Comparison

Years ended June 30, 2021 and 2020
(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
REVENUES						
Program Revenues:						
Charges for services	\$ 35,355	\$ 33,922	\$ 37,327	\$ 24,966	\$ 72,682	\$ 58,888
Operating grants and contributions	268,258	143,671	3,103	2,593	271,361	146,264
Capital grants and contributions	1,847	2,108	—	—	1,847	2,108
General Revenues:						
Taxes	227,301	178,051	—	—	227,301	178,051
Investment and interest	140	690	—	—	140	690
Miscellaneous	640	614	—	—	640	614
Total revenues	533,541	359,056	40,430	27,559	573,971	386,615
EXPENSES						
Program Expenses:						
General government	30,605	23,489	—	—	30,605	23,489
Education	101,570	75,804	—	—	101,570	75,804
Health and human services	311,926	192,576	—	—	311,926	192,576
Natural resources and environmental protection	9,923	10,111	—	—	9,923	10,111
Business, consumer services, and housing	2,947	2,604	—	—	2,947	2,604
Transportation	18,120	18,425	—	—	18,120	18,425
Corrections and rehabilitation	14,185	16,862	—	—	14,185	16,862
Interest on long-term debt	3,504	3,841	—	—	3,504	3,841
Electric Power	—	—	290	905	290	905
Water Resources	—	—	1,157	1,184	1,157	1,184
State Lottery	—	—	8,453	6,665	8,453	6,665
Unemployment Programs	—	—	55,737	23,622	55,737	23,622
California State University	—	—	10,391	10,593	10,391	10,593
Other enterprise programs	—	—	209	272	209	272
Total expenses	492,780	343,712	76,237	43,241	569,017	386,953
Excess (deficiency) before transfers	40,761	15,344	(35,807)	(15,682)	4,954	(338)
Gain on early extinguishment of debt	—	—	—	—	—	—
Transfers	(3,852)	(5,963)	3,852	5,963	—	—
Change in net position	36,909	9,381	(31,955)	(9,719)	4,954	(338)
Net position (deficit), beginning	(44,230) *	(53,906) *	(10,381) *	(598) *	(54,611)	(54,504)
Net position (deficit), ending	\$ (7,321)	\$ (44,525)	\$ (42,336)	\$ (10,317)	\$ (49,657)	\$ (54,842)

*Restated

Note: Prior-year adjustments recorded in the current year have not been reflected in the prior-year column.

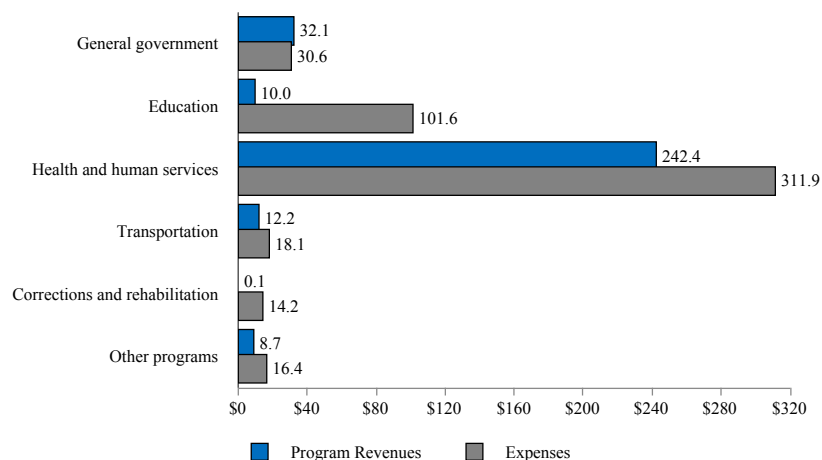
Governmental Activities

During fiscal year 2020-21, governmental activities' expenses and transfers totaled \$496.7 billion. Program revenues totaling \$305.5 billion, including \$270.1 billion in federal grants and contributions, funded 61.5% of expenses and transfers, leaving \$191.2 billion to be funded with general revenues (mainly taxes). General revenues for governmental activities (\$228.1 billion) exceeded net unfunded expenses and transfers, resulting in the governmental activities' deficit net position of \$7.3 billion, after restatement, as of June 30, 2021, an improvement of \$36.9 billion (83.5%) over the prior year's restated deficit net position of \$44.2 billion.

Chart 2 presents a comparison of governmental activities' expenses to related revenue by program.

Chart 2

Program Revenues and Expenses – Governmental Activities
Year ended June 30, 2021
(amounts in billions)



For the fiscal year ended June 30, 2021, total governmental activities' revenue was \$533.5 billion, an increase of 48.6% over the prior year. General revenues increased by \$48.7 billion (27.2%), to \$228.1 billion, and program revenues increased by \$125.8 billion (70.0%), to \$305.5 billion. The rise in program revenues is due to an increase in federal grants and contributions for health and human services. The largest component of general revenues is personal income taxes, which increased by \$23.7 billion (21.9%) over the prior year, compared to an increase of \$7.7 billion (7.6%) for fiscal year 2019-20. Amid the low unemployment rates of fiscal year 2020-21, a rebound in the value of investments held by wealthy Californians as well as stable employment of the state's high-income earners led to continued growth in personal tax revenues. Sales and use taxes increased by \$5.2 billion (12.8%) from the prior

year due to the collection of deferred payments granted during the last quarter of fiscal year 2019-20 for relief from the COVID-19 pandemic. Corporation taxes increased by \$18.9 billion (143.6%) from the prior year due to explosive growth in retail sales and investments to boost corporate earnings.

Overall expenses for governmental activities increased by \$149.1 billion (43.4%) over the prior year. The largest increase in expenditures, \$119.3 billion (62.0%), occurred in health and human services programs. The increase is attributable to two state departments: the Department of Health Care Services in administering the California Medical Assistance (Medi-Cal) program; and the Employment Development Department, as federally funded unemployment benefit programs under the CARES act were extended to support California's recovery from the COVID-19 recession.

Chart 3 presents the percentage of total expenses for each governmental activities program.

Chart 3

Expenses by Program
Year ended June 30, 2021
(as a percent)

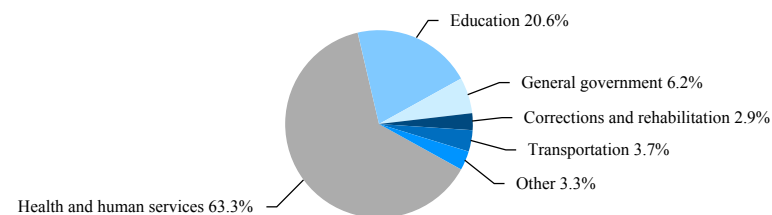
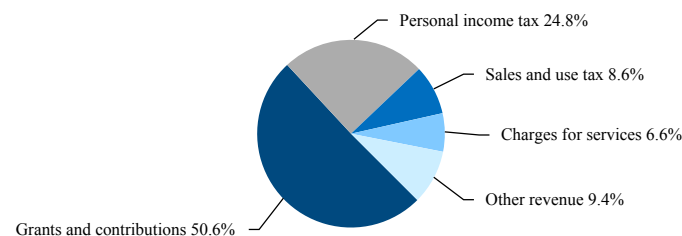


Chart 4 presents the percentage of total revenues by source for each governmental activities program.

Chart 4

Revenues by Source
Year ended June 30, 2021
(as a percent)



Business-type Activities

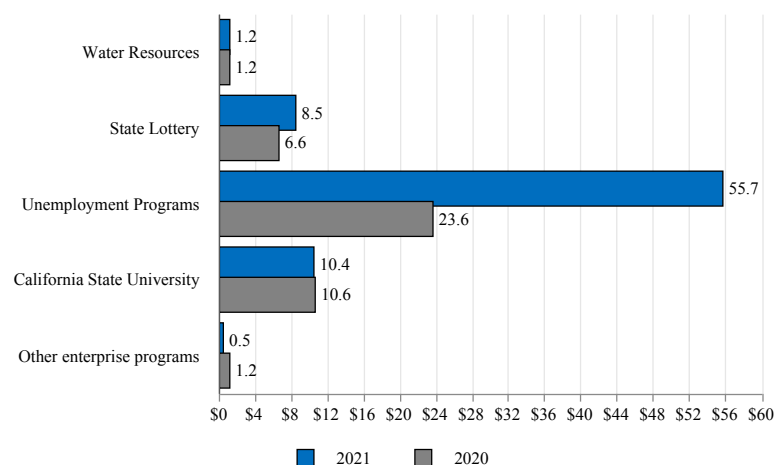
As of June 30, 2021, business-type activities' expenses totaled \$76.2 billion. Program revenues of \$40.4 billion, primarily generated from charges for services, and \$3.8 billion in transfers, were not sufficient to cover these expenses. As a result, the business-type activities' total deficit net position declined to \$32.0 billion below the prior year's restated deficit net position of \$10.3 billion, to a net deficit of \$42.3 billion at June 30, 2021.

Chart 5 presents a two-year comparison of the expenses of the State's business-type activities.

Chart 5

Expenses – Business-type Activities – Two-year Comparison

Years ended June 30, 2021 and 2020
(amounts in billions)



Fund Financial Analysis

The financial position of the State's governmental funds improved in fiscal year 2020-21, with a combined fund balance increase of \$41.9 billion over the prior year's restated ending fund balance. Governmental funds rely heavily on taxes to support the majority of the State's services and programs. The State's "Big Three" tax revenues (personal income, sales and use, and corporation) all increased during the fiscal year. The proprietary funds' total net position decreased by \$31.8 billion during fiscal year 2020-21—comprised of a \$32.0 billion decrease for enterprise funds, offset by a \$207 million increase for internal service funds. The large decrease in the enterprise funds' net position is attributable to the Unemployment Programs Fund, with its net position dropping by \$31.8 billion to a deficit balance

of \$32.9 billion. The decline in net position for Unemployment Programs is due to the programs' inability to confirm eligibility for revenue sources associated with certain claims payments.

Governmental Funds

As of June 30, 2021, the governmental funds' balance sheet reported \$259.6 billion in assets, \$150.8 billion in liabilities and deferred inflows of resources, and fund balances totaling \$108.8 billion. Total assets of governmental funds increased by 52.2%, while total liabilities and deferred inflows of resources increased by 44.1%, resulting in a net fund balance increase of \$41.9 billion (62.7%) above the prior year's restated balance. This increase includes a \$923 million reclassification of funds previously reported as fiduciary funds to special revenue funds, resulting from the implementation of GASB Statement No. 84, *Fiduciary Activities*.

Within the governmental funds' total fund balance, \$2.9 billion is classified as nonspendable, as this amount consists of long-term interfund receivables, loans receivable, and legal or contractual requirements. Another \$46.2 billion is classified as restricted for specific programs by external constraints such as debt covenants and contractual obligations, or by constitutional provisions or enabling legislation. Furthermore, \$10.8 billion of the total fund balance is classified as committed for specific purposes and \$5.0 billion is classified as assigned for specific purposes. The remaining unassigned balance of the governmental funds is \$43.9 billion — \$42.8 billion more than the unassigned balance from the prior fiscal year.

The Statement of Revenues, Expenditures, and Changes in Fund Balances of the governmental funds reported \$534.4 billion in revenues, \$499.0 billion in expenditures, and \$6.5 billion in net receipts from other financing sources. The ending fund balance of the governmental funds for the fiscal year ended June 30, 2021, was \$108.8 billion, a \$41.9 billion increase over the prior year's restated ending fund balance of \$66.9 billion.

Governmental funds' revenue consists primarily of taxes (42.6%) and intergovernmental revenue (51.0%). Personal income taxes accounted for 58.1% of tax revenues and increased by \$20.3 billion over the prior fiscal year. Sales and use taxes accounted for 20.2% of tax revenues and increased by \$5.2 billion over the prior fiscal year. Corporation taxes accounted for 14.1% of tax revenues and increased by \$18.4 billion over the prior fiscal year. Intergovernmental revenue, primarily from the federal government, increased by \$123.7 billion (83.1%) over the prior fiscal year due to federal investments through the CARES act and the American Rescue Plan act to support California's recovery from the COVID-19 recession.

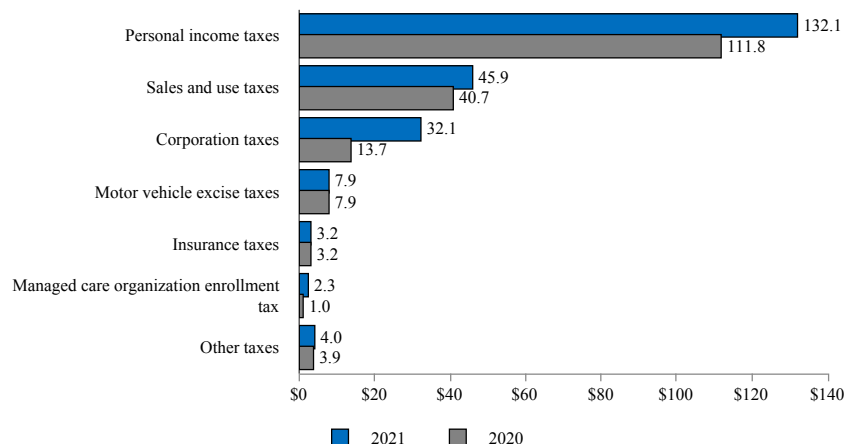
Governmental funds' expenditures increased by \$142.5 billion (40.0%) over the prior fiscal year, primarily for health and human services and education. The increase in health and human services expenditures of \$119.3 billion (62.2%) is due to increased spending on Medi-Cal. Education expenditures increased by \$23.6 billion (30.9%) over the prior fiscal year to comply with constitutional requirements (Proposition 98) that provide a minimum funding guarantee to support California's K-12 schools and community colleges; the minimum funding guarantee increased as a result of increased General Fund revenue in fiscal year 2020-21.

Chart 6 presents a two-year comparison of governmental funds' tax revenues.

Chart 6

Governmental Funds Tax Revenue – Two-year Comparison

Years ended June 30, 2021 and 2020
(amounts in billions)



The State's major governmental funds are the General Fund, the Federal Fund, the Transportation Fund, the Environmental and Natural Resources Fund, and the Health Care Related Programs Fund. The General Fund ended the fiscal year with a fund balance of \$74.1 billion, an increase of \$45.6 billion over the prior year's fund balance. The Federal Fund ended the year with a negative fund balance of \$8.5 billion, while the Transportation Fund, the Environmental and Natural Resources Fund, and the Health Care Related Programs Fund ended the fiscal year with fund balances of \$9.8 billion, \$14.9 billion, and \$1.9 billion, respectively. The nonmajor governmental funds ended the fiscal year with a combined fund balance of \$16.6 billion.

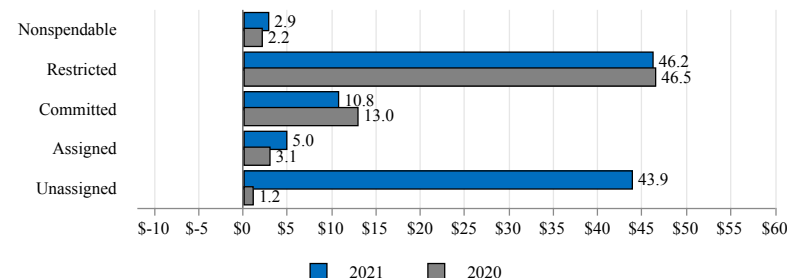
General Fund: As shown on the Balance Sheet, the General Fund (the State's main operating fund) ended fiscal year 2020-21 with assets of \$127.7 billion; liabilities and deferred inflows of resources of \$53.6 billion; and nonspendable, restricted, committed, and assigned fund balances of \$2.9 billion, \$12.9 billion, \$668 million, and \$4.9 billion, respectively. This left the General Fund with an unassigned fund balance of \$52.7 billion, an increase of \$49.1 billion over the prior year. Total assets of the General Fund increased by \$70.7 billion (124.1%) over the prior fiscal year, and total liabilities and deferred inflows of resources increased by \$25.1 billion (88.0%) over the prior year.

Chart 7 presents a two-year comparison of the components of the governmental funds' balance.

Chart 7

Governmental Funds – Components of Fund Balance – Two-year Comparison

Years ended June 30, 2021 and 2020
(amounts in billions)



As shown on the Statement of Revenue, Expenditures, and Changes in Fund Balances, the General Fund had revenues exceeding expenditures by \$50.6 billion (\$197.0 billion in revenues and \$146.4 billion in expenditures). Approximately \$190.8 billion (96.8%) of General Fund revenue is derived from the State's largest three taxes—personal income taxes (\$129.5 billion), corporation taxes (\$32.1 billion), and the sales and use taxes (\$29.1 billion). A total of \$214 million in revenue is included in the General Fund as a result of fund classifications made to comply with generally accepted governmental accounting principles. These revenues are not considered General Fund revenues for any budgetary purposes or for the State's Budgetary/Legal Basis Annual Report.

During fiscal year 2020-21, total General Fund revenue increased by \$41.1 billion (26.3%), attributed primarily to the increase in personal income taxes of \$19.2 billion (17.4%). General Fund expenditures increased by \$7.9 billion (5.7%). The largest increases were in education and health and human services, which rose by \$3.7 billion and \$3.7 billion, respectively. The General Fund ended the fiscal year with a fund balance of \$74.1 billion, an improvement of \$45.6 billion over the prior year's restated ending fund balance of \$28.5 billion. The General Fund's ending fund balance includes \$12.3 billion restricted for budget stabilization if the Governor must declare a budget emergency during an economic crisis, such as the COVID-19 pandemic.

Federal Fund: The Federal Fund reports federal grant revenues and the related expenditures to support grant programs. The largest of these programs is for health and human services, which accounted for \$236.0 billion (85.7%) of the total \$275.4 billion in fund expenditures. Education and general government programs also constituted a large part of the fund's expenditures, amounting to \$26.9 billion (9.8%) and \$6.2 billion (2.3%) of the total, respectively. The Federal Fund's revenues increased by \$124.3 billion, which was offset by the combined increase in expenditures and transfers of \$128.3 billion, resulting in a \$6.3 billion decrease from the prior year's ending deficit fund balance of \$2.2 billion, to an \$8.5 billion deficit.

Transportation Fund: The Transportation Fund accounts for fuel taxes, bond proceeds, and other revenues used primarily for highway and passenger rail construction. The Transportation Fund's revenues increased by \$312 million (2.0%) and its expenditures decreased by \$93 million (0.6%), as a result of continued funding under the Road Repair and Accountability Act of 2017 (Senate Bill 1). Other financing sources provided net receipts of \$537 million. The Transportation Fund ended the fiscal year with a \$9.8 billion fund balance, an increase of \$425 million from the prior year.

Environmental and Natural Resources Fund: The Environmental and Natural Resources Fund accounts for fees, bond proceeds, and other revenues that are used for maintaining the State's natural resources and improving the environmental quality of its air, land, and water. The Environmental and Natural Resources Fund's revenues increased by \$1.1 billion (18.1%), and expenditures decreased by \$1.1 billion (11.7%) due to the spending requirements related to the Parks and Water Bond Act of 2018 (Proposition 68), passed by voters in June 2018. Other financing sources provided net receipts of \$2.1 billion, mainly from bond proceeds, including those sold under Proposition 68. The Environmental and Natural Resources Fund ended the fiscal year with a \$14.9 billion fund balance, an increase of \$853 million (6.1%) over the prior year.

Health Care Related Programs Fund: The Health Care Related Programs Fund accounts for fees, taxes, intergovernmental revenue, bond proceeds, transfers from other state funds, and other revenue used for the Medi-Cal program, medical research, and other health care-related programs. The Health Care Related Programs Fund's revenues increased by \$1.2 billion (13.6%), and expenditures increased by \$1.8 billion (20.4%). Other financing sources provided net receipts of \$525 million. The Health Care Related Programs Fund ended the fiscal year with a \$1.9 billion fund balance, an increase of \$186 million over the prior year.

Proprietary Funds

Enterprise Funds: The total deficit net position of the enterprise funds at June 30, 2021, was \$42.3 billion — a \$32.0 billion decline from the prior year's restated deficit net position of \$10.3 billion. The Unemployment Programs Fund accounted for effectively all the net decrease, ending the fiscal year with a deficit net position of \$32.9 billion. The net position of nonmajor enterprise funds increased by \$71 million, while the net position of the California State University Fund and the State Lottery Fund decreased by \$260 million and \$57 million, respectively.

As shown on the proprietary funds' Statement of Net Position, total assets and deferred outflows of resources for the enterprise funds were \$48.7 billion as of June 30, 2021. Of this amount, current assets totaled \$15.0 billion, noncurrent assets totaled \$30.1 billion, and deferred outflows of resources totaled \$3.6 billion. The total liabilities and deferred inflows of resources for the enterprise funds was \$91.0 billion. One of the largest liabilities of the enterprise funds is \$17.6 billion due to other governments in the Unemployment Programs Fund, which represents amounts for which the program was unable to confirm eligibility for revenue sources associated with certain claims payments. Other noteworthy liabilities include \$17.0 billion in net OPEB liability and \$14.8 billion in revenue bonds payable, including the current portion. As of June 30, 2021, the Unemployment Programs Fund reported a balance on deposit with the U.S. Treasury of \$867 million, and a loan balance of \$19.8 billion with the U.S. Department of Labor, funds used to pay unemployment claims during the pandemic.

Total net position for enterprise funds consisted of four segments: net investment in capital assets of \$2.7 billion, nonexpendable restricted net position of \$2 million, restricted expendable net position of \$7.7 billion, and unrestricted net deficit of \$52.7 billion.

As shown on the Statement of Revenues, Expenses, and Changes in Fund Net Position of proprietary funds, the enterprise funds ended the year with operating revenues of \$36.4 billion, operating expenses of \$73.6 billion, and net revenues from other transactions and transfers of \$5.2 billion. The largest sources of operating revenues were unemployment and disability insurance receipts of \$23.9 billion in the Unemployment Programs Fund, and lottery ticket sales of \$8.4 billion collected by the State Lottery Fund. The unemployment and disability insurance receipts in the Unemployment Programs Fund increased by \$11.4 billion (91.2%) over the prior fiscal year. The largest operating expenses were distributions to beneficiaries of \$55.2 billion reported in the Unemployment Programs Fund, personal services expense of \$6.7 billion reported in the California State University Fund, and lottery prizes of \$5.6 billion distributed by the State Lottery Fund.

Internal Service Funds: The total net deficit of the internal service funds was \$1.9 billion as of June 30, 2021. The net position consists of three segments: net investment in capital assets of \$522 million, restricted expendable net position of \$152 million, and unrestricted deficit net position of \$2.6 billion.

Fiduciary Funds

The State of California has four types of fiduciary funds: pension and other employee benefit trust funds, private purpose trust funds, investment trust funds, and custodial funds. The pension and other employee benefit trust funds ended the fiscal year with a net position of \$830.3 billion. The private purpose trust funds ended the fiscal year with a net position of \$12.8 billion. The State's only investment trust fund, the Local Agency Investment Fund, ended the fiscal year with a net position of \$37.1 billion. As a result of the implementation of GASB Statement No. 84, the net position of custodial funds was established with a beginning net position of \$563 million, as restated, and ended the fiscal year with a net position of \$712 million.

For the fiscal year ended June 30, 2021, the fiduciary funds' combined net position was \$880.8 billion, a \$166.0 billion increase over the prior year net position. The net position increased primarily because contributions received and investment income earned in pension and other employee benefit trust funds exceeded payments made to participants.

General Fund Budget Highlights

The original General Fund budget of \$167.4 billion was increased by \$15.2 billion during fiscal year 2020-21. This increase is primarily attributed to additional funding for health and human services, natural resources and environmental protection, and general government.

The increase in health and human services funding was generally attributable to the COVID-19 pandemic, including a projected increase in caseload.

Natural resources and environmental protection funding increased due to the 2020 State of Emergency issued in recognition of statewide wildfire incidents. The funding was to support the State's disaster-response-debris-removal operations.

Other general government budgeted amounts increased due to funding the California Small Business COVID-19 Relief Grant Program.

Table 3 presents a summary of the General Fund original and final budgets.

Table 3

General Fund Original and Final Budgets
Year ended June 30, 2021
(amounts in millions)

	Original	Final	Increase/ (Decrease)
Budgeted amounts			
Business, consumer services, and housing	\$ 1,238	\$ 880	\$ (358)
Transportation	82	89	7
Natural resources and environmental protection	3,310	6,260	2,950
Health and human services	39,359	50,170	10,811
Corrections and rehabilitation	13,290	12,880	(410)
Education	93,985	95,284	1,299
General government:			
Tax relief	397	415	18
Debt service	6,212	4,633	(1,579)
Other general government	9,526	11,969	2,443
Total	\$ 167,399	\$ 182,580	\$ 15,181

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2021, the State's investment in capital assets for its governmental and business-type activities amounted to \$157.9 billion (net of accumulated depreciation/amortization). The State's capital assets include land, state highway infrastructure, collections, buildings and other depreciable property, intangible assets, and construction/development in progress. The buildings and other depreciable property account includes buildings, improvements other than buildings, equipment, certain infrastructure assets, certain books, and other capitalized and depreciable property. Intangible assets include computer software, land use rights, patents, copyrights, and trademarks. Infrastructure assets are items that normally are immovable, such as roads and bridges, and can be preserved for a greater number of years than can most capital assets.

As of June 30, 2021, the State's capital assets increased by \$5.0 billion, or 3.3% over the prior fiscal year. The majority of the increase occurred in state highway infrastructure, buildings and other depreciable property, and construction/development in progress. Additional information on the State's capital assets can be found in Note 7.

Table 4 presents a summary of the primary government's capital assets for governmental and business-type activities.

Table 4

Capital Assets – Primary Government – Two-year Comparison
June 30, 2021 and 2020
(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 21,547	\$ 21,147	\$ 423	\$ 330	\$ 21,970	\$ 21,477
State highway infrastructure	81,019	79,552	—	—	81,019	79,552
Collections – nondepreciable	23	23	34	31	57	54
Buildings and other depreciable property	34,249	33,493	18,914	16,998	53,163	50,491
Intangible assets – amortizable	2,937	2,681	458	442	3,395	3,123
Less: accumulated depreciation/amortization	(17,947)	(17,076)	(7,564)	(7,067)	(25,511)	(24,143)
Construction/development in progress	19,783	18,142	2,969	3,209	22,752	21,351
Intangible assets – nonamortizable	924	846	124	124	1,048	970
Total	\$ 142,535	\$ 138,808	\$ 15,358	\$ 14,067	\$ 157,893	\$ 152,875

Note: Prior-year adjustments recorded in the current year have not been reflected in the prior-year column.

Modified Approach for Infrastructure Assets

The State has elected to use the modified approach for capitalizing infrastructure assets of the state highway system (state bridges and roadways). Under the modified approach, the State does not report depreciation expense for its bridges and roads but capitalizes all costs that add to their capacity and efficiency. All maintenance and preservation costs are expensed. Under the modified approach, the State maintains an asset management system to demonstrate that the infrastructure is preserved at or above established condition levels. During fiscal year 2020-21, the actual amount spent on preservation was 48.5% of the estimated budgeted amount needed to maintain the infrastructure assets at established condition levels. Although the amount spent fell short of the budgeted amount, the assessed condition of the State's bridges and roadways is better than the established condition baselines, with 95.7% of bridge deck area judged to be of fair or better quality and 88.1% of lane miles judged to be of fair or better quality in the last completed pavement-condition survey. The State is responsible for maintaining 12,710 bridges and tunnels and 49,672 lane miles.

The Required Supplementary Information includes additional information on how the State uses the modified approach for infrastructure assets; it also presents the established condition standards, condition assessments, and preservation costs.

Debt Administration

At June 30, 2021, the State had total bonded debt outstanding of \$109.9 billion. Of this amount, \$79.0 billion (72.0%) represents general obligation bonds, which are backed by the full faith and credit of the State. The current portion of general obligation bonds outstanding is \$4.4 billion and the long-term portion is \$74.6 billion. The remaining \$30.9 billion (28.0%) of bonded debt outstanding represents

revenue bonds, which are secured solely by specified revenue sources. The current portion of revenue bonds outstanding is \$2.3 billion and the long-term portion is \$28.6 billion.

During the fiscal year, the State issued a total of \$6.4 billion in new general obligation bonds to fund various capital projects and other voter-approved costs related to K-12 schools and higher education facilities, transportation improvements and high-speed rail, water quality and environmental protection, and other public purposes.

Table 5 presents a summary of all the primary government's long-term obligations for governmental and business-type activities.

Table 5

Long-term Obligations – Primary Government – Two-year Comparison

Years ended June 30, 2021 and 2020
(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Government-wide noncurrent liabilities						
General obligation bonds	\$ 74,088	\$ 74,592	\$ 551	\$ 753	\$ 74,639	\$ 75,345
Revenue bonds payable	15,144	15,053	13,411	13,052	28,555	28,105
Total bonded debt	89,232	89,645	13,962	13,805	103,194	103,450
Net pension liability	84,713	82,816	9,543	9,274	94,256	92,090
Net other postemployment benefits liability	76,992	74,263	16,960	16,224	93,952	90,487
Mandated cost claims payable	2,044	1,782	—	—	2,044	1,782
Loans payable	46	146	19,769	2,272	19,815	2,418
Compensated absences payable	5,384	3,987	374	263	5,758	4,250
Workers' compensation benefits payable	4,416	4,192	13	10	4,429	4,202
Capital lease obligations	316	337	316	336	632	673
Commercial paper	1,176	1,109	401	1,049	1,577	2,158
Other noncurrent liabilities	2,945	2,187	870	958	3,815	3,145
Total noncurrent liabilities	267,264	260,464	62,208	44,191	329,472	304,655
Current portion of long-term obligations	6,113	5,891	2,576	2,110	8,689	8,001
Total long-term obligations	\$ 273,377	\$ 266,355	\$ 64,784	\$ 46,301	\$ 338,161	\$ 312,656

During the fiscal year ended June 30, 2021, the primary government's total long-term obligations increased by \$25.5 billion from the prior year's balance. The largest increase in long-term obligations during the fiscal year was a \$17.4 billion increase in loans payable resulting from increased unemployment program borrowings from the U.S. Department of Labor. Other notable increases included \$2.2 billion in net pension liability and \$3.5 billion in net OPEB liability because the State does not fully fund these benefits.

Note 9, Long-term Obligations, and Notes 10 through 16 include additional information on the State's long-term obligations.

During the year ended June 30, 2021, the State's general obligation bonds rating from Fitch Ratings, Standard and Poor's Rating Services, and Moody's Investors Service remained unchanged at "AA", "AA-", and "Aa2", respectively.

Economic Condition and Future Budgets**The Economy for the Fiscal Year Ending June 30, 2021**

California's economy came full circle during the 2020-21 fiscal year, as the disruption caused by the COVID-19 pandemic reached its climax at the beginning of the period, and was followed by gradual economic recovery over the remainder of the period to surpass pre-pandemic conditions. As of June 2021, California's real gross domestic product (GDP) had reached \$3.3 trillion, an increase of 18.5% compared to June 2020. By comparison, California's economy declined by 7.1% during the 2019-20 fiscal year to \$2.8 trillion. California's economic growth coming out of the pandemic exceeded that of the United States GDP, which increased by 17.4% during fiscal year 2020-21.

The COVID-19 pandemic dramatically displaced California workers at the onset of the 2020-21 fiscal year; the unemployment rate peaked at a record high of 16.1% in May of 2020 before settling to 14.1% by the end of June 2020. At the beginning of the 2020-21 fiscal year, California was issuing approximately three million unemployment insurance claims per week to unemployed workers. By the end of the period, weekly claims had fallen to roughly 625,000, and the unemployment rate receded gradually to 7.9%. Total non-farm employment increased by 1,062,000 jobs during fiscal year 2020-21, recovering more than half of the 1.8 million jobs lost during the previous fiscal year. All of California's 11 major industry sectors experienced job growth. The leisure and hospitality sector, which was struck hardest by the pandemic with a 35.8% loss of jobs during fiscal year 2019-20, rebounded enthusiastically during fiscal year 2020-21 with 346,000 jobs added, an increase of 26.5%. The leisure and hospitality sector includes jobs in arts, entertainment, and recreation, as well as food service and accommodations.

California's personal income continued to rise in spite of the COVID-19 pandemic, increasing by 5.4% and outperforming the national increase of 1.6%. Since 2010, personal income of Californians has grown an average of 5.5% annually, due largely to the low unemployment rate sustained during the majority of this period. United States personal income grew an average of 4.5% during the same period. Effective January 1, 2021, California's minimum wage increased to either \$13.00 or \$14.00 per hour, depending on the number of employees of a business. The minimum wage will continue to increase each year until it reaches \$15.00 per hour for all businesses in 2023.

The California real estate market remained strong through the COVID-19 pandemic as a result of sustained historically low interest rates. The median price of homes in California skyrocketed to a record high \$819,630 as of June 2021, an increase of 30.9%. The national median home price increased by 19.8% to \$366,900. While 30-year fixed mortgage rates dropped to an average of 2.98% in June 2021, compared to 3.16% in June 2020, sales of existing single-family homes were up 28.3% from June 2020, with the demand concentrated in higher-priced markets. New active listings increased by around 8.0% over the previous fiscal year, but are still down 12.3% from pre-pandemic levels. New privately owned residential units increased during the 2020-21 fiscal year by approximately 118,600 units. The overall growth in residential housing supply, particularly with constrained housing supply in lower priced markets, may still be inadequate to support California's projected population growth, which could result in continued high housing prices and low affordability.

Economic Conditions for the 2021-22 Fiscal Year and Future Outlook

After a strong recovery for California's economy during the 2020-21 fiscal year, the 2021-22 fiscal year showed only nominal growth and featured a prolonged period of high inflation that reinforced the threat of a recession. At June 30, 2022, the State's GDP remained at \$2.9 trillion with an increase of only 0.3% over the previous fiscal year, while the United States GDP increased by 1.8% over the same period. Personal income growth for Californians was relatively sluggish coming out of the pandemic as well, increasing by a modest 1.5% during fiscal year 2021-22, well behind the U.S. national personal income increase of 3.4%.

California's unemployment rate continued in its descent toward pre-pandemic levels during the 2021-22 fiscal year, declining to 4.2% at June 30, 2022, and hovering around 4.0% thereafter. Momentum toward recovery persisted in the leisure and hospitality sector as well, with an additional 237,700 jobs gained during fiscal year 2021-22, an increase of 14.4% from June 30, 2021.

After the initial shock of the COVID-19 pandemic, historically low interest rates spurred an 18 month upward trend in home sales, but the housing market began to take a turn near the middle of fiscal year 2021-22. Existing home sales in June 2022 totaled 344,970 units, a 20.9% plunge from June 2021. The 30-year fixed mortgage interest rate surged from an average of 2.98% in June 2021, to a 5.52% average in June 2022. Fueled by inflation, the statewide median home price capped at a record high of \$900,710 in May of 2022, before sliding to \$863,790 in June 2022. The June 2022 California median home price was 5.4% higher than June 2021. By comparison, the U.S. national median home price increased by 11.1% from June 2021 to June 2022, to \$403,300. With inflation remaining high and interest rates climbing, the market is expected to normalize further with softer sales and more moderate price growth.

Record inflation may jeopardize the sustainability of the California's post COVID-19 recovery and growth, with the looming threat of a recession. Emerging from the pandemic, an upward curve in the consumer price index resulted in an inflation rate of 4.4% for fiscal year 2020-21, and 9.1% for fiscal year 2021-22, the largest increase in 40 years. By comparison, inflation for fiscal year 2019-20 was just 1.4%. Facing rising inflation, the Federal Reserve repeatedly enacted large interest rate increases throughout 2022 with the aim of cooling the economy and maintaining stable price growth; these actions had only limited success. Higher interest rates stifle the economy by increasing borrowing costs for businesses, home buyers, and consumers, and depressing investment markets. Factors such as changes in consumer spending, incomes, and prices for food and energy suggest that inflationary pressures will remain high in the near future, would necessitate response from the Federal Reserve to continue to further raise interest rates and curb inflation. Similar historical scenarios have led to recession.

California's 2021-22 Budget

California's 2021-22 Budget Act was enacted on June 28, 2021. The Budget Act appropriated \$262.6 billion; \$196.5 billion from the General Fund, \$61.2 billion from special funds, and \$4.9 billion from bond funds. Budgeted expenditures for the General Fund increased by \$30.4 billion, or 18.3% over last year's budget, and General Fund revenues were projected to be \$175.3 billion after a \$3.4 billion transfer to the Budget Stabilization Account (BSA), the State's rainy day fund. General Fund revenue comes predominantly from taxes, with personal income taxes expected to provide 69.0% of total revenue in fiscal year 2021-22. California's major taxes, including personal income taxes, sales and use taxes, and corporation taxes were projected to supply approximately 95.3% of the General Fund's resources in the 2021-22 fiscal year. The General Fund was projected to end the 2021-2022 fiscal year with \$25.2 billion in total reserves, including \$15.8 billion in the BSA for fiscal emergencies,

\$4.5 billion in the Public School System Stabilization Account (PSSSA), \$4.0 billion in the State's operating reserve, and \$900 million in the Safety Net Reserve (SNR). To continue to reduce California's long-term retirement liabilities, the Budget provided for \$3.4 billion in payments required by Proposition 2 in 2021-22, plus \$7.9 billion in additional payments over the next three years. The improved revenue forecast for fiscal year 2021-22 also allowed for the elimination of \$2.0 billion in program suspensions enacted in previous budgets.

Driven primarily by a surge in Federal pandemic assistance to California as part of the American Rescue Plan Act of 2021, the 2021-22 Budget Act increased total state expenditures by \$61.6 billion over the 2020-21 budgeted level, including an increase in budgeted General Fund expenditures of \$62.5 billion. The increase in General Fund spending included \$17.4 billion for K-12 education, \$12.6 billion for Health and Human Services, and \$10.5 billion for Government operations. The General Fund's share of the Proposition 98 guaranteed minimum funding level for K-12 schools and community colleges decreased by \$1.3 billion from the revised 2020-21 level to \$66.4 billion.

As part of the 2021 Budget Act, families and businesses were provided immediate relief from the effects of the COVID-19 pandemic. As part of the Budget, the State added \$1.5 billion to its previous \$2.5 billion investment in the Small Business COVID-19 Relief Grant Program, which helped approximately 210,000 businesses remain open and their workers employed. The Budget included the Golden State Stimulus and Golden State Grant programs to provide COVID-19 relief to low-income families and small businesses, respectively, plus an expansion of these programs to extend benefits to middle-class families with earnings under certain thresholds. The Budget also included \$6.4 billion in State-administered and direct local federal rent relief, and \$2.0 billion for the payment of unpaid utility debt accumulated during the pandemic. The pandemic highlighted the need to make broadband affordable and accessible to unserved households for health, education, and employment purposes. Through a \$6.0 billion investment to boost broadband infrastructure, the Budget expanded equitable access to high-speed broadband internet service to the public.

The Budget made other investments to meet some of California's long-standing challenges. Approximately \$12.0 billion was allocated over two years to combat homelessness, the largest investment in the state's history. Lastly, the Budget expanded Medi-Cal coverage to increase access to health care for postpartum individuals, older adults, and persons with disabilities.

In June 2022, the 2022-23 Budget Act was enacted, and provided updated estimates of fiscal year 2021-22 General Fund revenues, expenditures, and reserves. The 2022-23 Budget Act projected fiscal year 2021-22 General Fund revenue of \$227.0 billion after transfers—\$51.7 billion (29.5%) more than projected in the 2021-22 Budget Act—and expenditures of \$243.0 billion. Total year-end reserves were estimated at \$28.5 billion—\$7.3 billion in the Public School System Stabilization Account, \$20.3 billion in the BSA, and \$900 million in the SNR—which is \$7.3 billion more than projected in the 2021-22 Budget Act.

California's 2022-23 Budget

California's fiscal year 2022-23 Budget Act was enacted in June 2022. The Budget includes projections of fiscal year 2022-23 General Fund revenues, expenditures, and reserves. General Fund revenues are estimated to be \$222.7 billion, a decrease of \$10.1 billion (4.3%) from fiscal year 2021-22 revenue estimates, primarily due to projected reductions of personal income tax and corporation income tax revenues totaling \$6.9 billion. General Fund expenditures for fiscal year 2022-23 are budgeted at

\$234.4 billion, a decrease of \$8.6 billion (3.5%) compared to the fiscal year 2021-22 estimates. A total of \$37.2 billion in budgetary reserves is included in the Budget: \$23.3 billion in the BSA for fiscal emergencies, \$9.5 billion in the PSSSA, \$3.5 billion in the State's operating reserve, and \$900 million in the SNR.

The Budget allocates \$39.0 billion over five years toward climate resilience; and \$47.0 billion for infrastructure, including infrastructure funding for schools, higher education, broadband, and clean transportation systems. Every \$1.0 billion invested in infrastructure is expected to create approximately 13,000 quality jobs for California workers. The Budget includes total funding of \$128.6 billion for all K-12 education programs, and \$5.1 billion allocated from the General Fund for K-12 school facilities. The Budget continues to build resiliency and prepare the State for an uncertain future by strengthening reserves, paying down debt, and prefunding pension and OPEB liabilities. The Budget seeks to address the predominant state issues of homelessness, behavioral health challenges, women's rights and health access, neighborhood safety, and drought and wildfire mitigation. The Budget also includes measures to maintain energy reliability, protect energy ratepayers, and accelerate clean energy projects.

Requests for Information

The State Controller's Office designed this financial report to provide interested parties with a general overview of the State of California's finances. Address questions concerning the information provided in this report or requests for additional information via email to the State Controller's Office, State Accounting and Reporting Division at StateGovReports@sco.ca.gov. This report is also available on the State Controller's Office website at www.sco.ca.gov.

Basic Financial Statements



Government-wide Financial Statements



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Statement of Net Position

June 30, 2021

(amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and pooled investments	\$ 138,594,256	\$ 7,476,218	\$ 146,070,474	\$ 4,148,854
Amount on deposit with U.S. Treasury	—	866,853	866,853	—
Investments	489,558	2,981,895	3,471,453	12,740,058
Restricted assets:				
Cash and pooled investments	816,911	624,039	1,440,950	312,997
Investments	—	—	—	30,653
Due from other governments	—	181,703	181,703	—
Net investment in direct financing leases	13,307	9,218	22,525	—
Receivables (net)	44,941,774	2,272,441	47,214,215	6,321,718
Internal balances	27,416	(27,416)	—	—
Due from primary government	—	—	—	269,807
Due from other governments	38,281,951	301,754	38,583,705	122,310
Prepaid items	150,740	69,641	220,381	3,006
Inventories	73,298	27,213	100,511	348,770
Recoverable power costs (net)	—	—	—	—
Other current assets	720,850	3,156	724,006	846,881
Total current assets	224,110,061	14,786,715	238,896,776	25,145,054
Noncurrent assets:				
Restricted assets:				
Cash and pooled investments	141,036	183,218	324,254	66,630
Investments	—	843,970	843,970	144,458
Loans receivable	—	1,934,689	1,934,689	—
Investments	—	2,800,694	2,800,694	45,501,860
Net investment in direct financing leases	228,178	213,677	441,855	—
Receivables (net)	2,940,803	1,258,816	4,199,619	2,767,442
Loans receivable	5,169,074	5,590,375	10,759,449	2,845,174
Long-term prepaid charges	625	1,336,023	1,336,648	119
Capital assets:				
Land	21,547,160	423,324	21,970,484	1,648,822
State highway infrastructure	81,018,986	—	81,018,986	—
Collections – nondepreciable	22,682	34,431	57,113	618,290
Buildings and other depreciable property	34,248,866	18,913,256	53,162,122	63,056,973
Intangible assets – amortizable	2,937,232	457,773	3,395,005	1,827,521
Less: accumulated depreciation/amortization	(17,947,373)	(7,563,599)	(25,510,972)	(32,435,380)
Construction/development in progress	19,783,476	2,968,926	22,752,402	4,623,455
Intangible assets – nonamortizable	923,851	123,800	1,047,651	5,214
Other noncurrent assets	—	30,859	30,859	549,628
Total noncurrent assets	151,014,596	29,550,232	180,564,828	91,220,206
Total assets	375,124,657	44,336,947	419,461,604	116,365,260
DEFERRED OUTFLOWS OF RESOURCES	26,921,080	3,598,401	30,519,481	9,888,261
Total assets and deferred outflows of resources	\$ 402,045,737	\$ 47,935,348	\$ 449,981,085	\$ 126,253,521

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 42,679,045	\$ 766,000	\$ 43,445,045	\$ 3,052,295
Due to component units	269,806	—	269,806	—
Due to other governments	38,117,556	17,900,775	56,018,331	—
Revenues received in advance	18,082,077	605,836	18,687,913	1,968,254
Tax overpayments	5,340,490	—	5,340,490	—
Deposits	518,242	—	518,242	570,986
Contracts and notes payable	3,148	—	3,148	11,480
Unclaimed property liability	1,113,203	—	1,113,203	—
Interest payable	1,051,784	45,324	1,097,108	13,662
Securities lending obligations	—	—	—	998,441
Benefits payable	4,663,280	1,048,582	5,711,862	—
Current portion of long-term obligations	6,113,026	2,576,369	8,689,395	5,269,200
Other current liabilities	9,822,846	621,839	10,444,685	4,054,918
Total current liabilities	127,774,503	23,564,725	151,339,228	15,939,236
Noncurrent liabilities:				
Loans payable	46,062	19,769,295	19,815,357	15,118
Lottery prizes and annuities	—	678,599	678,599	—
Compensated absences payable	5,384,265	373,621	5,757,886	533,099
Workers' compensation benefits payable	4,416,063	12,662	4,428,725	674,603
Commercial paper and other borrowings	1,176,235	401,147	1,577,382	710
Capital lease obligations	316,446	316,073	632,519	348,002
General obligation bonds payable	74,087,989	551,009	74,638,998	—
Revenue bonds payable	15,143,733	13,410,738	28,554,471	28,325,976
Mandated cost claims payable	2,043,606	—	2,043,606	—
Net other postemployment benefits liability	76,991,715	16,959,981	93,951,696	25,200,281
Net pension liability	84,713,135	9,542,625	94,255,760	6,204,302
Revenues received in advance	—	5,979	5,979	7,703
Other noncurrent liabilities	2,945,183	185,403	3,130,586	2,838,476
Total noncurrent liabilities	267,264,432	62,207,132	329,471,564	64,148,270
Total liabilities	395,038,935	85,771,857	480,810,792	80,087,506
DEFERRED INFLOWS OF RESOURCES	14,326,972	4,500,241	18,827,213	17,857,809
Total liabilities and deferred inflows of resources	\$ 409,365,907	\$ 90,272,098	\$ 499,638,005	\$ 97,945,315

(continued)

Statement of Net Position (continued)

June 30, 2021

(amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
NET POSITION				
Net investment in capital assets	\$ 120,745,220	\$ 2,677,917	\$ 123,423,137	\$ 14,468,170
Restricted:				
Nonexpendable – endowments	—	1,663	1,663	8,873,686
Expendable:				
Endowments and gifts	—	—	—	19,024,004
General government	5,923,847	212,023	6,135,870	—
Education	1,502,726	122,393	1,625,119	1,472,200
Health and human services	5,055,180	2,197,927	7,253,107	—
Natural resources and environmental protection	6,357,224	2,808,822	9,166,046	—
Business, consumer services, and housing	5,427,533	95	5,427,628	—
Transportation	9,545,605	3,630	9,549,235	—
Corrections and rehabilitation	210,991	—	210,991	—
Unemployment programs	—	2,306,984	2,306,984	—
Indenture	—	—	—	645,690
Statute	—	—	—	3,351,982
Budget stabilization	12,339,422	—	12,339,422	—
Other purposes	—	—	—	18,547
Total expendable	46,362,528	7,651,874	54,014,402	24,512,423
Unrestricted	(174,427,918)	(52,668,204)	(227,096,122)	(19,546,073)
Total net position (deficit)	(7,320,170)	(42,336,750)	(49,656,920)	28,308,206
Total liabilities, deferred inflows of resources, and net position	\$ 402,045,737	\$ 47,935,348	\$ 449,981,085	\$ 126,253,521
				(concluded)

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Statement of Activities

Year Ended June 30, 2021

(amounts in thousands)

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 30,604,918	\$ 6,583,975	\$ 25,509,055	\$ —
Education	101,569,505	69,727	9,983,005	—
Health and human services	311,925,505	12,664,071	229,716,223	—
Natural resources and environmental protection	9,923,185	6,592,526	313,736	—
Business, consumer services, and housing	2,946,561	1,697,687	100,946	—
Transportation	18,119,697	7,731,094	2,579,621	1,847,263
Corrections and rehabilitation	14,185,645	15,776	55,679	—
Interest on long-term debt	3,505,827	—	—	—
Total governmental activities	492,780,843	35,354,856	268,258,265	1,847,263
Business-type activities:				
Electric Power	290,411	406,588	—	—
Water Resources	1,157,325	1,125,002	—	—
State Lottery	8,452,743	8,395,767	—	—
Unemployment Programs	55,737,215	23,903,289	—	—
California State University	10,391,177	3,236,482	3,042,698	—
State Water Pollution Control Revolving	41,466	73,790	520	—
Safe Drinking Water State Revolving	23,570	26,457	59,957	—
Housing Loan	54,540	51,953	—	—
Other enterprise programs	88,903	107,929	—	—
Total business-type activities	76,237,350	37,327,257	3,103,175	—
Total primary government	\$ 569,018,193	\$ 72,682,113	\$ 271,361,440	\$ 1,847,263
Component Units				
University of California	42,254,055	27,188,439	11,574,995	57,015
California Housing Finance Agency	102,501	450,501	—	—
Nonmajor component units	1,905,192	404,572	825,043	24,079
Total component units	\$ 44,261,748	\$ 28,043,512	\$ 12,400,038	\$ 81,094

General revenues:

Personal income taxes	
Sales and use taxes	
Corporation taxes	
Motor vehicle excise tax	
Insurance taxes	
Managed care organization enrollment tax	
Other taxes	
Investment and interest income	
Escheat	
Other	
Transfers	
Total general revenues and transfers	
Change in net position	
Net position (deficit) – beginning, restated	
Net position (deficit) – ending	

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ 1,488,112		\$ 1,488,112	
(91,516,773)		(91,516,773)	
(69,545,211)		(69,545,211)	
(3,016,923)		(3,016,923)	
(1,147,928)		(1,147,928)	
(5,961,719)		(5,961,719)	
(14,114,190)		(14,114,190)	
(3,505,827)		(3,505,827)	
(187,320,459)		(187,320,459)	
	\$ 116,177	116,177	
	(32,323)	(32,323)	
	(56,976)	(56,976)	
	(31,833,926)	(31,833,926)	
	(4,111,997)	(4,111,997)	
	32,844	32,844	
	62,844	62,844	
	(2,587)	(2,587)	
	19,026	19,026	
	(35,806,918)	(35,806,918)	
\$ (187,320,459)	\$ (35,806,918)	\$ (223,127,377)	
			\$ (3,433,606)
			348,000
			(651,498)
			\$ (3,737,104)
\$ 132,042,516	\$ —	\$ 132,042,516	\$ —
45,905,984	—	45,905,984	—
32,108,028	—	32,108,028	—
7,942,519	—	7,942,519	—
3,156,992	—	3,156,992	—
2,318,011	—	2,318,011	—
3,827,360	—	3,827,360	—
140,329	—	140,329	10,553,534
640,226	—	640,226	—
—	—	—	3,454,979
(3,851,666)	3,851,666	—	—
224,230,299	3,851,666	228,081,965	14,008,513
36,909,840	(31,955,252)	4,954,588	10,271,409
(44,230,010)	(10,381,498)	(54,611,508)	18,036,797
\$ (7,320,170)	\$ (42,336,750)	\$ (49,656,920)	\$ 28,308,206

Fund Financial Statements

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Balance Sheet

Governmental Funds

June 30, 2021

(amounts in thousands)

	General	Federal
ASSETS		
Cash and pooled investments	\$ 63,898,470	\$ 31,983,348
Investments	—	—
Receivables (net)	38,116,171	1,662,632
Due from other funds	19,900,281	—
Due from other governments	2,210,703	35,195,542
Interfund receivables	2,871,706	—
Loans receivable	41,614	259,693
Other assets	688,849	—
Total assets	\$ 127,727,794	\$ 69,101,215
LIABILITIES		
Accounts payable	\$ 10,491,050	\$ 23,747,997
Due to other funds	2,132,619	18,825,193
Due to component units	235,010	—
Due to other governments	26,987,033	4,965,573
Interfund payables	4,177,802	—
Benefits payable	—	4,663,280
Revenues received in advance	25,086	16,589,116
Tax overpayments	5,340,490	—
Deposits	3,832	—
Unclaimed property liability	1,113,203	—
Other liabilities	808,654	8,848,716
Total liabilities	51,314,779	77,639,875
DEFERRED INFLOWS OF RESOURCES	2,267,907	—
Total liabilities and deferred inflows of resources	53,582,686	77,639,875
FUND BALANCES		
Nonspendable	2,878,611	—
Restricted	12,928,039	283,579
Committed	668,351	—
Assigned	4,938,117	—
Unassigned	52,731,990	(8,822,239)
Total fund balances (deficit)	74,145,108	(8,538,660)
Total liabilities, deferred inflows of resources, and fund balances	\$ 127,727,794	\$ 69,101,215

Transportation	Environmental and Natural Resources	Health Care Related Programs	Nonmajor Governmental	Total
\$ 9,597,280	\$ 12,690,026	\$ 2,457,414	\$ 16,139,853	\$ 136,766,391
—	—	—	489,558	489,558
1,350,523	606,006	4,221,651	1,824,680	47,781,663
1,444,280	120,458	91,864	2,051,111	23,607,994
1,058	13,381	729,954	99,041	38,249,679
228,739	1,979,085	335,065	1,423,652	6,838,247
368,166	1,070,404	136,430	3,275,097	5,151,404
19,025	—	—	12,976	720,850
\$ 13,009,071	\$ 16,479,360	\$ 7,972,378	\$ 25,315,968	\$ 259,605,786
\$ 1,089,262	\$ 759,211	\$ 3,926,604	\$ 1,414,693	\$ 41,428,817
762,017	182,635	1,937,677	670,989	24,511,130
6,248	—	—	28,548	269,806
748,908	164,799	2,137	5,269,501	38,137,951
20,690	241,890	—	20,200	4,460,582
—	—	—	—	4,663,280
15,876	258,319	692	189,444	17,078,533
—	—	—	—	5,340,490
2,902	349	—	508,820	515,903
—	—	—	—	1,113,203
515,148	5,895	—	179,065	10,357,478
3,161,051	1,613,098	5,867,110	8,281,260	147,877,173
63,523	15,273	171,544	389,040	2,907,287
3,224,574	1,628,371	6,038,654	8,670,300	150,784,460
—	—	—	10,238	2,888,849
9,737,705	6,170,647	1,884,600	15,205,470	46,210,040
46,792	8,680,342	49,124	1,384,417	10,829,026
—	—	—	45,543	4,983,660
—	—	—	—	43,909,751
9,784,497	14,850,989	1,933,724	16,645,668	108,821,326
\$ 13,009,071	\$ 16,479,360	\$ 7,972,378	\$ 25,315,968	\$ 259,605,786

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

(amounts in thousands)

Total fund balances – governmental funds **\$ 108,821,326**

Amounts reported for governmental activities in the Statement of Net Position are different from those in the Governmental Funds Balance Sheet because:

- The following capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Land	21,545,080	
State highway infrastructure	81,018,986	
Collections – nondepreciable	22,682	
Buildings and other depreciable property	33,549,212	
Intangible assets – amortizable	2,892,815	
Less: accumulated depreciation/amortization	(17,405,547)	
Construction/development in progress	17,148,239	
Intangible assets – nonamortizable	<u>923,851</u>	
		139,695,318

- State revenues that are earned and measurable, but not available within 12 months of the end of the reporting period, are reported as deferred inflows of resources in the funds. 2,907,287

- Internal service funds are used by management to charge the costs of certain activities, such as building construction and architectural services, procurement, and technology services, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position, excluding amounts for activity between the internal service funds and governmental funds. (9,819,805)

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- Bond premiums/discounts and prepaid insurance charges are amortized over the life of the bonds and are included in the governmental activities in the Statement of Net Position. (7,905,457)

- Deferred inflows and outflows of resources related to pension and OPEB transactions are not reported in the funds. 12,103,699

- Deferred inflows and outflows of resources resulting from bond refunding gains and losses, respectively, are amortized over the life of the bonds and are not reported in the funds. 257,355

- General obligation bonds and related accrued interest totaling \$71,775,824, revenue bonds totaling \$6,952,091, and commercial paper totaling \$1,176,235 are not due and payable in the current period and are not reported in the funds. (79,904,150)

- The following liabilities are not due and payable in the current period and are not reported in the funds:

Compensated absences	(5,161,823)	
Capital leases	(359,812)	
Net pension liability	(83,389,823)	
Net other postemployment benefits liability	(75,045,720)	
Mandated cost claims	(2,043,606)	
Workers' compensation	(4,367,090)	
Pollution remediation obligations	(1,514,746)	
Other noncurrent liabilities	<u>(1,593,123)</u>	
		(173,475,743)

Net position of governmental activities **\$ (7,320,170)**

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2021

(amounts in thousands)

	General	Federal
REVENUES		
Personal income taxes	\$ 129,514,535	\$ —
Sales and use taxes	29,114,297	—
Corporation taxes	32,122,361	—
Motor vehicle excise taxes	145,522	—
Insurance taxes	3,156,993	—
Managed care organization enrollment tax	—	—
Other taxes	644,877	—
Intergovernmental	—	270,107,742
Licenses and permits	8,105	—
Charges for services	367,807	—
Fees	15,250	—
Penalties	546,536	15
Investment and interest	125,167	22,949
Escheat	640,226	—
Other	585,361	—
Total revenues	196,987,037	270,130,706
EXPENDITURES		
Current:		
General government	11,811,215	6,233,649
Education	70,813,388	26,916,922
Health and human services	43,208,392	235,970,618
Natural resources and environmental protection	2,600,638	310,907
Business, consumer services, and housing	387,139	785,026
Transportation	287,388	4,470,968
Corrections and rehabilitation	11,789,080	695,831
Capital outlay	439,180	—
Debt service:		
Bond and commercial paper retirement	2,557,902	—
Interest and fiscal charges	2,481,352	—
Total expenditures	146,375,674	275,383,921
Excess (deficiency) of revenues over (under) expenditures	50,611,363	(5,253,215)
OTHER FINANCING SOURCES (USES)		
General obligation bonds and commercial paper issued	—	—
Revenue bonds issued	—	—
Refunding debt issued	—	—
Payment to refund long-term debt	—	—
Premium on bonds issued	104,020	—
Capital leases	439,180	—
Transfers in	1,379,065	—
Transfers out	(6,890,120)	(1,109,120)
Total other financing sources (uses)	(4,967,855)	(1,109,120)
Net change in fund balances	45,643,508	(6,362,335)
Fund balances – beginning	28,501,600	(2,176,325)
Fund balances (deficit) – ending	\$ 74,145,108	\$ (8,538,660)

* Restated

Transportation	Environmental and Natural Resources	Health Care Related Programs	Nonmajor Governmental	Total
\$ —	\$ —	\$ —	\$ 2,580,589	\$ 132,095,124
755,544	—	—	16,036,914	45,906,755
—	—	—	—	32,122,361
7,587,355	89,349	—	120,293	7,942,519
—	—	—	—	3,156,993
—	—	2,318,011	—	2,318,011
—	173,691	—	3,188,557	4,007,125
—	—	1,752,334	831,804	272,691,880
5,562,172	500,850	90	3,927,890	9,999,107
151,071	96,924	102	409,263	1,025,167
1,935,161	2,960,493	4,731,250	4,035,625	13,677,779
9,251	335,668	3,454	489,826	1,384,750
51,253	66,213	12,583	348,313	626,478
—	—	—	4,022	644,248
119,453	3,167,016	1,172,205	1,758,541	6,802,576
16,171,260	7,390,204	9,990,029	33,731,637	534,400,873
469,360	249,704	8,948	11,135,608	29,908,484
9,878	298	108,117	2,115,492	99,964,095
9,689	74,858	10,139,189	21,691,010	311,093,756
333,060	5,335,554	167	282,323	8,862,649
111,293	104,052	—	1,436,952	2,824,462
13,469,490	1,377,765	—	18,145	19,623,756
—	—	—	113,940	12,598,851
—	190,000	—	256,840	886,020
1,845,056	1,270,054	72,085	3,849,478	9,594,575
35,398	15,258	93	1,118,052	3,650,153
16,283,224	8,617,543	10,328,599	42,017,840	499,006,801
(111,964)	(1,227,339)	(338,570)	(8,286,203)	35,394,072
523,490	1,315,485	366,330	2,846,000	5,051,305
—	—	—	450,000	450,000
1,366,055	593,250	—	1,698,140	3,657,445
—	(64,950)	—	(363,445)	(428,395)
383,801	197,588	39,701	493,656	1,218,766
—	—	—	—	439,180
2,597	151,326	124,757	4,751,108	6,408,853
(1,738,639)	(112,491)	(6,075)	(392,948)	(10,249,393)
537,304	2,080,208	524,713	9,482,511	6,547,761
425,340	852,869	186,143	1,196,308	41,941,833
9,359,157 *	13,998,120 *	1,747,581 *	15,449,360 *	66,879,493
\$ 9,784,497	\$ 14,850,989	\$ 1,933,724	\$ 16,645,668	\$ 108,821,326

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

(amounts in thousands)

Net change in fund balances – total governmental funds **\$ 41,941,833**

Amounts reported for governmental activities in the Statement of Activities are different from those in the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds because:

- Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current year, these amounts are:

Purchase of assets	4,508,992	
Disposal of assets	(656,137)	
Depreciation expense, net of asset disposal	<u>(851,243)</u>	
	3,001,612	

- Some revenues in the Statement of Activities do not provide current financial resources and, therefore, are unavailable in governmental funds. (878,303)

- Internal service funds are used by management to charge the costs of certain activities, such as building construction and architectural services, procurement, and technology services, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. 207,498

- The issuance of long-term debt instruments provides current financial resources to governmental funds, while the repayment of the principal of long-term debt is an expenditure of governmental funds. Neither transaction, however, has any effect on the Statement of Activities. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The following shows the effect of these differences in the treatment of long-term debt and related items:

	General Obligation Bonds	Revenue Bonds	Commercial Paper	Total
Debt issued	(6,313,765)	(887,260)	(1,957,725)	(9,158,750)
Premium on debt issued	(1,218,768)	—	—	(1,218,768)
Accreted interest	—	(52,155)	—	(52,155)
Principal repayments	7,380,650	323,717	1,890,210	9,594,577
Payments to refund/remarket long-term debt	64,950	363,445	—	428,395
Related expenses not reported in governmental funds:				
Premium/discount amortization	443,995	74,023	—	518,018
Deferred gain/loss on refunding	182	1,760	—	1,942
Prepaid insurance	—	(83)	—	(83)
Accrued interest	26,172	984	—	27,156
	<u>383,416</u>	<u>(175,569)</u>	<u>(67,515)</u>	

140,332
(continued)

- The following expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not recognized as expenditures in governmental funds. Once the use of current financial resources is required, expenditures are recognized in governmental funds but are eliminated from the Statement of Activities. In the current period, the net adjustment consists of:

Compensated absences	(1,329,950)	
Capital leases	33,277	
Net pension liability	(4,932,857)	
Net other postemployment benefits liability	(556,719)	
Mandated cost claims	(261,236)	
Workers' compensation	(223,276)	
Proposition 98 funding guarantee	708	
Pollution remediation obligations	(221,646)	
Other noncurrent liabilities	<u>(11,432)</u>	
		(7,503,131)

Change in net position of governmental activities

\$ 36,909,840
(concluded)

Statement of Net Position

Proprietary Funds

June 30, 2021

(amounts in thousands)

	Electric Power	Water Resources
ASSETS		
Current assets:		
Cash and pooled investments	\$ —	\$ 1,142,783
Amount on deposit with U.S. Treasury	—	—
Investments	—	—
Restricted assets:		
Cash and pooled investments	346,119	—
Due from other governments	—	—
Net investment in direct financing leases	—	—
Receivables (net)	107,837	31,891
Due from other funds	—	—
Due from other governments	—	82,759
Prepaid items	—	—
Inventories	—	4,776
Recoverable power costs (net)	—	—
Other current assets	—	—
Total current assets	453,956	1,262,209
Noncurrent assets:		
Restricted assets:		
Cash and pooled investments	—	183,218
Investments	793,000	50,970
Loans receivable	—	—
Investments	—	—
Net investment in direct financing leases	—	—
Receivables (net)	—	—
Interfund receivables	—	158,092
Loans receivable	—	8,501
Recoverable power costs (net)	—	—
Long-term prepaid charges	—	1,335,666
Capital assets:		
Land	—	209,123
Collections – nondepreciable	—	—
Buildings and other depreciable property	—	7,013,547
Intangible assets – amortizable	—	41,652
Less: accumulated depreciation/amortization	—	(2,481,741)
Construction/development in progress	—	1,120,155
Intangible assets – nonamortizable	—	112,417
Other noncurrent assets	—	—
Total noncurrent assets	793,000	7,751,600
Total assets	1,246,956	9,013,809
DEFERRED OUTFLOWS OF RESOURCES	17,000	288,339
Total assets and deferred outflows of resources	\$ 1,263,956	\$ 9,302,148

Business-type Activities – Enterprise Funds					Governmental Activities
State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
\$ 691,363	\$ 3,083,104	\$ 1,297,554	\$ 1,261,414	\$ 7,476,218	\$ 1,827,865
—	866,853	—	—	866,853	—
61,134	—	2,920,761	—	2,981,895	—
—	—	—	277,920	624,039	816,911
—	—	—	181,703	181,703	—
—	—	9,218	—	9,218	492,900
660,370	1,120,946	309,651	41,746	2,272,441	67,397
763	203,185	4,580	22,368	230,896	729,744
—	52,738	—	166,257	301,754	32,272
—	—	69,620	21	69,641	150,740
17,704	—	—	4,733	27,213	73,298
—	—	—	—	—	—
3,156	—	—	—	3,156	—
1,434,490	5,326,826	4,611,384	1,956,162	15,045,027	4,191,127
—	—	—	—	183,218	141,036
—	—	—	—	843,970	—
—	—	—	1,934,689	1,934,689	—
759,651	—	2,020,935	20,108	2,800,694	—
—	—	213,677	—	213,677	7,668,002
—	900,685	358,131	—	1,258,816	—
—	323,519	—	21,546	503,157	41,291
—	162,627	42,476	5,376,771	5,590,375	17,670
—	—	—	—	—	—
357	—	—	—	1,336,023	222
18,798	—	194,130	1,273	423,324	2,080
—	—	34,431	—	34,431	—
324,717	28,601	11,520,249	26,142	18,913,256	699,654
—	244,118	170,232	1,771	457,773	44,417
(138,666)	(75,081)	(4,845,221)	(22,890)	(7,563,599)	(541,826)
—	—	1,848,665	106	2,968,926	2,635,237
—	—	11,383	—	123,800	—
—	—	25,352	5,507	30,859	—
964,857	1,584,469	11,594,440	7,365,023	30,053,389	10,707,783
2,399,347	6,911,295	16,205,824	9,321,185	45,098,416	14,898,910
71,040	107,678	3,101,461	12,883	3,598,401	555,555
\$ 2,470,387	\$ 7,018,973	\$ 19,307,285	\$ 9,334,068	\$ 48,696,817	\$ 15,454,465

(continued)

Statement of Net Position (continued)

Proprietary Funds

June 30, 2021

(amounts in thousands)

	Electric Power	Water Resources
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 139,460	\$ 145,877
Due to other funds	14	94,844
Due to other governments	—	310,364
Revenues received in advance	—	—
Deposits	—	—
Contracts and notes payable	—	—
Interest payable	4,833	10,740
Benefits payable	—	—
Current portion of long-term obligations	777,434	245,557
Other current liabilities	—	—
Total current liabilities	921,741	807,382
Noncurrent liabilities:		
Interfund payables	153	35,766
Loans payable	—	—
Lottery prizes and annuities	—	—
Compensated absences payable	—	39,009
Workers' compensation benefits payable	—	—
Commercial paper and other borrowings	—	337,953
Capital lease obligations	—	—
General obligation bonds payable	—	205
Revenue bonds payable	—	3,571,620
Net other postemployment benefits liability	4,000	797,648
Net pension liability	3,000	573,990
Revenues received in advance	—	—
Other noncurrent liabilities	—	114,455
Total noncurrent liabilities	7,153	5,470,646
Total liabilities	928,894	6,278,028
DEFERRED INFLOWS OF RESOURCES	221,000	1,919,551
Total liabilities and deferred inflows of resources	1,149,894	8,197,579
NET POSITION		
Net investment in capital assets	—	661,031
Restricted:		
Nonexpendable – endowments	—	—
Expendable:		
Construction	—	—
Debt service	—	443,538
Security for revenue bonds	—	—
Lottery	—	—
Unemployment programs	—	—
Other purposes	123,062	—
Total expendable	123,062	443,538
Unrestricted	(9,000)	—
Total net position (deficit)	114,062	1,104,569
Total liabilities, deferred inflows of resources, and net position	\$ 1,263,956	\$ 9,302,148

Business-type Activities – Enterprise Funds					Governmental Activities
State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
\$ 52,022	\$ 76,192	\$ 342,971	\$ 9,477	\$ 765,999	\$ 427,157
494,939	—	—	21,422	611,219	269,356
—	17,590,179	—	232	17,900,775	23,648
2,335	234,058	369,385	58	605,836	1,003,544
—	—	—	—	—	2,339
—	—	—	—	—	27,443
—	—	—	29,751	45,324	91,927
—	1,048,582	—	—	1,048,582	—
931,703	—	319,160	302,515	2,576,369	582,253
148	61,215	560,476	—	621,839	11,623
1,481,147	19,010,226	1,591,992	363,455	24,175,943	2,439,290
8,061	—	83,417	22,854	150,251	2,817,924
—	19,769,295	—	—	19,769,295	—
678,599	—	—	—	678,599	—
—	134,986	181,766	17,860	373,621	229,367
8,185	—	—	4,477	12,662	48,973
—	—	63,194	—	401,147	—
—	—	316,073	—	316,073	—
—	—	—	550,804	551,009	—
—	—	8,375,411	1,463,707	13,410,738	8,231,049
245,228	549,356	15,323,276	40,473	16,959,981	1,945,995
145,559	362,161	8,419,313	38,602	9,542,625	1,323,312
—	—	5,979	—	5,979	—
—	—	59,329	11,619	185,403	29,958
1,085,632	20,815,798	32,827,758	2,150,396	62,357,383	14,626,578
2,566,779	39,826,024	34,419,750	2,513,851	86,533,326	17,065,868
42,041	80,022	2,216,736	20,891	4,500,241	288,985
2,608,820	39,906,046	36,636,486	2,534,742	91,033,567	17,354,853
204,848	197,913	1,611,062	3,063	2,677,917	522,299
—	—	1,663	—	1,663	—
—	—	18,662	—	18,662	152,488
—	—	22,943	238,357	704,838	—
—	—	—	2,003,865	2,003,865	—
106,929	—	—	—	106,929	—
—	2,306,984	—	—	2,306,984	—
—	—	80,788	2,306,746	2,510,596	—
106,929	2,306,984	122,393	4,548,968	7,651,874	152,488
(450,210)	(35,391,970)	(19,064,319)	2,247,295	(52,668,204)	(2,575,175)
(138,433)	(32,887,073)	(17,329,201)	6,799,326	(42,336,750)	(1,900,388)
\$ 2,470,387	\$ 7,018,973	\$ 19,307,285	\$ 9,334,068	\$ 48,696,817	\$ 15,454,465

(concluded)

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Funds

Year Ended June 30, 2021

(amounts in thousands)

	Electric Power	Water Resources
OPERATING REVENUES		
Unemployment and disability insurance	\$ —	\$ —
Lottery ticket sales	—	—
Power sales	(7,000)	76,929
Student tuition and fees	—	—
Services and sales	—	1,040,090
Investment and interest	—	—
Rent	—	—
Grants and contracts	—	—
Other	—	—
Total operating revenues	(7,000)	1,117,019
OPERATING EXPENSES		
Lottery prizes	—	—
Power purchases (net of recoverable power costs)	(10,000)	164,734
Personal services	3,000	414,834
Supplies	—	—
Services and charges	5,411	162,875
Depreciation	—	113,568
Scholarships and fellowships	—	—
Distributions to beneficiaries	—	—
Interest expense	—	—
Amortization of long-term prepaid charges	—	—
Other	—	85,560
Total operating expenses	(1,589)	941,571
Operating income (loss)	(5,411)	175,448
NONOPERATING REVENUES (EXPENSES)		
Donations and grants	—	—
Private gifts	—	—
Investment and interest income (loss)	292,302	7,983
Interest expense and fiscal charges	(292,000)	(87,931)
Lottery payments for education	—	—
Other	121,286	(127,823)
Total nonoperating revenues (expenses)	121,588	(207,771)
Income (loss) before capital contributions and transfers	116,177	(32,323)
Transfers in	—	—
Transfers out	—	—
Change in net position	116,177	(32,323)
Total net position (deficit) – beginning	(2,115)	1,136,892
Total net position (deficit) – ending	\$ 114,062	\$ 1,104,569

* Restated

Business-type Activities – Enterprise Funds					Governmental Activities
State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
\$ —	\$ 23,886,284	\$ —	\$ —	\$ 23,886,284	\$ —
8,417,944	—	—	—	8,417,944	—
—	—	—	—	69,929	—
—	—	2,289,439	—	2,289,439	—
—	—	173,055	115,003	1,328,148	4,012,264
—	—	—	135,954	135,954	6,827
—	—	72,047	—	72,047	335,567
—	—	200,831	3,038	203,869	—
8,417,944	23,886,284	2,735,372	253,995	36,403,614	4,354,658
5,610,606	—	—	—	5,610,606	—
—	—	—	—	154,734	—
104,758	169,108	6,748,618	59,687	7,500,005	767,927
15,303	—	1,601,504	54,939	1,671,746	21,833
812,781	370,204	—	55,282	1,406,553	2,939,157
16,765	11,653	427,286	1,589	570,861	54,942
—	—	1,335,230	—	1,335,230	—
—	55,186,208	—	—	55,186,208	—
—	—	—	34,469	34,469	346,078
—	—	—	—	—	52
—	—	—	8,994	94,554	—
6,560,213	55,737,173	10,112,638	214,960	73,564,966	4,129,989
1,857,731	(31,850,889)	(7,377,266)	39,035	(37,161,352)	224,669
—	—	3,042,698	60,477	3,103,175	—
—	—	62,115	—	62,115	—
(24,000)	17,005	326,393	6,134	625,817	2,949
(29,383)	(42)	(278,539)	(34,910)	(722,805)	(210)
(1,863,147)	—	—	—	(1,863,147)	—
1,823	—	112,602	(36)	107,852	(8,784)
(1,914,707)	16,963	3,265,269	31,665	1,313,007	(6,045)
(56,976)	(31,833,926)	(4,111,997)	70,700	(35,848,345)	218,624
—	—	3,851,664	2	3,851,666	29,550
—	—	—	—	—	(40,676)
(56,976)	(31,833,926)	(260,333)	70,702	(31,996,679)	207,498
(81,457)	(1,053,147)*	(17,068,868)	6,728,624 *	(10,340,071)	(2,107,886)*
\$ (138,433)	\$ (32,887,073)	\$ (17,329,201)	\$ 6,799,326	\$ (42,336,750)	\$ (1,900,388)

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2021

(amounts in thousands)

	Electric Power	Water Resources
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers/employers	\$ (7,000)	\$ 1,173,188
Receipts from interfund services provided	—	—
Payments to suppliers	(6,525)	(397,596)
Payments to employees	(941)	(414,834)
Payments for interfund services used	—	—
Payments for Lottery prizes	—	—
Claims paid to other than employees	—	—
Other receipts (payments)	—	42,471
Net cash provided by (used in) operating activities	(14,466)	403,229
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Changes in notes receivable and capital leases receivable	—	—
Changes in interfund receivables	—	—
Changes in interfund payables and loans payable	(9,000)	—
Receipt of bond charges	367,000	—
Proceeds from general obligation bonds	—	—
Retirement of general obligation bonds	—	—
Proceeds from revenue bonds	—	—
Retirement of revenue bonds	(735,000)	—
Interest received	—	—
Interest paid	(48,000)	—
Transfers in	—	—
Transfers out	—	—
Grants received	—	—
Lottery payments for education	—	—
Other receipts	152,674	—
Net cash provided by (used in) noncapital financing activities	(272,326)	—
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	—	(315,304)
Proceeds from sale of capital assets	—	—
Proceeds from notes payable and commercial paper	—	21,459
Principal paid on notes payable and commercial paper	—	(603,612)
Proceeds from capital leases	—	—
Payment on capital leases	—	—
Retirement of general obligation bonds	—	(8,595)
Proceeds from revenue bonds	—	797,150
Retirement of revenue bonds	—	(172,815)
Interest paid	—	9,807
Grants received	—	243,123
Net cash provided by (used in) capital and related financing activities	—	(28,787)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(491,000)	(203,411)
Proceeds from maturity and sale of investments	—	202,715
Change in loans receivable	—	836
Earnings on investments	34,207	10,883
Net cash provided by (used in) investing activities	(456,793)	11,023
Net increase (decrease) in cash and pooled investments	(743,585)	385,465
Cash and pooled investments – beginning	1,089,704	940,536
Cash and pooled investments – ending	\$ 346,119	\$ 1,326,001

Business-type Activities – Enterprise Funds					Governmental Activities
State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
\$ 8,282,435	\$ 24,416,556	\$ 2,477,755	\$ 542,021	\$ 36,884,955	\$ 12,729
—	97,034	—	2,747	99,781	4,950,330
(242,692)	(416,594)	(1,571,006)	(106,459)	(2,740,872)	(2,319,080)
(89,702)	(194,250)	(5,571,503)	(34,039)	(6,305,269)	(866,760)
(16,931)	(26,223)	—	(1,568)	(44,722)	(148,886)
(5,401,853)	—	—	—	(5,401,853)	—
(585,863)	(56,465,101)	—	—	(57,050,964)	(566,593)
17,556	15,449,753	(1,061,100)	(221,393)	14,227,287	(411,977)
1,962,950	(17,138,825)	(5,725,854)	181,309	(20,331,657)	649,763
—	—	26,701	—	26,701	—
—	115,469	—	(9,491)	105,978	179,393
—	17,497,365	(83,009)	1,634	17,406,990	668,295
—	—	—	—	367,000	—
—	—	—	99,997	99,997	—
—	—	—	(280,155)	(280,155)	—
—	—	57,051	99,999	157,050	—
—	—	(100,488)	(167,165)	(1,002,653)	—
—	—	21,066	—	21,066	—
—	—	(18,861)	(59,803)	(126,664)	(174)
—	—	3,501,951	2	3,501,953	29,550
—	—	—	—	—	(40,676)
—	—	3,057,686	56,637	3,114,323	—
(1,737,274)	—	—	—	(1,737,274)	—
—	—	—	—	152,674	—
(1,737,274)	17,612,834	6,462,097	(258,345)	21,806,986	836,388
(7,192)	(7,332)	(1,202,803)	(163)	(1,532,794)	(1,303,541)
256	—	54,816	93	55,165	3,007
—	—	—	—	21,459	—
—	—	—	—	(603,612)	—
—	—	12,863	—	12,863	—
—	—	(754,883)	—	(754,883)	—
—	—	—	—	(8,595)	—
—	—	1,479,324	—	2,276,474	544,068
—	—	(440,400)	—	(613,215)	(535,695)
—	(42)	—	—	9,765	(27)
—	—	97,949	—	341,072	—
(6,936)	(7,374)	(753,134)	(70)	(796,301)	(1,292,188)
(14,718)	—	(11,394,671)	(2,600)	(12,106,400)	—
65,109	(491,920)	11,152,739	2,516	10,931,159	—
—	—	—	—	836	—
13,309	17,005	120,054	8,664	204,122	3,012
63,700	(474,915)	(121,878)	8,580	(970,283)	3,012
282,440	(8,280)	(138,769)	(68,526)	(291,255)	196,975
408,923	3,091,384	1,436,323	1,607,860	8,574,730	2,588,837
\$ 691,363	\$ 3,083,104	\$ 1,297,554	\$ 1,539,334	\$ 8,283,475	\$ 2,785,812

(continued)

Statement of Cash Flows (continued)

Proprietary Funds

Year Ended June 30, 2021

(amounts in thousands)

	Electric Power	Water Resources
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	\$ (5,411)	\$ 175,448
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	—	113,568
Provisions and allowances	—	—
Amortization of premiums and discounts	—	—
Amortization of long-term prepaid charges and credits	—	96,388
Other	—	42,471
Change in account balances:		
Receivables	—	42,688
Due from other funds	—	—
Due from other governments	—	(9,736)
Prepaid items	—	—
Inventories	—	117
Net investment in direct financing leases	—	—
Recoverable power costs (net)	(9,000)	—
Other current assets	—	—
Loans receivable	—	—
Deferred outflow of resources	1,000	—
Accounts payable	(55)	(72,791)
Due to other funds	—	(3,338)
Due to other governments	—	27,471
Deposits	—	—
Contracts and notes payable	—	—
Interest payable	—	—
Revenues received in advance	—	—
Other current liabilities	—	—
Benefits payable	—	—
Lottery prizes and annuities	—	—
Compensated absences payable	—	—
Other noncurrent liabilities	(2,000)	(9,057)
Deferred inflow of resources	1,000	—
Total adjustments	(9,055)	227,781
Net cash provided by (used in) operating activities	\$ (14,466)	\$ 403,229
Noncash investing, capital, and financing activities:		
Long-term debt retirement from bond issuance	\$ —	\$ 790,010
State's contribution for pension and OPEB	—	—
Amortization/defeasance of bond premium and discount	19,000	54,369
Unrealized loss on investments	—	—
Amortization of deferred loss on refundings	17,000	20,198
Other assets paid through long-term debt	—	—
Interest accreted on annuitized prizes	—	—
Change in accrued capital asset purchases	—	—
Interest accreted on zero coupon bonds	—	—
Unclaimed lottery prizes directly allocated to another entity	—	—
Contributed capital assets	—	—
Other miscellaneous noncash transactions	8,000	—

Business-type Activities – Enterprise Funds					Governmental Activities
State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
\$ 1,857,731	\$ (31,850,889)	\$ (7,377,266)	\$ 39,035	\$ (37,161,352)	\$ 224,669
16,765	11,653	427,286	1,589	570,861	54,942
16,805	—	—	44	16,849	—
—	—	—	(1,277)	(1,277)	(87,443)
—	—	—	—	96,388	47
1,666	—	(33,155)	(16,476)	(5,494)	13,019
(173,076)	296,214	(7,793)	(546)	157,487	19,185
300	(86,476)	16,350	1,054	(68,772)	96,511
—	53,376	—	1,103	44,743	(6,614)
67	—	66	(1)	132	29,600
(4,820)	—	—	267	(4,436)	887
—	—	—	—	—	522,017
—	—	—	—	(9,000)	—
453	—	—	(388)	65	—
—	—	—	140,882	140,882	—
—	6,786	230,082	(2,012)	235,856	34,553
12,325	(219,951)	42,095	(2,274)	(240,651)	24,430
3,499	(1,834,181)	—	8,139	(1,825,881)	(129,353)
—	17,459,434	—	64	17,486,969	(1,034)
—	—	(1,859)	—	(1,859)	—
—	—	—	—	—	5,893
—	—	—	524	524	(1,400)
33	234,058	50,924	27	285,042	(28,385)
4,953	(71,589)	8,504	(176)	(58,308)	7,870
—	(1,105,332)	805	2,811	(1,101,716)	(2)
224,517	—	—	—	224,517	—
—	67,800	21,307	7,186	96,293	64,754
1,732	(70,387)	1,132,902	1,296	1,054,486	(118,997)
—	(29,341)	(236,102)	438	(264,005)	(75,386)
105,219	14,712,064	1,651,412	142,274	16,829,695	425,094
\$ 1,962,950	\$ (17,138,825)	\$ (5,725,854)	\$ 181,309	\$ (20,331,657)	\$ 649,763
(concluded)					
\$ —	\$ —	\$ —	\$ —	\$ 790,010	\$ —
—	—	349,713	—	349,713	—
—	—	29,398	—	102,767	—
55,647	—	—	—	55,647	—
—	—	7,334	—	44,532	—
—	—	36,073	—	36,073	—
29,383	—	—	—	29,383	—
—	—	20,163	—	20,163	—
19,534	—	—	—	19,534	—
19,408	—	—	—	19,408	—
—	—	8,887	—	8,887	—
—	—	4,599	1,596	14,195	5,136

Statement of Fiduciary Net Position

Fiduciary Funds and Similar Component Units

June 30, 2021

(amounts in thousands)

	Pension and Other Employee Benefit Trust	Private Purpose Trust	Investment Trust Local Agency Investment	Custodial
ASSETS				
Cash and pooled investments	\$ 3,705,613	\$ 51,865	\$ 37,049,805	\$ 2,692,549
Investments, at fair value:				
Short-term	40,055,776	—	—	—
Equity securities	414,072,794	6,392,548	—	—
Debt securities	182,097,183	3,535,204	—	—
Real estate	86,232,491	322,281	—	—
Securities lending collateral	27,256,282	—	—	—
Other	118,318,399	2,424,831	—	—
Total investments	868,032,925	12,674,864	—	—
Receivables (net)	11,363,470	8,411	46,155	1,958,064
Due from other funds	747,212	75,859	—	—
Due from other governments	—	—	—	23
Interfund receivable	—	—	—	46,062
Loans receivable	3,701,331	—	—	21,974
Other assets	734,282	307,988	—	15
Total assets	888,284,833	13,118,987	37,095,960	4,718,687
DEFERRED OUTFLOWS OF RESOURCES	156,309	—	—	1
Total assets and deferred outflows of resources	888,441,142	13,118,987	37,095,960	4,718,688
LIABILITIES				
Accounts payable	9,719,880	35,515	78	249,994
Due to other governments	3	6,194	29,275	2,803,064
Tax overpayments	—	—	—	(177)
Benefits payable	4,113,997	—	—	—
Revenues received in advance	—	16,853	—	675
Deposits	—	307,967	—	930,751
Securities lending obligations	27,133,696	—	—	—
Loans payable	3,702,701	—	—	—
Other liabilities	13,120,873	—	—	22,437
Total liabilities	57,791,150	366,529	29,353	4,006,744
DEFERRED INFLOWS OF RESOURCES	380,333	—	—	118
Total liabilities and deferred inflows of resources	58,171,483	366,529	29,353	4,006,862
NET POSITION				
Restricted:				
Pension and other postemployment benefits	806,025,328	—	—	—
Deferred compensation participants	24,236,563	—	—	—
Pool participants	—	—	37,066,607	—
Individuals, organizations, or other governments	7,768	12,752,458	—	711,826
Total net position	\$ 830,269,659	\$ 12,752,458	\$ 37,066,607	\$ 711,826

Statement of Changes in Fiduciary Net Position

Fiduciary Funds and Similar Component Units

Year Ended June 30, 2021

(amounts in thousands)

	Pension and Other Employee Benefit Trust	Private Purpose Trust	Investment Trust Local Agency Investment	Custodial
ADDITIONS				
Contributions:				
Employer	\$ 30,256,975	\$ —	\$ —	\$ 35,594
Plan member	9,568,619	—	—	—
Non-employer	3,730,902	—	—	—
Total contributions	43,556,496	—	—	35,594
Investment income:				
Net appreciation (depreciation) in fair value of investments	152,224,913	6,754	—	—
Interest, dividends, and other investment income	13,292,160	2,148,626	188,145	720
Less: investment expense	(1,516,609)	(2,950)	—	—
Net investment income	164,000,464	2,152,430	188,145	720
Receipts from depositors	—	3,159,841	27,343,632	78,116
Other	134,327	—	—	176,797
Total additions	207,691,287	5,312,271	27,531,777	291,227
DEDUCTIONS				
Distributions paid and payable to participants	47,695,661	—	186,239	35,594
Refunds of contributions	396,099	—	—	—
Administrative expense	928,165	106	1,907	1,113
Interest expense	89,604	—	—	—
Payments to and for depositors	382,162	2,666,000	22,350,197	105,979
Total deductions	49,491,691	2,666,106	22,538,343	142,686
Change in net position	158,199,596	2,646,165	4,993,434	148,541
Net position – beginning	672,070,063 *	10,106,293	32,073,173	563,285
Net position – ending	\$ 830,269,659	\$ 12,752,458	\$ 37,066,607	\$ 711,826

* Restated

Discretely Presented Component Units Financial Statements



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Statement of Net Position

Discretely Presented Component Units – Enterprise Activity

June 30, 2021

(amounts in thousands)

	University of California	California Housing Finance Agency	Nonmajor Component Units	Total
ASSETS				
Current assets:				
Cash and pooled investments	\$ 1,014,740	\$ 1,643,548	\$ 1,490,566	\$ 4,148,854
Investments	12,013,438	—	726,620	12,740,058
Restricted assets:				
Cash and pooled investments	—	—	312,997	312,997
Investments	—	—	30,653	30,653
Receivables (net)	5,582,812	243,779	495,127	6,321,718
Due from primary government	269,807	—	—	269,807
Due from other governments	122,310	—	—	122,310
Prepaid items	—	829	2,177	3,006
Inventories	348,770	—	—	348,770
Other current assets	774,766	36,810	35,305	846,881
Total current assets	20,126,643	1,924,966	3,093,445	25,145,054
Noncurrent assets:				
Restricted assets:				
Cash and pooled investments	—	—	66,630	66,630
Investments	—	—	144,458	144,458
Investments	41,983,975	255,035	3,262,850	45,501,860
Receivables (net)	2,438,301	—	329,141	2,767,442
Loans receivable	—	2,434,110	411,064	2,845,174
Long-term prepaid charges	—	—	119	119
Capital assets:				
Land	1,477,442	—	171,380	1,648,822
Collections – nondepreciable	605,639	—	12,651	618,290
Buildings and other depreciable property	60,734,599	930	2,321,444	63,056,973
Intangible assets – amortizable	1,818,563	—	8,958	1,827,521
Less: accumulated depreciation/amortization	(31,144,125)	(310)	(1,290,945)	(32,435,380)
Construction/development in progress	4,504,361	—	119,094	4,623,455
Intangible assets – nonamortizable	—	—	5,214	5,214
Other noncurrent assets	471,851	339	77,438	549,628
Total noncurrent assets	82,890,606	2,690,104	5,639,496	91,220,206
Total assets	103,017,249	4,615,070	8,732,941	116,365,260
DEFERRED OUTFLOWS OF RESOURCES	9,757,198	14,886	116,177	9,888,261
Total assets and deferred outflows of resources	\$ 112,774,447	\$ 4,629,956	\$ 8,849,118	\$ 126,253,521

	University of California	California Housing Finance Agency	Nonmajor Component Units	Total
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 2,102,454	\$ 58,635	\$ 891,206	\$ 3,052,295
Revenues received in advance	1,854,954	—	113,300	1,968,254
Deposits	240,140	323,731	7,115	570,986
Contracts and notes payable	—	—	11,480	11,480
Interest payable	—	11,890	1,772	13,662
Securities lending obligations	998,441	—	—	998,441
Current portion of long-term obligations	5,097,235	14,268	157,697	5,269,200
Other current liabilities	3,851,898	43,711	159,309	4,054,918
Total current liabilities	14,145,122	452,235	1,341,879	15,939,236
Noncurrent liabilities:				
Compensated absences payable	516,126	2,630	14,343	533,099
Workers' compensation benefits payable	663,635	—	10,968	674,603
Loans payable	—	3,177	11,941	15,118
Commercial paper and other borrowings	—	—	710	710
Capital lease obligations	121,866	—	226,136	348,002
Revenue bonds payable	27,197,105	300,332	828,539	28,325,976
Net other postemployment benefits liability	24,916,439	67,043	216,799	25,200,281
Net pension liability	5,894,952	39,809	269,541	6,204,302
Revenues received in advance	—	—	7,703	7,703
Other noncurrent liabilities	1,937,054	309,596	591,826	2,838,476
Total noncurrent liabilities	61,247,177	722,587	2,178,506	64,148,270
Total liabilities	75,392,299	1,174,822	3,520,385	80,087,506
DEFERRED INFLOWS OF RESOURCES	17,691,762	19,056	146,991	17,857,809
Total liabilities and deferred inflows of resources	93,084,061	1,193,878	3,667,376	97,945,315
NET POSITION				
Net investment in capital assets	13,848,413	620	619,137	14,468,170
Restricted:				
Nonexpendable – endowments	7,177,128	—	1,696,558	8,873,686
Expendable:				
Endowments and gifts	19,002,820	—	21,184	19,024,004
Education	630	—	1,471,570	1,472,200
Indenture	—	645,690	—	645,690
Statute	—	2,832,839	519,143	3,351,982
Other purposes	—	—	18,547	18,547
Total expendable	19,003,450	3,478,529	2,030,444	24,512,423
Unrestricted	(20,338,605)	(43,071)	835,603	(19,546,073)
Total net position	19,690,386	3,436,078	5,181,742	28,308,206
Total liabilities, deferred inflows of resources, and net position	\$ 112,774,447	\$ 4,629,956	\$ 8,849,118	\$ 126,253,521

(concluded)

Statement of Activities

Discretely Presented Component Units – Enterprise Activity

Year Ended June 30, 2021

(amounts in thousands)

	University of California	California Housing Finance Agency	Nonmajor Component Units	Total
OPERATING EXPENSES				
Personal services	\$ 26,392,987	\$ 23,838	\$ 512,499	\$ 26,929,324
Scholarships and fellowships	1,119,720	—	89,873	1,209,593
Supplies	4,790,360	—	19,858	4,810,218
Services and charges	319,104	2,872	1,052,866	1,374,842
Department of Energy laboratories	1,042,258	—	—	1,042,258
Depreciation	2,320,064	48	81,284	2,401,396
Interest expense and fiscal charges	990,646	21,498	47,896	1,060,040
Other	5,278,916	54,245	100,916	5,434,077
Total operating expenses	42,254,055	102,501	1,905,192	44,261,748
PROGRAM REVENUES				
Charges for services	27,188,439	450,501	404,572	28,043,512
Operating grants and contributions	11,574,995	—	825,043	12,400,038
Capital grants and contributions	57,015	—	24,079	81,094
Total program revenues	38,820,449	450,501	1,253,694	40,524,644
Net revenues (expenses)	(3,433,606)	348,000	(651,498)	(3,737,104)
GENERAL REVENUES				
Investment and interest income	9,623,262	262,182	668,090	10,553,534
Other	2,527,924	34,577	892,478	3,454,979
Total general revenues	12,151,186	296,759	1,560,568	14,008,513
Change in net position	8,717,580	644,759	909,070	10,271,409
Net position – beginning	10,972,806	2,791,319	4,272,672 *	18,036,797
Net position – ending	\$ 19,690,386	\$ 3,436,078	\$ 5,181,742	\$ 28,308,206

* Restated

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Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements present information on the financial activities of the State of California over which the Governor, the Legislature, and other elected officials have direct or indirect governing and fiscal control. These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The provisions of the following Governmental Accounting Standards Board (GASB) Statements have been implemented for the fiscal year ended June 30, 2021:

GASB Statement No. 84, *Fiduciary Activities*, as amended, is effective for the fiscal year ended June 30, 2021. This statement addresses accounting and financial reporting for fiduciary activities and provides updated guidance on how such activities are identified and reported. In addition, GASB Statement No. 84 identifies and describes four specific fiduciary funds that should be reported. These funds include pension and other employee benefit (OPEB) trust funds; investment trust funds; private purpose trust funds; and custodial funds, which replace the current agency fund. Custodial funds will be included in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. Implementation of GASB Statement No. 84 resulted in the elimination of the agency fund classification and the related combining statements as well as various beginning fund balance restatements noted below in Note 1 Section “O”.

GASB Statement No. 90, *Majority Equity Interests*, as amended, is effective for the fiscal year ended June 30, 2021. This statement addresses accounting and financial reporting of a government’s majority equity interest in a legally separate organization. A majority equity interest is defined as a financial interest in a legally separate organization evidenced by the ownership of shares of the organization’s stock or by otherwise having an explicit, measurable right to the net resources of the organization that is usually based on an investment of financial or capital resources by a government. Implementation of GASB Statement No. 90 had no impact on the financial statements for the year ended June 30, 2021.

A. Reporting Entity

These financial statements present the primary government of the State and its component units. The **primary government** consists of all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from the State. **Component units** are organizations that are legally separate from the State, but for which the State is financially accountable, or organizations whose relationship with the State is such that exclusion would cause the State’s financial statements to be misleading. Following is information on the blended, fiduciary, and discretely presented component units of the State.

1. Blended Component Units

Blended component units, although legally separate entities, are in substance part of the primary government’s operations. Therefore, data from these blended component units are integrated into the appropriate funds for reporting purposes.

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Building authorities are blended component units because they have been created through the use of joint exercise of powers agreements with various cities to finance the construction of state buildings. The building authorities' financial activities are reported in capital projects funds. As a result, capital lease arrangements between the building authorities and the State have been eliminated from the financial statements. Instead, only the underlying capital assets and the debt used to acquire them are reported in the government-wide financial statements. For information regarding obtaining copies of the financial statements of the building authorities, email the State Controller's Office, State Accounting and Reporting Division at StateGovReports@sco.ca.gov.

The *Golden State Tobacco Securitization Corporation (GSTSC)* is a not-for-profit corporation established through legislation in September 2002 solely for the purpose of purchasing Tobacco Settlement Revenues from the State. The five voting members of the State Public Works Board serve ex officio as the directors of the corporation. The GSTSC is authorized to issue bonds as necessary to provide sufficient funds for carrying out its purpose. The GSTSC's financial activity is reported in the combining statements in the Nonmajor Governmental Funds section as a special revenue fund. For information regarding obtaining copies of the financial statements of GSTSC, contact the Department of Finance, Natural Resources, Energy, Environmental, and Capital Outlay Section, 915 L Street, 9th Floor, Sacramento, California 95814.

2. Fiduciary Component Units

The State has two legally separate fiduciary component units that administer pension and other employee benefit trust funds. The State appoints a voting majority of the board members of both plans which, due to their fiduciary nature, are presented in the fiduciary fund statements as pension and other employee benefit trust funds, along with other primary government fiduciary funds.

The *California Public Employees' Retirement System (CalPERS)* administers pension and health benefit plans for state employees, non-teaching school employees, and employees of California public agencies. Its Board of Administration has plenary authority and fiduciary responsibility for the investment of monies and the administration of the plan. CalPERS administers the following seven pension and other employee-benefit trust funds: the Public Employees' Retirement Fund, the Judges' Retirement Fund, the Judges' Retirement Fund II, the Legislators' Retirement Fund, the Public Employees' Deferred Compensation Fund, the public employee Supplemental Contributions Program Fund, and the California Employers' Retiree Benefit Trust Fund. CalPERS' separately issued financial statements may be found on its website at www.CalPERS.ca.gov.

The *California State Teachers' Retirement System (CalSTRS)* administers pension benefit plans for California public school teachers and certain other employees of the public school system. The State is financially accountable for CalSTRS. CalSTRS administers a hybrid retirement system consisting of the State Teachers' Retirement Plan, a defined benefit plan, composed of the Defined Benefit Program, the Defined Benefit Supplement Program, the Cash Balance Benefit Program, and the Replacement Benefits Program; two defined contribution plans; a postemployment benefit plan; and a fund used to account for ancillary activities associated with various deferred compensation plans and programs. CalSTRS' separately issued financial statements may be found on its website at www.CalSTRS.com.

3. Discretely Presented Component Units

Enterprise activity of discretely presented component units is reported in a separate column in the government-wide financial statements. Discretely presented component units are legally separate from

the primary government and usually provide services to entities and individuals outside the primary government. Discretely presented component units that report enterprise activity include the University of California, the California Housing Finance Agency, and nonmajor component units. Most component units separately issue their own financial statements. In general, the notes to the financial statements in this publication do not include information found in the component units' separately issued financial statements. Instead, references to the individual component unit financial statements are provided where applicable.

The *University of California* was founded in 1868 as a public, state-supported, land-grant institution. It was written into the State Constitution of 1879 as a public trust to be administered by a governing board, the Regents of the University of California (Regents). The University is a component unit of the State because the State appoints a voting majority of the Regents and provides financial assistance to the University. The University offers defined benefit pension plans and defined contribution pension plans to its employees through the University of California Retirement System (UCRS), a fiduciary responsibility of the Regents. The financial information of the UCRS is not included in the financial statements of this report due to its fiduciary nature. The University's financial statements may be found on its website at www.ucop.edu.

The *California Housing Finance Agency (CalHFA)* was created by the Zenovich-Moscone-Chacon Housing and Home Finance Act, as amended. CalHFA's purpose is to finance the housing needs of persons and families of low and moderate income. It is a component unit of the State because the State appoints a voting majority of CalHFA's governing board and the executive director, who administers the day-to-day operations. CalHFA's financial statements may be found on its website at www.CalHFA.ca.gov.

State legislation created various nonmajor component units to provide certain services outside the primary government and to provide certain private and public entities with a low-cost source of financing for programs deemed to be in the public interest. California State University Auxiliary Organizations are considered component units because they exist entirely or almost entirely for the direct benefit of the universities. The remaining nonmajor component units are considered component units because the majority of members of their governing boards are appointed by or are members of the primary government, and the primary government can impose its will on the entity; or the entity provides a specific financial benefit to or imposes a financial burden on the primary government. For information regarding obtaining copies of the financial statements of these component units, email the State Controller's Office, State Accounting and Reporting Division at StateGovReports@sco.ca.gov.

The nonmajor consolidated component unit segments are:

California State University Auxiliary Organizations, which provide services primarily to university students through foundations, associated student organizations, student unions, food service entities, book stores, and similar organizations.

Financing authorities, which provide financing for specific purposes. These agencies include:

- The *California Alternative Energy and Advanced Transportation Financing Authority*, which provides financing for alternative energy and advanced transportation technologies;
- The *California Infrastructure and Economic Development Bank*, which provides financing for business development and public improvements; and

- The *California Urban Waterfront Area Restoration Financing Authority*, which provides financing for coastal and inland urban waterfront restoration projects.

District agricultural associations, which exhibit all of the industries, industrial enterprises, resources, and products of the State (the district agricultural associations' financial report is as of and for the year ended December 31, 2020).

Other component units, which include the following entities:

- The *University of California Hastings College of the Law*, which was established as the law department of the University of California to provide legal education programs and operates independently under its own board of directors. The college has a discretely presented component unit, the Foundation, which provides private sources of funds for academic programs, scholarships, and faculty research;
- The *State Assistance Fund for Enterprise, Business and Industrial Development Corporation*, which provides financial assistance to small business; and
- The *Public Employees' Contingency Reserve*, which provides health benefit plans for state employees and annuitants.

4. Joint Venture

A joint venture is an entity resulting from a contractual arrangement; it is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control. In such an arrangement, the participants retain an ongoing financial interest or an ongoing financial responsibility in the entity. These entities are not part of the primary government or a component unit.

The State participates in a joint venture called the *Capitol Area Development Authority (CADA)*. CADA was created in 1978 by the joint exercise of powers agreement between the primary government and the City of Sacramento for the location of state buildings and other improvements. CADA is a public entity, separate from the primary government and the city; it is administered by a board composed of five members—two appointed by the primary government, two appointed by the city, and one appointed by the affirmative vote of at least three of the other four members of the board. The primary government designates the chairperson of the board. Although the primary government does not have an equity interest in CADA, it does have an ongoing financial interest. The primary government subsidizes CADA's operations by leasing land to CADA without consideration; however, the primary government is not obligated to do so. At June 30, 2021, CADA had total assets and deferred outflows of resources of \$74.2 million, total liabilities and deferred inflows of resources of \$55.3 million, and total net position of \$18.9 million. Total revenues for the fiscal year were \$15.2 million and expenses were \$15.2 million, resulting in an insignificant increase in net position. As the primary government does not have equity interest in CADA, CADA's financial information is not included in the financial statements of this report. Separately issued financial statements may be obtained on CADA's website at www.cadanet.org.

5. Related Organizations

A related organization is an organization for which a primary government is accountable because that government appoints a voting majority of the organization's governing board, but for which the primary government is not financially accountable.

Chapter 854 of the Statutes of 1996 created an *Independent System Operator (ISO)*, a state-chartered, nonprofit market institution. The ISO provides centralized control of the statewide electrical transmission grid to ensure the efficient use and reliable operation of the transmission system. The ISO is governed by a five-member board, the members of which are appointed by the Governor and confirmed by the Senate. The State's accountability for this institution does not extend beyond making the initial oversight board appointments. As the primary government is not financially accountable for the ISO, the financial information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the ISO, go to its website at www.caiso.com.

The *California Earthquake Authority (CEA)*, a legally separate organization, offers earthquake insurance for California homeowners, renters, condominium owners, and mobilehome owners. A three-member board composed of state-elected officials governs the CEA. The State's accountability for this institution does not extend beyond making the appointments. As the primary government is not financially accountable for the CEA, the financial information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the CEA, go to its website at www.earthquakeauthority.com.

The *State Compensation Insurance Fund (State Fund)* was established by the State through legislation enacted in 1913 to provide an available market for workers' compensation insurance to employees located in California. State Fund operates in competition with other insurance carriers to serve California businesses. The State appoints all 11 members of the State Fund's governing board. The State's accountability for this institution does not extend beyond making the initial oversight board appointments. As the primary government is not financially accountable for the State Fund, the financial information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the State Fund, go to its website at www.statefundca.com.

The *California Health Benefit Exchange (Exchange)*, an independent public entity, offers health insurance to individuals, families, and small businesses. A five-member board of state-appointed officials governs the Exchange. The State's accountability for this institution does not extend beyond making the appointments. As the primary government is not financially accountable for the Exchange, the financial information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the Exchange, go to its website at <https://hbex.coveredca.com>.

The *California Pollution Control Financing Authority (CPCFA)* was created through the California Pollution Control Financing Authority Act of 1972. The CPCFA is a legally separate entity that provides financing for pollution control facilities. A three-member board composed of state-elected officials and an appointee governs the CPCFA. The State's accountability for this institution does not extend beyond making the appointments. As the primary government is not financially accountable for the CPCFA, the financial information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the CPCFA, go to its website at www.treasurer.ca.gov/cpcfca.

The *California Health Facilities Financing Authority (CHFFA)* was established by the State through legislation enacted in 1979. The CHFFA is a legally separate entity that provides financing for the construction, equipping, and acquisition of health facilities. A nine-member board composed of state-elected officials and appointees govern the CHFFA. The State's accountability for this institution does

not extend beyond making the appointments. As the primary government is not financially accountable for the CHFFA, the financial information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the CHFFA, go to its website at www.treasurer.ca.gov/chffa.

The *California Educational Facilities Authority (CEFA)* was created by the State through legislation effective in 1973. The CEFA is a legally separate entity established to issue revenue bonds to finance loans for students attending public and private colleges and universities, and to assist private educational institutions of higher learning in financing the expansion and construction of educational facilities. A five-member board composed of state-elected officials and appointees govern the CEFA. The State's accountability for this institution does not extend beyond making the appointments. As the primary government is not financially accountable for the CEFA, the financial information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements for the CEFA, go to its website at www.treasurer.ca.gov/cefa.

The *California School Finance Authority (CSFA)* was created in 1985. The CSFA is a legally separate entity that provides loans to school and community college districts to assist them in obtaining equipment and facilities. A three-member board composed of state-elected officials and an appointee governs the CSFA. The State's accountability for this institution does not extend beyond making the appointments. As the primary government is not financially accountable for the CSFA, the financial information for this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the CSFA, go to its website at www.treasurer.ca.gov/csfa.

B. Government-wide and Fund Financial Statements

Government-wide financial statements (the Statement of Net Position and the Statement of Activities) provide information on all of the nonfiduciary activities of the primary government and its component units. The primary government is reported separately from legally separate component units for which the State is financially accountable. Within the primary government, the State's governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The effect of interfund activity has been removed from the statements, with the exception of amounts between governmental and business-type activities, which are presented as internal balances and transfers. Centralized services provided by the General Fund for other funds are charged as direct costs to the funds that received those services. Also, the General Fund recovers the cost of centralized services provided to federal programs from the federal government.

The Statement of Net Position reports all of the financial and capital resources of the government as a whole in a format in which assets and deferred outflows of resources equal liabilities and deferred inflows of resources, plus net position. The Statement of Activities demonstrates the degree to which the expenses of a given function are offset by program revenues. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items that are not program-related are reported as general revenues.

Fund financial statements are provided for governmental funds, proprietary funds, fiduciary funds and similar component units, and discretely presented component units. A fund is a fiscal and accounting

entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The State maintains the minimum number of funds consistent with legal and managerial requirements. Fiduciary funds, although excluded from the government-wide statements, are included in the fund financial statements. Major governmental and enterprise funds are reported in separate columns in the fund financial statements. Nonmajor governmental and proprietary funds are grouped into separate columns. Discretely presented component unit statements, which follow the fiduciary fund statements, also separately report the enterprise activity of the major discretely presented component units. In this report, the enterprise activity of nonmajor discretely presented component units is grouped in a separate column.

Governmental fund types are used to account for activities primarily supported by taxes, grants, and similar revenue sources.

The State reports the following major governmental funds:

The *General Fund* is the main operating fund of the State. It accounts for transactions related to resources obtained and used for those services that need not be accounted for in another fund.

The *Federal Fund* accounts for the receipt and use of grants, entitlements, and shared revenues received from the federal government that are all restricted by federal regulations.

The *Transportation Fund* accounts for fuel taxes, including the State's diesel, motor vehicle, and fuel use taxes; bond proceeds; automobile registration fees; and other revenues that are restricted for transportation purposes, including highway and passenger rail construction and transportation safety programs.

The *Environmental and Natural Resources Fund* accounts for fees, bond proceeds, and other revenues that are restricted for maintaining the State's natural resources and improving the environmental quality of its air, land, and water.

The *Health Care Related Programs Fund* accounts for fees, taxes, intergovernmental revenue, bond proceeds, transfers from other state funds, and other revenue used for the Medi-Cal program, medical research, and other health and human services programs.

Proprietary fund types focus on the determination of operating income, changes in net position, financial position, and cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. For its proprietary funds, the State applies all applicable GASB pronouncements.

The State has two proprietary fund types: enterprise funds and internal service funds.

Enterprise funds record business-type activity for which a fee is charged to external users for goods and services. In addition, the State is required to report activities as enterprise funds in the context of the activity's principal revenue sources when any of the following criteria are met:

- The activity's debt is secured solely by fees and charges of the activity;
- There is a legal requirement to recover costs; or
- The pricing policies of fees and charges are designed to recover costs.

The State reports the following major enterprise funds:

The *Electric Power Fund* accounts for the acquisition and resale of electric power to retail end-use customers, and charges to public utilities for wildfire prevention and recovery.

The *Water Resources Fund* accounts for charges to local water districts and the sale of excess power to public utilities.

The *State Lottery Fund* accounts for the sale of California State Lottery (Lottery) tickets and the Lottery's payments for education.

The *Unemployment Programs Fund* accounts for employer and worker contributions used for payments of unemployment insurance and disability benefits.

The *California State University Fund* accounts for student fees and other receipts from gifts, bequests, donations, federal and state grants, and loans that are used for educational purposes.

Nonmajor enterprise funds account for additional operations that are financed and operated in a manner similar to private business enterprises.

Additionally, the State reports *internal service funds* as a proprietary fund type with governmental activities. Internal service funds account for goods or services provided to other agencies, departments, or governments on a cost-reimbursement basis. The goods and services provided include architectural services, public building construction and improvements, printing and procurement services, goods produced by inmates of state prisons, data processing services, and administrative services related to water delivery. Internal service funds are included in the governmental activities at the government-wide level.

Fiduciary fund types are used to account for assets held by the State. The State acts as a trustee or as a custodian for individuals, private organizations, other governments, or other funds. Fiduciary funds, including fiduciary component units, are not included in the government-wide financial statements.

The State has the following four fiduciary fund types:

Private purpose trust funds account for all trust arrangements, other than those properly reported in pension or investment trust funds, whereby principal and income benefit individuals, private organizations, or other governments. The following are the State's largest private purpose trust funds:

The *Scholarshare Program Trust Fund* accounts for money received from participants to fund their beneficiaries' higher education expenses at certain postsecondary educational institutions.

The *Unclaimed Property Fund* accounts for unclaimed money and properties held in trust by the State. Unclaimed money is remitted to the General Fund where it can be used by the State until it is claimed.

Pension and other employee benefit trust funds of the primary government and fiduciary component units account for transactions, assets, liabilities, and net position available for plan benefits of the retirement systems and for other employee benefit programs.

An *investment trust fund* accounts for the deposits, withdrawals, and earnings of the Local Agency Investment Fund, an external investment pool for local governments and public agencies.

Custodial funds account for fiduciary activities that are not required to be reported in private purpose trust funds, pension and other employee benefit trust funds, or investment trust funds, and therefore are generally fiduciary activities that are not held under a trust agreement or equivalent arrangement.

Discretely presented component units consist of certain organizations that have enterprise activity. The enterprise activity component units are the University of California, the California Housing Finance Agency, and nonmajor component units. In this report, all of the enterprise activity of the discretely presented component units is reported in a separate column in the government-wide financial statements and on separate pages following the fund financial statements.

C. Measurement Focus and Basis of Accounting

1. Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when they are earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar transactions are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

2. Fund Financial Statements

The measurement focus and basis of accounting for the fund financial statements vary with the type of fund. **Governmental fund types** are presented using the current financial resources measurement focus. With this measurement focus, operating statements present increases and decreases in net current assets; the unassigned fund balance is a measure of available, spendable resources.

The accounts of the governmental fund types are reported using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded as they become measurable and available, and expenditures are recorded at the time the liabilities are incurred. The State records revenue sources when they are earned or when they are due, provided they are measurable and available within the ensuing 12 months. When an asset is recorded in a governmental fund statement, but the revenue is not available within the ensuing 12 months, the State reports a deferred inflow of resources until such time as the revenue becomes available. Principal tax revenues susceptible to accrual are recorded as taxpayers earn income (personal income and corporation taxes), as sales are made (consumption and use taxes), and as a taxable event occurs (miscellaneous taxes), net of estimated tax overpayments. Principal tax revenues are reported net of immaterial tax abatements from programs that promote economic

development and otherwise benefit the State, such as the Film and Television Tax Credit, the California Competes Tax Credit, the Low-Income Housing Tax Credit, and the Sales and Use Tax Exclusion Program.

Proprietary fund types and **fiduciary fund types** are accounted for using the economic resources measurement focus.

The accounts of the proprietary fund types and fiduciary fund types are reported using the accrual basis of accounting. Under the accrual basis, most transactions are recorded when they occur, regardless of when cash is received or disbursed.

Lottery revenue and the related prize expenses are recognized when sales are made. Certain prizes are payable in deferred installments. Such liabilities are recorded at the present value of amounts payable in the future.

Discretely presented component units are accounted for using the economic resources measurement focus and the accrual basis of accounting.

D. Cash and Investments

The State considers cash and pooled investments, for the purpose of the Statement of Cash Flows, as cash and cash equivalents. Cash and cash equivalents are considered to be cash on hand; deposits in the State's pooled investment program; restricted cash and pooled investments for debt service, construction, and operations; restricted cash on deposit with fiscal agents (for example, revenue bond trustees); and highly liquid investments with an original maturity date of three months or less.

The State reports investments at fair value, as prescribed by GAAP. Additional information on the State's investments and fair value measurement can be found in Note 3, Deposits and Investments.

E. Receivables

Amounts are aggregated into a single receivables account net of allowance for uncollectible amounts. The detail of the primary government's accounts receivable can be found in Note 4, Accounts Receivable.

F. Inventories

Inventories of supplies are reported at cost and inventories held for resale are stated at the lower of average cost or market. In the government-wide financial statements, inventories for both governmental and business-type activities are expensed when they are consumed and unused inventories are reported as an asset on the Statement of Net Position. In the fund financial statements, governmental funds report inventories as expenditures when purchased, and proprietary funds report inventories as expenditures when consumed. The discretely presented component units have inventory policies similar to those of the primary government.

G. Net Investment in Direct Financing Leases

The State Public Works Board accounts for its activities in the Public Buildings Construction Fund, an internal service fund, and has entered into lease-purchase agreements with various other primary

government agencies and certain local agencies. The payments from these leases are used to satisfy the principal and interest requirements of revenue bonds issued by the State Public Works Board to finance the cost of projects such as acquisition and construction of facilities and equipment. Upon expiration of these leases, title to the facilities and projects transfers to the primary government agency or the local agency. The State Public Works Board records the net investment in direct financing leases at the net present value of the minimum lease payments in the internal service fund financial statements. As the majority of this lease receivable is from governmental funds, it is eliminated within the governmental activities column of the government-wide Statement of Net Position.

The California State University (CSU) system accounts for its lease activities in the California State University Fund, a major enterprise fund, and has entered into 30-year capital lease agreements with various auxiliary organizations. These agreements lease existing and newly constructed facilities to the CSU Auxiliary Organizations. A portion of the proceeds from certain revenue bonds issued by CSU were used to finance the construction of these facilities.

H. Long-term Prepaid Charges

The long-term prepaid charges account in the enterprise funds primarily represents operating and maintenance costs that will be recognized in the Water Resources Fund as expenses over the remaining life of long-term state water supply contracts. These costs are billable in future years. In addition, the account includes unbilled interest earnings on unrecovered capital costs that are recorded as long-term prepaid charges. These charges are recognized when billed in the future years under the terms of water supply contracts. Long-term prepaid charges are also included in the State Lottery Fund. These prepaid charges are incurred in connection with certain contracts that extend beyond a one-year period, which are amortized as expenses over the remaining life of the contracts. The long-term prepaid charges for the Public Buildings Construction Fund, an internal service fund, include prepaid insurance costs on revenue bonds issued. In the government-wide financial statements, the prepaid charges for governmental activities include prepaid insurance costs on revenue bonds issued.

I. Capital Assets

Capital assets are categorized into land, state highway infrastructure, collections, buildings and other depreciable property, intangible assets, and construction in progress. The buildings and other depreciable property account includes buildings, improvements other than buildings, equipment, certain infrastructure assets, certain books, and other capitalized and depreciable property. Intangible assets include computer software, land-use rights, patents, copyrights, and trademarks. The value of the capital assets, including the related accumulated depreciation and amortization, is reported in the applicable governmental, business-type, or component unit activities columns in the government-wide Statement of Net Position.

The primary government has a large collection of historical and contemporary treasures that have important documentary and artistic value. These assets are not capitalized or depreciated because they are cultural resources and cannot reasonably be valued and/or the assets have inexhaustible useful lives. These treasures and works of art include furnishings, portraits and other paintings, books, statues, photographs, and miscellaneous artifacts. These collections meet the conditions for exemption from capitalization because the collections are held for public exhibition, education, or research in furtherance of public service, rather than financial gain; protected, kept unencumbered, cared for, and preserved; and subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

In general, capital assets of the primary government are defined as assets that have a normal useful life of at least one year and a unit cost of at least \$5,000. These assets are recorded at historical cost or estimated historical cost, including all costs related to the acquisition. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value on the date received. Major capital asset outlays are capitalized as projects are constructed.

Buildings and other depreciable or amortizable capital assets are depreciated using the straight-line method with no salvage value for governmental activities. Generally, buildings and other improvements are depreciated over 40 years, equipment is depreciated over 5 years, and intangible assets are amortized over 10 to 20 years. Depreciable or amortizable assets of business-type activities are depreciated or amortized using the straight-line method over their estimated useful or service lives, ranging from 1 to 100 years.

California has elected to use the modified approach for capitalizing the infrastructure assets of the state highway system. The state highway system is maintained by the California Department of Transportation. By using the modified approach, the infrastructure assets of the state highway system are not depreciated and all expenditures made for those assets, except for additions and improvements, are expensed in the period incurred. All additions and improvements made after June 30, 2001, are capitalized. All infrastructure assets that are related to projects completed prior to July 1, 2001, are recorded at the historical costs contained in annual reports of the American Association of State Highway and Transportation Officials and the Federal Highway Administration.

The capital assets of the discretely presented component units are reported at cost at the date of acquisition or at fair market value at the date of donation, in the case of gifts. They are depreciated or amortized over their estimated useful service lives.

J. Long-term Obligations

Long-term obligations consist of unmatured general obligation bonds, unmatured revenue bonds, capital lease obligations, certificates of participation, commercial paper, net pension liability, net other postemployment benefits liability, employees' compensated absences and workers' compensation claims, pollution remediation obligations, asset retirement obligations, amounts owed for lawsuits, reimbursement for costs mandated by the State, outstanding Proposition 98 funding guarantee owed to schools, the liability for lottery prizes and annuities, loans from other governments, and the primary government's share of the University of California's pension liability that is due in more than one year. In the government-wide financial statements, the obligations are reported as liabilities in the applicable governmental activities, business-type activities, and component units columns of the Statement of Net Position. The current portion—amount due within one year—of the long-term obligations is reported under current liabilities.

Pollution remediation obligations are recorded by the State when one or more of the GASB Statement No. 49 obligating events have occurred and when a reasonable estimate of the remediation cost is available. These liabilities are measured using actual contract costs, where no change in cost is expected, or the expected cash flow technique. The remediation obligation estimates that appear in this report are subject to change over time. Costs may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statutes or regulations, and other factors that could result in revisions to these estimates. Prospective recoveries from responsible parties may reduce the State's obligation.

Asset retirement obligations are recorded by the State when the internal and external obligating events described in GASB Statement No. 83 have occurred and when a reasonable estimate of the cost to retire certain tangible capital assets is available. The types of underlying assets include above ground and underground fuel and chemical storage tanks, various medical equipment, dams, water treatment facilities, bridges and other infrastructure, and electric power generating equipment. Asset retirement obligation estimates are based on professional judgment, experience, and historical cost data, and are subject to change over time due to price fluctuations, changes in technology, updated information from engineering studies or other evaluations, changes to statutes or regulations, and other factors that could result in revisions to these estimates.

Bond premiums and discounts for business-type activities and component units are deferred and amortized over the life of the bonds. In these instances, bonds payable is reported net of the applicable premium and discount. Bond premiums and discounts for governmental funds are reported as other financing sources (uses). However, in the government-wide financial statements, the bonds payable for governmental activities is reported net of the applicable unamortized premium and discount. Bond issuance costs, excluding prepaid insurance, are expensed when incurred.

With advance approval from the Legislature, certain authorities and state agencies may issue revenue bonds. Principal and interest on revenue bonds are payable from the pledged revenues of the respective funds, building authorities, and agencies. The General Fund has no legal liability for payment of principal and interest on revenue bonds. With the exception of certain special revenue funds (Transportation and the Golden State Tobacco Securitization Corporation) and the building authorities capital projects fund, the liability for revenue bonds is recorded in the respective fund.

K. Compensated Absences

The government-wide financial statements report both the current and the noncurrent liabilities for compensated absences, which are vested unpaid vacation, annual leave, and other paid leave programs. However, unused sick-leave balances are not included in the compensated absences because they do not vest to employees. In the governmental fund financial statements, only the compensated absences liability for employees who have left state service and have unused reimbursable leave at fiscal year-end is included. The amounts of vested unpaid vacation and annual leave accumulated by state employees are accrued in proprietary funds when incurred. In the discretely presented component units, the compensated absences are accounted for in the same manner as in the proprietary funds of the primary government.

L. Deferred Outflows and Deferred Inflows of Resources

The government-wide and fund financial statements report deferred outflows of resources and deferred inflows of resources.

1. Deferred Outflows of Resources

Deferred outflows of resources are the consumption of assets that are applicable to future reporting periods. Deferred outflows of resources are presented separately after "Total Assets" in the Balance Sheet and Statement of Net Position.

Deferred outflows of resources consist of the following transactions:

- *Loss on Refunding of Debt:* The defeasance of previously outstanding general obligation and revenue bonds results in deferred refunding losses for governmental activities, business-type activities, and component units. These deferred losses are recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.
- *Decrease in Fair Value of Hedging Derivative Instruments:* Negative changes in the fair value of hedging derivative instruments are reported for component units.
- *Net Pension Liability:* Increases in net pension liability that are not recognized in pension expense for the reporting period are reported as deferred outflows of resources related to pensions. Differences between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic or demographic factors, or of other inputs used by the actuaries to determine total pension liability; and increases in the State's proportionate share of net pension liability for plans that have a special funding situation, such as CalSTRS, are all recognized in pension expense over the average of the expected remaining service lives of participating employees. A deferred outflow of resources is also reported when projected earnings on pension plan investments exceed actual earnings, with the net difference amortized to pension expense over a five-year period beginning in the current reporting period. Employer contributions, and state contributions in the case of CalSTRS' special funding situation, made subsequent to the measurement date are reported as deferred outflows of resources related to pensions and reduce net pension liability in the following year. Deferred outflows of resources related to net pension liability are reported for governmental activities, business-type activities, fiduciary funds, and component units.
- *Net Other Postemployment Benefits Liability:* Increases in net OPEB liability that are not recognized in OPEB expense for the reporting period are reported as deferred outflows of resources related to OPEB. Differences between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic or demographic factors, or of other inputs used by the actuaries to determine total OPEB liability; and differences between the actual and proportionate share of OPEB contribution amounts, are all recognized as OPEB expense over the average of the expected remaining service lives of participating employees. A deferred outflow of resources is also reported when projected earnings on OPEB plan investments exceed actual earnings, with the net difference amortized to OPEB expense over a five-year period beginning in the current reporting period. Employer contributions made subsequent to the measurement date are reported as deferred outflows of resources related to OPEB and reduce net OPEB liability in the following year. Deferred outflows of resources related to net OPEB liability are reported for governmental activities, business-type activities, fiduciary funds, and component units.
- *Asset Retirement Obligations:* Increases in asset retirement obligations that are not recognized as expense in the current reporting period are reported as deferred outflows of resources for component units.

2. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of assets that are applicable to future reporting periods. Deferred inflows of resources are presented separately after "Total Liabilities" in the Balance Sheet and Statement of Net Position.

The State's deferred inflows of resources consist of the following transactions:

- *Unavailable Revenues:* Governmental funds report deferred inflows of resources for earned and measurable revenue from long-term receivables that is not available within 12 months of the end of the reporting period. These deferred amounts are recognized as revenue in the periods that they become available.
- *Gain on Refunding of Debt:* The defeasance of previously outstanding general obligation and revenue bonds results in deferred refunding gains for governmental activities and discretely presented component units. These deferred gains are recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.
- *Service Concession Arrangements:* The State and its component units have entered into service concession arrangements with third parties for park facility services, student housing, and certain other services. The upfront payment received or present value of installment payments expected to be received from the third parties are reported as deferred inflows of resources.
- *Irrevocable Split-Interest Agreements:* The State and its discretely presented component units have entered into irrevocable split-interest agreements with third parties to receive donations of monetary assets and real property. The value of assets received or expected to be received from the third parties are reported as deferred inflows of resources.
- *Net Pension Liability:* Reductions in net pension liability that are not recognized in pension expense for the reporting period are reported as deferred inflows of resources related to pensions. Differences between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic or demographic factors, or of other inputs used by the actuaries to determine total pension liability; and decreases in the State's proportionate share of net pension liability for plans that have a special funding situation, such as CalSTRS, are all recognized against pension expense over the average of the expected remaining service lives of participating employees. A deferred inflow of resources is also reported when actual earnings on pension plan investments exceed projected earnings, with the net difference amortized against pension expense over a five-year period beginning in the current reporting period. Deferred inflows of resources related to net pension liability are reported for governmental activities, business-type activities, fiduciary funds, and component units.
- *Net Other Postemployment Benefits Liability:* Reductions in net OPEB liability that are not recognized in OPEB expense for the reporting period are reported as deferred inflows of resources related to OPEB. Differences between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic or demographic factors, or of other inputs used by the actuaries to determine total OPEB liability; and differences between the actual and proportionate share of OPEB contribution amounts, are all recognized against OPEB expense over the average of the expected remaining service lives of participating employees. A

deferred inflow of resources is also reported when actual earnings on OPEB plan investments exceed projected earnings, with the net difference amortized against OPEB expense over a five-year period beginning in the current reporting period. Deferred inflows of resources related to net OPEB liability are reported for governmental activities, business-type activities, fiduciary funds, and component units.

- *Other Deferred Inflows of Resources:* Revenues generated from current rates charged by regulated business-type activities that are intended to recover costs expected to be incurred in the future are reported in the government-wide Statement of Net Position. A component unit's sale of future royalty payments and nonexchange transactions are reported as a deferred inflow of resources.

M. Nonmajor Enterprise Segment Information

Three nonmajor enterprise fund segments are displayed discretely in the Combining Statement of Net Position; the Combining Statement of Revenues, Expenses, and Changes in Fund Net Position; and the Combining Statement of Cash Flows of the nonmajor enterprise funds. A *segment* is an identifiable activity reported as or within an enterprise fund or another stand-alone entity for which debt is outstanding and a revenue stream has been pledged in support of that debt. In addition, to qualify as a segment, an activity must be subject to an external requirement to separately account for revenues, expenses, gains and losses, assets and deferred outflows of resources, and liabilities and deferred inflows of resources. All of the activities reported for the fund segments listed below meet these requirements.

State Water Pollution Control Revolving Fund: Interest charged on loans to communities for construction of water pollution control facilities and projects.

Safe Drinking Water State Revolving Fund: Interest charged on loans to communities for construction of water systems for drinking water infrastructure projects.

Housing Loan Fund: Interest payments from low-interest, long-term farm and home mortgage loan contracts to eligible veterans living in California.

N. Net Position and Fund Balance

The difference between fund assets, deferred outflows of resources, liabilities, and deferred inflows of resources is called "net position" on the government-wide financial statements, the proprietary and fiduciary fund statements, and the component unit statements; it is called "fund balance" on the governmental fund statements.

1. Net Position

The government-wide financial statements include the following categories of net position:

Net investment in capital assets represents capital assets, net of accumulated depreciation, reduced by the outstanding debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results from transactions with purpose restrictions and is designated as either *nonexpendable* or *expendable*. *Nonexpendable restricted* net position is subject to externally imposed restrictions that must be retained in perpetuity. *Expendable restricted* net position is subject

to externally imposed restrictions that can be fulfilled by actions of the State. As of June 30, 2021, the government-wide financial statements show restricted net position for the primary government of \$54.0 billion, of which \$15.2 billion is due to enabling legislation.

Unrestricted net position is neither restricted nor invested in capital assets.

2. Fund Balance

In the fund financial statements, proprietary funds include categories of net position similar to those in the government-wide financial statements. Fund balance amounts for governmental funds are reported as nonspendable, restricted, committed, assigned, or unassigned.

Nonspendable fund balance includes amounts that cannot be spent because they are not in spendable form (inventories; prepaid amounts; long-term portion of loans or notes receivable; or property held for resale unless the proceeds are restricted, committed, or assigned) or they are legally or contractually required to remain intact.

Restricted fund balance has constraints placed upon the use of the resources either by an external party (creditors, grantors, contributors, or laws and regulations of other governments) or through a constitutional provision or enabling legislation.

Committed fund balance can be used only for specific purposes pursuant to constraints imposed by state law as adopted by the California State Legislature. The state law that commits fund balance to a specific purpose must have been adopted prior to the end of the reporting period, but the amount subject to the constraint may be determined in a subsequent period. Committed fund balance incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance: California does not have a formal policy to delegate authority to assign resources. However, fund balance can be classified as assigned when a purchase order creates an outstanding encumbrance amount, unless the purchase order relates to restricted or committed resources. Furthermore, in governmental funds created by state law for a specific purpose, other than the General Fund, all resources that are not reported as nonspendable, restricted, or committed are classified as assigned for the purpose of the respective funds.

Unassigned fund balance is the residual amount of the General Fund not included in the four classifications described above. In other governmental funds in which expenditures incurred for specific purposes exceeded amounts restricted, committed, or assigned to those purposes, a negative unassigned fund balance is reported.

Fund balance spending order: For the purpose of reporting fund balance in this financial report under GASB Statement No. 54, the State considers resources to be spent in the following order when an expenditure is incurred for which these classifications are available: restricted, committed, assigned, and unassigned.

Fiduciary fund net position represents amounts held in trust for pension and other postemployment benefits, deferred compensation participants, pool participants, individuals, organizations, or other governments.

3. Stabilization Arrangements

a. Budget Stabilization Account

In accordance with Article 16, Section 20 of the California State Constitution, the State maintains the Budget Stabilization Account. The Budget Stabilization Account is reported in the General Fund. By October 1 of each fiscal year, a transfer must be made from the General Fund to the Budget Stabilization Account in an amount equal to one-half of (a) 1.5% of the estimated General Fund revenues for that fiscal year and (b) personal capital gains tax revenues in excess of 8.0% of estimated General Fund taxes for that fiscal year less amounts that must be spent on Proposition 98. The remaining half of the calculated amount is used as appropriated by the State Legislature to pay down (1) interfund loans, (2) specified debts to local governments, and (3) debts for pension and retiree health benefits.

The State Legislature may suspend or reduce the transfer of funds to, or withdrawal of funds from, the Budget Stabilization Account if the Governor declares a budget emergency. For this purpose, budget emergency means either (1) a natural disaster or other event that creates a condition of extreme peril to the safety of persons or property, or (2) there is not enough money to keep General Fund spending at the highest level of the past three fiscal years (adjusted for changes in state population and cost of living). The amount of the withdrawal from the Budget Stabilization Account is limited to the actual amount needed for the natural disaster or to keep General Fund spending at the highest level of the past three years. In addition, if there was no budget emergency in the prior fiscal year, no more than one-half of the Budget Stabilization Account balance may be withdrawn; the entire remaining balance could be withdrawn in the second straight year of a budget emergency.

When the balance of the Budget Stabilization Account reaches 10% of the estimated General Fund revenues for that fiscal year, the amount that would have been transferred to the Budget Stabilization Account would instead be used to build and maintain infrastructure. At June 30, 2021, the Budget Stabilization Account had a restricted fund balance of \$12.3 billion.

O. Restatement of Beginning Fund Balances and Net Position

1. Fund Financial Statements

The beginning fund balance of *governmental funds* increased by \$926 million. This increase includes a \$923 million reclassification of funds previously reported as fiduciary funds to special revenue funds, resulting from the implementation of GASB Statement No. 84. In addition, the re-establishment of a loan receivable balance with an external government caused a \$3 million increase to the beginning fund balance of a nonmajor governmental fund.

Governmental Funds (amounts in thousands)	Fund Balance June 30, 2020 (previously reported)	GASB Statement No. 84 Implementation	Other Restatements	Fund Balance Beginning of Year (restated)
Transportation	\$ 9,277,431	\$ 81,726	\$ —	\$ 9,359,157
Environmental and Natural Resources	13,994,891	3,229	—	13,998,120
Health Care Related Programs	1,697,962	49,619	—	1,747,581
Nonmajor Governmental Funds	14,657,692	789,004	2,664	15,449,360
	<u>\$ 39,627,976</u>	<u>\$ 923,578</u>	<u>\$ 2,664</u>	<u>\$ 40,554,218</u>

The beginning net position of *internal service funds* decreased by \$12 million due to a restatement of compensated absences balances from the previous year.

The beginning net position of *enterprise funds* decreased by \$64 million. The decrease is comprised of a \$38 million decrease in the Unemployment Programs Fund and a \$4 million decrease in nonmajor enterprise funds due to a restatement of compensated absences balances from the previous year, as well as a \$22 million decrease from the correction of a loan balance in nonmajor enterprise funds.

The beginning net position of *discretely presented component units* increased by \$4 million due to prior period corrections.

The net position for newly created *custodial funds* was established at \$563 million as a result of the implementation of GASB Statement No. 84.

2. Government-wide Financial Statements

The beginning net position of *governmental activities* increased by \$294 million. In addition to the restatements described in the previous section for governmental funds and internal services funds, the restatement includes a \$20 million increase to recognize understated capital assets, and a \$640 million decrease to recognize a previously unreported liability.

The beginning net positions of *business-type activities* and *discretely presented component units* were restated as described in the previous section for enterprise funds.

P. Guaranty Deposits

The State is the custodian of guaranty deposits held to protect consumers, to secure the State's deposits in financial institutions, and to ensure payment of taxes and fulfillment of obligations to the State. Guaranty deposits of securities and other properties are not shown on the financial statements.

NOTE 2: BUDGETARY AND LEGAL COMPLIANCE

A. Budgeting and Budgetary Control

The State's annual budget is primarily prepared on a modified accrual basis for governmental funds. The Governor recommends a budget for approval by the Legislature each year. This recommended budget includes estimated revenues, but revenues are not included in the annual budget bill adopted by the Legislature. Under state law, the State cannot adopt a spending plan that exceeds estimated revenues.

Under the State Constitution, money may be drawn from the treasury only through a legal appropriation. The appropriations contained in the Budget Act, as approved by the Legislature and signed by the Governor, are the primary sources of annual expenditure authorizations and establish the legal level of control for the annual operating budget. The budget can be amended throughout the year by special legislative action, budget revisions by the Department of Finance, or executive orders of the Governor. Amendments to the original budget for the fiscal year ended June 30, 2021, increased spending authority for the budgetary/legal basis-reported General Fund, Transportation Funds, Environmental and Natural Resources Funds, and the Health Care Related Programs Funds.

Appropriations are generally available for expenditure or encumbrance either in the year appropriated or for a period of three years if the legislation does not specify a period of availability. At the end of the availability period, the encumbering authority for the unencumbered balance lapses. Some appropriations continue indefinitely, while others are available until fully spent. Generally, encumbrances must be liquidated within two years from the end of the period in which the appropriation is available. If the encumbrances are not liquidated within this additional two-year period, the spending authority for these encumbrances lapses.

B. Legal Compliance

State agencies are responsible for exercising basic budgetary control and ensuring that appropriations are not overspent. The State Controller's Office is responsible for overall appropriation control and does not allow expenditures in excess of authorized appropriations.

Financial activities are mainly controlled at the appropriation level but can vary, depending on the presentation and wording contained in the Budget Act. The Budget Act appropriations are identified by department, reference item, and fund. The annual appropriated budget may establish detailed allocations to specific programs, projects, or sources of reimbursement within an appropriation. The Department of Finance can authorize adjustments between the detail allocations but cannot increase the amount of the overall appropriation. While the financial activities are controlled at various levels, the legal level of budgetary control—the extent to which management may amend the budget without seeking approval of the governing body—has been established in the Budget Act for the annual operating budget.

The Budgetary Comparison Schedule is not presented in this document at the legal level of budgetary control because such a presentation would be extremely lengthy and cumbersome. The State prepares a separate report, the Annual Comprehensive Financial Report Supplement, which includes statements that demonstrate compliance with the legal level of budgetary control in accordance with GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, section 2400.121. The supplement includes the comparison of the annual appropriated budget with expenditures at the legal level of control. A copy of the Annual Comprehensive Financial Report Supplement is available upon email request to the State Controller's Office, State Accounting and Reporting Division at StateGovReports@sco.ca.gov.

NOTE 3: DEPOSITS AND INVESTMENTS

Cash balances not required for immediate use are invested by the State Treasurer. The State Treasurer administers a single pooled investment program comprising both an internal investment pool and an external investment pool (the Local Agency Investment Fund). A single portfolio of investments exists, with all participants having an undivided interest in the portfolio. Both pools are administered in the same manner.

A. Primary Government

1. Control of State Funds

The State's pooled investment program and certain funds of the primary government are allowed by state statutes, bond resolutions, and investment policy resolutions to invest in U.S. government securities, federal agency securities, negotiable certificates of deposit, bankers' acceptances, commercial

paper, corporate bonds, bank notes, other debt securities, repurchase agreements, reverse repurchase agreements, and other investments.

Certain discretely presented component units and related organizations participate in the State Treasurer's Office pooled investment program. As of June 30, 2021, these discretely presented component units and related organizations account for approximately 1.5% of the State Treasurer's pooled investment portfolio. This program enables the State Treasurer's Office to combine available cash from all funds and to invest cash that exceeds current needs.

Both deposits and investments are included in the State's investment program. For certain banks, the State Treasurer's Office maintains cash deposits that cover uncleared checks deposited in the State's accounts and earn income that compensates the banks for their services.

Demand and time deposits held by financial institutions as of June 30, 2021, totaling approximately \$6.9 billion, were insured by federal depository insurance or by collateral held by the State Treasurer's Office or an agent of the State Treasurer's Office in the State's name. The California Government Code requires that collateral pledged for demand and time deposits be deposited with the State Treasurer.

As of June 30, 2021, the State Treasurer's Office had on deposit with a fiscal agent amounts totaling \$21 million related to principal and interest payments to bondholders. These deposits were insured by federal depository insurance or by collateral held by an agent of the State Treasurer's Office in the State's name.

Certain funds have elected to participate in the pooled investment program even though they have the authority to invest on their own. Others may be required by legislation to participate in the program; as a result, the deposits of these funds may be considered involuntary. However, these funds are part of the State's reporting entity. The remaining participant in the pool, the Local Agency Investment Fund, is voluntary.

Certain funds that have deposits in the State Treasurer's pooled investment program do not receive the interest earnings on their deposits. Instead, by law, the earnings are assigned to the State's General Fund. Most of the \$168 million in interest revenue received by the General Fund from the pooled investment program in fiscal year 2020-21 was earned on balances in these funds.

Enterprise funds and special revenue funds also make separate investments, which are presented at fair value.

2. Valuation of State Investments

The State Treasurer's Office reports its investments at fair value. The State Treasurer's Office performs a quarterly fair market valuation of the pooled investment program portfolio. The fair value of securities in the State Treasurer's pooled investment program is generally based on quoted market prices. In addition, the State Treasurer's Office performs a monthly fair market valuation of all securities held against carrying cost. These valuations can be obtained from the State Treasurer's Office website at www.treasurer.ca.gov.

Table 1 categorizes fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets and liabilities. Level 1 inputs are quoted prices for identical assets or liabilities in active markets at the date of measurement. Level 2 inputs are significant other directly or indirectly observable inputs other than quoted prices. Debt securities classified in Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on its relationship to similar securities with an active market. Level 3 inputs are significant unobservable inputs. The State has no investments measured at Level 3.

Table 1

Schedule of Investments – Primary Government – Investments by Fair Value Level

June 30, 2021

(amounts in thousands)

	June 30, 2021	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Pooled Investments			
U.S. Treasury bills and notes	\$ 135,733,371	\$ 135,733,371	\$ —
U.S. Agency bonds and discount notes	17,526,994	17,526,994	—
Supranational debentures and discount notes	7,515,324	7,515,324	—
Small Business Administration loans	415,157	415,157	—
Mortgage-backed securities	10,300	10,300	—
Certificates of deposit	16,199,542	—	16,199,542
Bank notes	49,954	—	49,954
Commercial paper	11,098,048	—	11,098,048
Corporate bonds	111,549	—	111,549
Total pooled investments at fair value	188,660,239	\$ 161,201,146	\$ 27,459,093
Other primary government investments			
U.S. Treasuries and agencies	3,576,256	\$ 802,614	\$ 2,773,642
Corporate debt securities	910,352	—	910,352
Other	1,850,533	175,843	1,674,690
Total other primary government investments at fair value	6,337,141	\$ 978,457	\$ 5,358,684
Investments measured at the net asset value (NAV)			
Money market funds/2a-7 money market funds	778,976		
Total investments measured at the NAV	778,976		
Funds outside primary government included in pooled investments			
Less: investment trust funds	37,049,805		
Less: other trust and custodial funds	6,091,221		
Less: discretely presented component units and related organizations	2,861,889		
Total primary government investments	\$ 149,773,441		

As of June 30, 2021, the weighted average maturity of the securities in the pooled investment program administered by the State Treasurer's Office was approximately 182 days. Weighted average maturity is the average number of days, given a dollar-weighted value of individual investments, that the securities in the portfolio have remaining from evaluation date to stated maturity.

3. Oversight of Investing Activities

The Pooled Money Investment Board (PMIB) provides oversight of the State Treasurer's pooled investment program. The purpose of the board is to design and administer an effective cash management and investment program, using all monies flowing through the State Treasurer's Office bank accounts and keeping all available funds invested in a manner consistent with the goals of safety, liquidity, and yield. The PMIB is comprised of the State Treasurer as chair, the State Controller, and the Director of Finance. This board designates the amounts of money available for investment. The State Treasurer is charged with making the actual investment transactions for this program. This investment program is not registered with the Securities and Exchange Commission as an investment company.

The value of the deposits in the State Treasurer's pooled investment program, including the Local Agency Investment Fund, is equal to the dollars deposited in the program. The fair value of the position in the program may be greater or less than the value of the deposits, with the difference representing the unrealized gain or loss. As of June 30, 2021, this difference was immaterial to the valuation of the program. The pool is run with "dollar-in, dollar-out" participation. There are no share-value adjustments to reflect changes in fair value.

The State Treasurer's pooled investment program values participants' shares on an amortized cost basis. Specifically, the program distributes income to participants quarterly, based on their relative participation during the quarter. This participation is calculated based on (1) realized investment gains and losses calculated on an amortized cost basis, (2) interest income based on stated rates (both paid and accrued), (3) amortization of discounts and premiums on a straight-line basis, and (4) investment and administrative expenses. This amortized cost method differs from the fair value method used to value investments in these financial statements; the amortized cost method is not designed to distribute to participants all unrealized gains and losses in the fair value of the pool's investments. Because the total difference between the fair value of the investments in the pool and the value distributed to pool participants using the amortized cost method described above is not material, no adjustment was made to the financial statements. The State Treasurer's Office also reports participant fair value as a ratio of amortized cost on a quarterly basis. The State Treasurer's Office has not provided or obtained a legally binding guarantee to support the principal invested in the investment program.

As of June 30, 2021, structured notes and medium-term asset-backed securities comprised approximately 1.1% of the pooled investments. A portion of the structured notes was callable agency securities, which represented 0.6% of the pooled investments. The asset-backed securities consist of mortgage-backed securities, Small Business Administration (SBA) pools, and asset-backed commercial paper. The mortgage-backed securities, called real estate mortgage investment conduits (REMICS), are securities backed by pools of mortgages. The REMICS in the State's portfolio have a fixed principal payment schedule. A portion of the asset-backed securities consisted of floating-rate SBA notes. For floating-rate SBA notes held in the portfolio during the fiscal year, the interest received by the State Treasurer's pooled investment program rose or fell as the underlying index rate rose or fell. The structure of the floating-rate SBA notes in the State Treasurer's pooled investment program portfolio provided a hedge against the risk of increasing interest rates. A portion of the asset-backed portfolio

holdings were short-term, asset-backed commercial paper (ABCP), which represented 1.2% of the pooled investments.

Table 2 identifies the investment types that are authorized by the California Government Code and the State Treasurer's Office Investment Policy for the Pooled Investment Program. Maturities are limited by the State Treasurer's Office Investment Policy for the Pooled Money Investment Program. For commercial paper, the Investment Policy matches the Government Code. For corporate bonds and notes, the Government Code requires that a security falls within the top three ratings of a nationally recognized statistical ratings organization (NRSRO). Items reported as N/A have no limitation in either the Government Code or the State Treasurer's Office Investment Policy.

Table 2

Authorized Investments

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer	Credit Rating
U.S. Treasury securities	5 years	N/A	N/A	N/A
Federal agency and supranational securities	5 years	N/A	N/A	N/A
Certificates of deposit	5 years	N/A	N/A	N/A
Bankers' acceptances	180 days	N/A	N/A	N/A
Commercial paper	270 days	30%	10% of issuer's outstanding Commercial paper	A-3/P-3/F-3
Corporate bonds/notes	5 years	N/A	N/A	A-/A3/A-
Repurchase agreements	1 year	N/A	N/A	N/A
Reverse repurchase agreements	1 year	10%	N/A	N/A

4. Risk of Investments

The following types of risks are common in deposits and investments, including those of the State:

Interest Rate Risk is the risk that the value of fixed-income securities will decline because of changing interest rates. The prices of fixed-income securities with longer time to maturity tend to be more sensitive to changes in interest rates than those with shorter durations.

Credit Risk is the risk that a debt issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline.

Custodial Credit Risk is the risk that, in the event a financial institution or counterparty fails, the investor will not be able to recover the value of deposits, investments, or collateral.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of an investor's holdings in a single issuer.

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

a. Interest Rate Risk

Table 3 presents the interest rate risk of the primary government's investments. In calculating SBA holdings' weighted average maturity, the State Treasurer's Office assumes that stated maturity is the quarterly reset date. Total pooled investments do not include \$3.9 billion of time deposits and \$725 million of internal loans to state funds. Most mortgage-backed securities are issued by U.S. government agencies, or government-sponsored enterprises such as the Federal National Mortgage Association, and entitle the purchaser to receive a share of the cash flows, such as principal and interest payments, from a pool of mortgages. Mortgage-backed securities are highly sensitive to interest rate changes because principal prepayments either increase (in a low interest rate environment) or decrease (in a high interest rate environment) the security yield. As of June 30, 2021, only \$10 million, or 0.01% of the total pooled investments, was invested in mortgage-backed securities.

Table 3

Schedule of Investments – Primary Government – Interest Rate Risk

June 30, 2021

(amounts in thousands)

	Fair Value at Year End	Weighted Average Maturity (in years)
Pooled investments		
U.S. Treasury bills and notes	\$ 135,733,371	0.50
U.S. Agency bonds and discount notes	17,526,994	0.93
Supranational debentures and discount notes	7,515,324	0.61
Small Business Administration loans	415,157	0.25
Mortgage-backed securities	10,300	0.82
Certificates of deposit	16,199,542	0.21
Bank notes	49,954	0.51
Commercial paper	11,098,048	0.18
Corporate bonds	111,549	3.81
Total pooled investments	188,660,239	
Other primary government investments		
U.S. Treasuries and agencies	3,576,257	2.56
Corporate debt securities	910,352	1.45
Other	2,629,508	1.60
Total other primary government investments	7,116,117	
Funds outside primary government included in pooled investments		
Less: investment trust funds	37,049,805	
Less: other trust and custodial funds	6,091,221	
Less: discretely presented component units and related organizations	2,861,889	
Total primary government investments	\$ 149,773,441	

b. Credit Risk

Table 4 presents the credit risk of the primary government's debt securities. If a particular security has multiple ratings, the lowest rating of the three major NRSROs is used. Similar to interest rate risk shown in Table 3, time deposits and internal loans to state funds are not included.

Table 4**Schedule of Investments in Debt Securities – Primary Government – Credit Risk**

June 30, 2021

(amounts in thousands)

Credit Rating as of Year End		
Short-term	Long-term	Fair Value
Pooled investments		
A-1+/P-1/F-1+	AAA/Aaa/AAA	\$ 20,874,222
A-1/P-1/F-1	AA/Aa/AA	31,490,775
A-2/P-2/F-2	A/A/A	146,714
Not rated		—
Not applicable.....		136,148,528
Total pooled investments		<u>\$ 188,660,239</u>
Other primary government investments		
A-1+/P-1/F-1+	AAA/Aaa/AAA	\$ 955,352
A-1/P-1/F-1	AA/Aa/AA	3,531,522
A-2/P-2/F-2	A/A/A	897,799
A-3/P-3/F-3	BBB/Baa/BBB	11,290
B/NP/B	BB/Ba/BB	23,022
B/NP/B	B2/B	143,279
Not rated		1,553,853
Total other primary government investments		<u>\$ 7,116,117</u>

c. Custodial Credit Risk

The State has a deposit policy for custodial credit risk that requires deposits held by financial institutions to be insured by federal depository insurance or secured by collateral. As of June 30, 2021, there were no guaranteed investment contracts.

d. Concentration of Credit Risk

The investment policy of the State Treasurer's Office contains no limitations on the amount that can be invested in any one issuer beyond those limitations stipulated in the California Government Code. As of June 30, 2021, the State had investments in the Federal Home Loan Bank totaling 6.3% of the total pooled investments and other primary government investments.

B. Fiduciary Funds

The fiduciary funds include pension and other employee benefit trust funds of the following fiduciary funds and component units: California Public Employees' Retirement System (CalPERS), California State Teachers' Retirement System (CalSTRS), the fund for the California Scholarshare program, and various other funds. CalPERS and CalSTRS account for 96.3% of these separately invested funds. CalPERS and CalSTRS exercise their authority under the State Constitution and invest in stocks, bonds, mortgages, real estate, and other investments, including derivative instruments.

Additional disclosures for CalPERS' investments and derivative instruments are included in CalPERS' separately issued financial statements, which may be found on its website at www.CalPERS.ca.gov. Additional disclosures for CalSTRS' investments and derivative instruments are included in CalSTRS' separately issued financial statements, which may be found on its website at www.CalSTRS.com.

C. Discretely Presented Component Units

The discretely presented component units consist of the University of California and its foundation, the California Housing Finance Agency (CalHFA), and various nonmajor component units. The University and CalHFA constitute 92.9% of the total investments of discretely presented component units. State law, bond resolutions, and investment policy resolutions allow component units to invest in U.S. government securities, state and municipal securities, commercial paper, corporate bonds, investment agreements, real estate, and other investments. Additionally, a portion of the cash and pooled investments of CalHFA, and other nonmajor component units are invested in the State Treasurer's pooled investment program.

Additional disclosures for the University of California's investments and derivative instruments are included in the University's separately issued financial statements, which may be found on its website at www.ucop.edu. Additional disclosures for CalHFA's investments and derivative instruments are included in CalHFA's separately issued financial statements, which may be found on its website at www.CalHFA.ca.gov.

NOTE 4: ACCOUNTS RECEIVABLE

Table 5 presents the disaggregation of accounts receivable attributable to taxes; licenses, permits, and fees; Lottery retailer collections; unemployment program receipts; and the California State University. Other receivables are for interest, gifts, grants, penalties, and other charges.

Table 5**Schedule of Accounts Receivable**

June 30, 2021

(amounts in thousands)

	Taxes	Licenses, Permits, and Fees	Lottery Retailers
Current governmental activities			
General Fund	\$ 32,924,558	\$ —	\$ —
Federal Fund	—	—	—
Transportation Fund	834,652	357,222	—
Environmental and Natural Resources Fund	21,497	426,639	—
Health Care Related Programs Fund	579,433	3,157,650	—
Nonmajor governmental funds	329,293	734,171	—
Internal service funds	—	—	—
Adjustment:			
Unavailable revenue ¹	(1,848,236)	(193,142)	—
Total current governmental activities	\$ 32,841,197	\$ 4,482,540	\$ —
Amounts not scheduled for collection during the subsequent year (unavailable revenue)	\$ 1,848,236	\$ 193,142	\$ —
Current business-type activities			
Electric Power Fund	\$ —	\$ —	\$ —
Water Resources Fund	—	—	—
State Lottery Fund	—	—	660,370
Unemployment Programs Fund	—	—	—
California State University	—	—	—
Nonmajor enterprise funds	—	—	—
Total current business-type activities	\$ —	\$ —	\$ 660,370
Amounts not scheduled for collection during the subsequent year (unavailable revenue)	\$ —	\$ —	\$ —

¹ The unavailable revenue reported in the governmental fund financial statements represents revenues that are earned and measurable, but not available within 12 months of the end of the reporting period.

² Amount includes noncurrent receivables for service concession arrangements of \$34 million that were not included in the governmental fund financial statements.

Unemployment Programs	California State University	Other	Total
\$ 515,657	\$ —	\$ 4,675,956	\$ 38,116,171
—	—	1,662,632	1,662,632
—	—	158,649	1,350,523
—	—	157,870	606,006
—	—	484,568	4,221,651
—	—	761,216	1,824,680
—	—	67,397	67,397
(413,640)	—	(452,268)	(2,907,286)
\$ 102,017	\$ —	\$ 7,516,020	\$ 44,941,774
\$ 413,640	\$ —	\$ 485,785	\$ 2,940,803
\$ —	\$ —	\$ 107,837	\$ 107,837
—	—	31,891	31,891
—	—	—	660,370
1,120,946	—	—	1,120,946
—	309,651	—	309,651
—	—	41,746	41,746
\$ 1,120,946	\$ 309,651	\$ 181,474	\$ 2,272,441
\$ 900,685	\$ 358,131	\$ —	\$ 1,258,816

NOTE 5: RESTRICTED ASSETS

Table 6 presents a summary of the legal restrictions placed on assets of the primary government and the discretely presented component units.

Table 6**Schedule of Restricted Assets**

June 30, 2021
(amounts in thousands)

	Cash and Pooled Investments	Investments	Due From Other Governments	Loans Receivable	Total
Primary government					
Debt service	\$ 707,377	\$ 843,970	\$ 181,703	\$ 1,934,689	\$ 3,667,739
Construction	891,196	—	—	—	891,196
Operations	166,119	—	—	—	166,119
Other	512	—	—	—	512
Total primary government	1,765,204	843,970	181,703	1,934,689	4,725,566
Discretely presented component units					
Debt service	290,968	175,111	—	—	466,079
Other	88,659	—	—	—	88,659
Total discretely presented component units	379,627	175,111	—	—	554,738
Total restricted assets	\$ 2,144,831	\$ 1,019,081	\$ 181,703	\$ 1,934,689	\$ 5,280,304

NOTE 6: NET INVESTMENT IN DIRECT FINANCING LEASES

The State Public Works Board (SPWB) accounts for its activities in the Public Buildings Construction Fund, an internal service fund, and has entered into lease-purchase agreements with various other primary government agencies and certain local agencies. Payments from these leases will be used to satisfy the principal and interest requirements of revenue bonds issued by the SPWB. The lease-purchase activity between the SPWB and the primary government agencies shown in the schedule below represents only that activity with agencies reported as enterprise funds. The lease receivable of \$7.7 billion from governmental funds and the corresponding lease obligation were eliminated within the governmental activities column of the government-wide Statement of Net Position.

The CSU system accounts for its lease activities in the California State University Fund, a major enterprise fund, and has entered into capital lease agreements with various auxiliary organizations. These agreements lease existing and newly constructed facilities to the auxiliary organizations. A portion of the proceeds from certain revenue bonds and bond anticipation notes issued by the CSU were used to finance the construction of these facilities.

Table 7 summarizes the minimum lease payments to be received by the primary government.

Table 7**Schedule of Minimum Lease Payments to be Received by the Primary Government**

(amounts in thousands)

Year Ending June 30	State Public Works Board			California State University
	Primary Government Agencies	Local Agencies	Total	
2022	\$ 15,966	\$ 12,739	\$ 28,705	\$ 16,388
2023	15,954	12,720	28,674	29,750
2024	15,952	12,701	28,653	23,564
2025	15,930	12,689	28,619	23,466
2026	15,893	12,674	28,567	20,679
2027-2031	79,031	56,823	135,854	94,782
2032-2036	62,791	7,513	70,304	65,101
2037-2041	—	—	—	16,602
2042-2046	—	—	—	6,726
2047-2051	—	—	—	2,689
Total minimum lease payments	221,517	127,859	349,376	299,747
Less: unearned income	80,483	27,408	107,891	76,852
Net investment in direct financing leases	141,034	100,451	241,485	222,895
Less: current portion	5,183	8,124	13,307	9,218
Noncurrent net investment in direct financing leases	\$ 135,851	\$ 92,327	\$ 228,178	\$ 213,677

NOTE 7: CAPITAL ASSETS

Table 8 summarizes the capital activity for the primary government.

Table 8**Schedule of Changes in Capital Assets – Primary Government**

June 30, 2021

(amounts in thousands)

	Beginning Balance	Additions	Deductions	Ending Balance
Governmental activities				
Capital assets not being depreciated/amortized				
Land	\$ 21,344,588	* \$ 224,878	\$ 22,306	\$ 21,547,160
State highway infrastructure	79,159,317	* 1,910,117	50,448	81,018,986
Collections	22,682	—	—	22,682
Construction/development in progress	17,906,273	* 4,467,115	2,589,912	19,783,476
Intangible assets	846,369	* 77,491	9	923,851
Total capital assets not being depreciated/amortized	119,279,229	6,679,601	2,662,675	123,296,155
Capital assets being depreciated/amortized				
Buildings and improvements	27,460,093	* 565,343	450,772	27,574,664
Infrastructure	753,001	2,278	3,222	752,057
Equipment and other depreciable assets	5,672,479	* 391,387	141,721	5,922,145
Intangible assets	2,722,014	* 218,677	3,459	2,937,232
Total capital assets being depreciated/amortized	36,607,587	1,177,685	599,174	37,186,098
Less accumulated depreciation/amortization for:				
Buildings and improvements	10,605,763	671,984	319,937	10,957,810
Infrastructure	440,917	15,111	3,218	452,810
Equipment and other depreciable assets	4,644,210	* 398,775	139,285	4,903,700
Intangible assets	1,367,554	* 267,620	2,121	1,633,053
Total accumulated depreciation/amortization	17,058,444	1,353,490	464,561	17,947,373
Total capital assets being depreciated/amortized, net	19,549,143	(175,805)	134,613	19,238,725
Governmental activities, capital assets, net	\$ 138,828,372	\$ 6,503,796	\$ 2,797,288	\$ 142,534,880
Business-type activities				
Capital assets not being depreciated/amortized				
Land	\$ 330,410	\$ 92,955	\$ 41	\$ 423,324
Collections	30,956	3,950	475	34,431
Construction/development in progress	3,208,596	1,308,398	1,548,068	2,968,926
Intangible assets	124,335	—	535	123,800
Total capital assets not being depreciated/amortized	3,694,297	1,405,303	1,549,119	3,550,481
Capital assets being depreciated/amortized				
Buildings and improvements	15,728,105	1,544,949	44,088	17,228,966
Infrastructure	552,246	72,690	46,307	578,629
Equipment and other assets	1,064,074	* 69,759	28,172	1,105,661
Intangible assets	442,455	* 17,968	2,650	457,773
Total capital assets being depreciated/amortized	17,786,880	1,705,366	121,217	19,371,029
Less accumulated depreciation/amortization for:				
Buildings and improvements	5,935,346	438,019	866	6,372,499
Infrastructure	191,626	24,340	44,024	171,942
Equipment and other assets	717,522	* 88,601	27,089	779,034
Intangible assets	222,344	* 19,901	2,121	240,124
Total accumulated depreciation/amortization	7,066,838	570,861	74,100	7,563,599
Total capital assets being depreciated/amortized, net	10,720,042	1,134,505	47,117	11,807,430
Business-type activities, capital assets, net	\$ 14,414,339	\$ 2,539,808	\$ 1,596,236	\$ 15,357,911

* Restated

Table 9 summarizes the depreciation expense charged to the activities of the primary government.

Table 9**Schedule of Depreciation Expense – Primary Government**

June 30, 2021

(amounts in thousands)

	Amount
Governmental activities	
General government	\$ 321,433
Education	141,258
Health and human services	180,457
Natural resources and environmental protection	101,109
Business, consumer services, and housing	9,947
Transportation	219,542
Corrections and rehabilitation	324,802
Internal service funds (charged to the activities that utilize the fund)	54,942
Total governmental activities	1,353,490
Business-type activities	570,861
Total primary government	\$ 1,924,351

Table 10 summarizes the capital activity for discretely presented component units.

Table 10**Schedule of Changes in Capital Assets – Discretely Presented Component Units**

June 30, 2021

(amounts in thousands)

	Beginning Balance	Additions	Deductions	Ending Balance
Capital assets not being depreciated/amortized				
Land	\$ 1,533,820	\$ 126,344	\$ 11,342	\$ 1,648,822
Collections	617,001	24,911	23,622	618,290
Construction/development in progress	4,057,202	* 660,060	93,807	4,623,455
Intangible assets	6,753	6	1,545	5,214
Total capital assets not being depreciated/amortized	6,214,776	811,321	130,316	6,895,781
Capital assets being depreciated/amortized				
Buildings and improvements	46,731,105	2,418,373	95,734	49,053,744
Infrastructure	1,010,555	18,906	42	1,029,419
Equipment and other depreciable assets	12,529,703	739,627	295,520	12,973,810
Intangible assets	1,850,861	56,393	79,733	1,827,521
Total capital assets being depreciated/amortized	62,122,224	3,233,299	471,029	64,884,494
Less accumulated depreciation/amortization for:				
Buildings and improvements	19,893,209	1,496,349	52,488	21,337,070
Infrastructure	484,997	36,371	—	521,368
Equipment and other depreciable assets	9,040,195	670,694	307,192	9,403,697
Intangible assets	1,036,348	201,179	64,282	1,173,245
Total accumulated depreciation/amortization	30,454,749	2,404,593	423,962	32,435,380
Total capital assets being depreciated/amortized, net	31,667,475	828,706	47,067	32,449,114
Capital assets, net	\$ 37,882,251	\$ 1,640,027	\$ 177,383	\$ 39,344,895

* Restated

NOTE 8: ACCOUNTS PAYABLE

Accounts payable are amounts, related to different programs, that are due taxpayers, vendors, customers, beneficiaries, and employees. Table 11 presents details related to accounts payable.

The adjustment for the fiduciary funds represents amounts due fiduciary funds that were reclassified as external payables on the government-wide Statement of Net Position.

Table 11**Schedule of Accounts Payable**

June 30, 2021

(amounts in thousands)

	General Government	Education	Health and Human Services
Governmental activities			
General Fund	\$ 1,895,283	\$ 189,259	\$ 7,156,036
Federal Fund	208,017	84,793	23,183,838
Transportation Fund	17,101	6,255	486
Environmental and Natural Resources Fund	4,598	—	279
Health Care Related Programs Fund	—	485	3,926,119
Nonmajor governmental funds	966,249	67,288	254,185
Internal service funds	195,080	127	194,088
Adjustment:			
Fiduciary funds	726,339	—	—
Total governmental activities	\$ 4,012,667	\$ 348,207	\$ 34,715,031
Business-type activities			
Electric Power Fund	\$ —	\$ —	\$ —
Water Resources Fund	—	—	—
State Lottery Fund	52,022	—	—
Unemployment Programs Fund	—	—	76,192
California State University	—	342,971	—
Nonmajor enterprise funds	387	743	66
Adjustment:			
Fiduciary funds	—	—	—
Total business-type activities	\$ 52,409	\$ 343,714	\$ 76,258

Natural Resources and Environmental	Transportation	Other	Total
Protection			
\$ 824,301	\$ 12,619	\$ 413,552	\$ 10,491,050
145,569	117,396	8,384	23,747,997
1,321	1,062,696	1,403	1,089,262
422,558	319,693	12,083	759,211
—	—	—	3,926,604
9,858	177	116,936	1,414,693
21,400	—	16,462	427,157
—	38,924	57,808	823,071
\$ 1,425,007	\$ 1,551,505	\$ 626,628	\$ 42,679,045
\$ 139,460	\$ —	\$ —	\$ 139,460
145,877	—	—	145,877
—	—	—	52,022
—	—	—	76,192
—	—	—	342,971
2,454	—	5,827	9,477
—	—	—	—
\$ 287,791	\$ —	\$ 5,827	\$ 765,999

NOTE 9: LONG-TERM OBLIGATIONS

As of June 30, 2021, the primary government had long-term obligations totaling \$338.2 billion. Of that amount, \$8.7 billion is due within one year. Governmental activities had a net increase in long-term obligations of \$6.4 billion. Significant increases included \$2.7 billion in net other postemployment benefits (OPEB) liability, \$1.9 billion in net pension liability, and \$1.4 billion in compensated absences payable.

Not included in the mandated cost claims payable shown in Table 12 are certain state-mandated programs that are in the adjudication process. Until the Commission on State Mandates rules on a test claim and the claim's parameters and guidelines are established, expected costs cannot be reasonably determined; however, a positive finding for any of the claimants could individually or in aggregate pose a significant cost to the State.

As of June 30, 2021, pollution remediation obligations increased by \$219 million, to \$1.5 billion. Under federal Superfund law, responsibility for pollution remediation is placed on current and previous owners or operators of polluted sites. Currently, the State's most significant Superfund site is the Stringfellow Class 1 Hazardous Waste Disposal Facility (Stringfellow) located in Riverside County. As of June 30, 2021, the State estimates that remediation costs at Stringfellow will total \$577 million. At BKK Landfill, an obligating event has occurred that will likely result in a liability to the State, but a reasonable estimate of the remediation cost cannot be determined at this time. BKK is a closed Class 1 landfill site at which the State is conducting post-closure care. In addition to Superfund sites, the State's other pollution remediation efforts include underground storage tank removal and cleanup, cleanup of polluted groundwater, and contaminated soil removal and cleanup as required by state law.

The primary government has identified tangible capital assets with associated retirement obligations. Some of these assets have a legally enforceable liability associated with their retirement, but the liability is not yet reasonably estimable. Examples include dams, sewer systems, waste ponds, bridges, roadways, and certain long-term use equipment. The State either has no prior experience decommissioning these types of assets to develop an estimate, or the assets are maintained indefinitely so an estimated useful life cannot be determined. The State will record the asset retirement obligations for such assets once they are reasonably estimable. The remaining measurable asset retirement obligations are immaterial.

The State receives a share of net profits generated by the operations of the Wilmington Oil Field. Various unit and production agreements control the character of the oil operations, including the liability associated with the future abandonment of the oil and gas wells and facilities. The State's share of the liability is apportioned based on its net profit interest, among other factors. The State retains a large majority of the total abandonment liability at the end of oil operations. As of June 30, 2021, the State estimates that the oil field abandonment liability is \$966 million, and the State has reserves of \$300 million in the Environmental and Natural Resources Fund (a special revenue fund) to liquidate future oil field abandonment costs.

The other long-term obligations for governmental activities consist of \$32 million to settle lawsuits, Technology Services Revolving Fund notes payable of \$28 million, and Water Resources Revolving Fund notes payable of \$27 million. The net pension liability, net OPEB liability, and compensated absences will be liquidated by the General Fund, special revenue funds, capital projects funds, and internal service funds. Workers' compensation and capital leases will be liquidated by the General Fund, special revenue funds, and internal service funds. The General Fund will liquidate the Proposition 98

funding guarantee, lawsuits, and reimbursement of costs incurred by local agencies and school districts for costs mandated by the State.

Overall, business-type activities experienced a net increase in long-term obligations of \$18.5 billion. Significant increases included \$17.5 billion for loans payable to the U.S. Department of Labor to cover shortfalls in the Unemployment Programs Fund, \$736 million in net OPEB liability, \$529 million in revenue bonds payable, \$269 million in net pension liability, and \$234 million in lottery prizes and annuities.

Table 12 summarizes the changes in long-term obligations during the fiscal year ended June 30, 2021.

Table 12

Schedule of Changes in Long-term Obligations

(amounts in thousands)

	Balance July 1, 2020	Additions
Governmental activities		
Loans payable adjustment for fiduciary funds	\$ 145,949	\$ —
Compensated absences payable	3,999,061	3,036,816
Workers' compensation benefits payable	4,678,009	829,327
Commercial paper and other borrowings	1,108,720	1,957,725
Capital lease obligations	393,089	19,875
General obligation bonds outstanding	71,968,035	6,313,765
Premiums	6,915,711	1,218,768
Total general obligation bonds payable	78,883,746	7,532,533
Revenue bonds outstanding	14,390,578	1,324,440
Accreted interest	651,862	52,155
Premiums	864,196	100,913
Discounts	(1,372)	(142)
Total revenue bonds payable	15,905,264	1,477,366
Mandated cost claims payable	1,835,410	285,675
Net other postemployment benefits liability	74,263,396	7,900,284
Net pension liability	82,815,664	27,658,210
Other long-term obligations:		
Oil field abandonment liability	909,783	56,601
Proposition 98 funding guarantee	15,931	—
Pollution remediation obligations	1,298,197	268,568
Other	742,894 *	27,409
Total other long-term obligations	2,966,805	352,578
Total governmental activities	\$ 266,995,113	\$ 51,050,389
Business-type activities		
Loans payable	\$ 2,271,930	\$ 17,497,365
Lottery prizes and annuities	1,362,521	5,655,754
Compensated absences payable	402,336	305,527
Workers' compensation benefits payable	10,004	2,658
Commercial paper and other borrowings	1,049,226	198,350
Capital lease obligations	357,072	180
General obligation bonds outstanding	778,920	96,680
Premiums	10,263	3,317
Discounts	(1,131)	—
Total general obligation bonds payable	788,052	99,997
Revenue bonds outstanding	12,960,500	2,998,955
Premiums	1,317,289	309,806
Discounts	(427)	—
Total revenue bonds payable	14,277,362	3,308,761
Net other postemployment benefits liability	16,223,564	1,833,520
Net pension liability	9,273,959	3,102,259
Other long-term obligations	285,980	14,243
Total business-type activities	\$ 46,302,006	\$ 32,018,614

* Restated

Deductions	Balance June 30, 2021	Due Within One Year	Noncurrent Liabilities
\$ 99,887	\$ 46,062	\$ —	\$ 46,062
1,642,112	5,393,765	9,500	5,384,265
566,278	4,941,058	524,995	4,416,063
1,890,210	1,176,235	—	1,176,235
53,152	359,812	43,366	316,446
7,444,345	70,837,455	3,504,180	67,333,275
490,526	7,643,953	889,239	6,754,714
7,934,871	78,481,408	4,393,419	74,087,989
1,222,857	14,492,161	744,465	13,747,696
—	704,017	—	704,017
161,536	803,573	110,093	693,480
(2)	(1,512)	(52)	(1,460)
1,384,391	15,998,239	854,506	15,143,733
34,144	2,086,941	43,335	2,043,606
5,171,965	76,991,715	—	76,991,715
25,760,739	84,713,135	—	84,713,135
—	966,384	—	966,384
15,223	708	708	—
49,437	1,517,328	50,336	1,466,992
65,635	704,668	192,861	511,807
130,295	3,189,088	243,905	2,945,183
\$ 44,668,044	\$ 273,377,458	\$ 6,113,026	\$ 267,264,432
\$ —	\$ 19,769,295	\$ —	\$ 19,769,295
5,421,261	1,597,014	918,415	678,599
194,495	513,368	139,747	373,621
—	12,662	—	12,662
846,357	401,219	72	401,147
21,171	336,081	20,008	316,073
288,750	586,850	47,375	539,475
1,395	12,185	—	12,185
(480)	(651)	—	(651)
289,665	598,384	47,375	551,009
2,498,660	13,460,795	1,361,975	12,098,820
280,864	1,346,231	33,932	1,312,299
(46)	(381)	—	(381)
2,779,478	14,806,645	1,395,907	13,410,738
1,097,103	16,959,981	—	16,959,981
2,833,593	9,542,625	—	9,542,625
53,996	246,227	54,845	191,382
\$ 13,537,119	\$ 64,783,501	\$ 2,576,369	\$ 62,207,132

NOTE 10: PENSION TRUSTS

The California Public Employees' Retirement System (CalPERS) provides retirement benefits to eligible employees of the State, public agencies, and public schools through single-employer, agent multiple-employer, and cost-sharing plans. The California State Teachers' Retirement System (CalSTRS) provides pension benefits to full-time and part-time employees of the State's public school system. Both are fiduciary component units of the State, and their financial activity is included in the pension and other employee benefit trust funds column of the fiduciary funds and similar component units' financial statements of this report.

CalPERS administers four defined benefit retirement plans: the Public Employees' Retirement Fund (PERF), the Judges' Retirement Fund (Judges'), the Judges' Retirement Fund II (Judges' II), and the Legislators' Retirement Fund (Legislators'). CalPERS also administers two defined contribution plans: the Public Employees' Deferred Compensation Fund and the Supplemental Contributions Program Fund.

The PERF accounts for the majority of assets and liabilities reported for CalPERS' plans. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for these plans. The report may be found on CalPERS' website at www.CalPERS.ca.gov.

Contributions to CalPERS' pension trust funds are recognized in the period in which the contributions are due, pursuant to legal requirements. Benefits and refunds in the defined benefit plans are recognized when due and payable in accordance with the terms of each plan.

CalSTRS administers four defined benefit retirement plans within the State Teachers' Retirement Plan: the Defined Benefit Program, the Defined Benefit Supplement Program, the Cash Balance Benefit Program, and the Replacement Benefits Program. CalSTRS also administers two defined contribution plans: the Pension2 403(b) Plan and the Pension2 457(b) Plan. CalSTRS issues a publicly available financial report that includes financial statements and required supplementary information for these plans. This report may be found on its website at www.CalSTRS.com.

Member, employer, and state contributions to CalSTRS' pension plans are recognized in the period in which the contributions are required by statute. Benefits and refunds are recognized when due and payable, in accordance with the retirement and benefits programs.

Fifty-eight county superior courts (trial courts) are included in the primary government. Either CalPERS or the counties administer the pension plans in which the trial courts participate.

For the purpose of measuring net pension liability, deferred outflows and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of CalPERS' plans and CalSTRS' plans, and changes to the plans' fiduciary net positions have been determined on the same basis as reported by the plans.

The University of California, a discretely presented component unit, administers the University of California Retirement System (UCRS), which consists of two defined benefit plans funded with University and employee contributions, and four defined contribution plans with options to participate in internally or externally managed investment portfolios generally funded with employee non-elective and elective contributions. The State does not directly contribute to the UCRS. Additional information on the

UCRS can be found in the University's separately issued financial statements on its website at www.ucop.edu.

A. California Public Employees' Retirement System**1. Public Employees' Retirement Fund (PERF)**

Plan Description: The PERF is comprised of and reported as three separate entities for financial reporting purposes, of which the State reports only PERF A. PERF A is comprised of agent multiple-employer plans, which include the State of California and most public agencies' rate plans with more than 100 active members. PERF B is a cost-sharing multiple-employer plan comprised of school employers and consisting of non-teaching and non-certified employee members. PERF C is a cost-sharing multiple-employer plan comprised of public agencies' plans that generally have fewer than 100 active members. Employers participating in the PERF as of June 30, 2020, included the primary government and certain discretely presented component units; 1,326 school employers, including charter schools; and 1,605 public agencies. As the State is not an employer in PERF B or PERF C, the term PERF is used hereafter to refer exclusively to the agent multiple-employer plans that include employees of the primary government and certain discretely presented component units.

CalPERS acts as the common investment and administrative agent for participating employers. State employees served by the PERF include first- and second-tier miscellaneous and industrial employees, California Highway Patrol (CHP) employees, peace officers and firefighters, and other safety members.

Benefits Provided: All employees in a covered class of employment who work half-time or more are eligible to participate in the PERF. The PERF provides retirement, death, disability, and survivor benefits. Vesting occurs after five years, or after ten years for second-tier employees. The benefit provisions are established by the Public Employees' Retirement Law (PERL) and the Public Employees' Pension Reform Act of 2013 (PEPRA), and are summarized in Appendix B of the State's June 30, 2019 Actuarial Valuation Report, which may be found at www.CalPERS.ca.gov/docs/forms-publications/2019-state-valuation.pdf. In general, retirement benefits for the PERF plans are based on a formula using a member's years of service credit, age at retirement, and final compensation (average salary for a defined period of employment). Retirement formulas vary based on:

- Classification (e.g., miscellaneous, safety, industrial, CHP, or peace officers and firefighters);
- Membership category (pre-PEPRA and post-PEPRA); and
- Specific provisions in employees' contracts.

The four basic types of retirement are:

- **Service Retirement** – The normal retirement is a lifetime benefit. In most cases, employees become eligible for service retirement as early as age 50 with five years of service credit. If the employee became a member on or after January 1, 2013, he or she must be at least 52 years old with at least five years of service to retire. Second-tier employees (miscellaneous and industrial) become eligible at age 55 with at least 10 years of service credit.
- **Vested Deferred Retirement** – Vested members who leave employment but keep their contribution balances on deposit with CalPERS are eligible for this benefit.
- **Disability Retirement** – Vested members who can no longer perform the usual duties of their current position due to illness or injury may receive this benefit.

- Industrial Disability Retirement – This benefit is available for eligible safety members, industrial employees, CHP employees, and peace officers and firefighters who are unable to perform the usual duties of their current position due to job-related illness or injury.

Employees Covered by Benefit Terms: The State's June 30, 2020 Actuarial Valuation Report provides information about the number of employees by type covered within the various PERF plans. Table 13 shows the number of employees covered by the benefit terms of each of the PERF plans as of the most recent valuation.

Table 13

Number of Employees by Type Covered by Benefit Terms – PERF Plans
June 30, 2020

	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol	Total PERF Plans
Inactive employees or beneficiaries currently receiving benefits	202,078	16,050	27,905	43,525	9,519	299,077
Inactive employees entitled to but not yet receiving benefits	64,394	3,705	8,095	7,408	532	84,134
Active employees	208,758	19,739	34,756	47,109	7,288	317,650
Total	475,230	39,494	70,756	98,042	17,339	700,861

Contributions: Section 20814(c) of PERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by pension plan terms as plan member contribution requirements are classified as plan member contributions.

Table 14 shows the average active employee and the employer contribution rates for each of the PERF plans as a percentage of annual pay for the measurement period ended June 30, 2020.

Table 14

Contribution Rates – PERF Plans
June 30, 2020

	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol
Average active employee rate	7.000 %	8.070 %	10.560 %	11.510 %	10.570 %
Employer rate of annual payroll	31.075	21.704	22.708	48.845	59.124
Total	38.075 %	29.774 %	33.268 %	60.355 %	69.694 %

Actuarial Methods and Assumptions: The total pension liability for PERF plans was measured as of June 30, 2020 (measurement date), by rolling forward the total pension liability determined by the June 30, 2019 actuarial valuation (valuation date), based on the actuarial methods and assumptions shown in Table 15.

Table 15

Actuarial Methods and Assumptions – PERF Plans

Valuation date:	June 30, 2019
Actuarial cost method:	Entry age normal in accordance with the requirements of GASB 68
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by entry age and service
Investment rate of return	7.15% net of pension plan investment expense but without reduction for administrative expenses; includes inflation
Mortality	Mortality rates are based on the 2017 CalPERS Experience Study adopted by the CalPERS Board and include 15 years of mortality improvements using the Society of Actuaries 90% of Scale MP 2016.
Post-retirement benefit adjustments (COLAs)	The lesser of Contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter

Discount Rate: The discount rate used to measure the total pension liability was 7.15% for the PERF. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at actuarially determined statutorily required rates. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied

to all periods of projected benefit payments to determine the total pension liability. The stress test results are presented in the GASB Crossover Testing Report, which may be found on CalPERS' website at www.CalPERS.ca.gov/docs/gasb-crossover-testing-2021.pdf.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected ranges of future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

Table 16 shows the long-term expected geometric real rate of return by asset class for all plans in the PERF.

Table 16

Long-term Expected Real Rate of Return by Asset Class – PERF Plans

Asset Class	Policy Target Allocation	Real Return Years 1 – 10¹	Real Return Years 11+²
Public equity	50.0 %	4.80 %	5.98 %
Fixed income	28.0	1.00	2.62
Inflation assets	—	0.77	1.81
Private equity	8.0	6.30	7.23
Real assets	13.0	3.75	4.93
Liquidity	1.0	—	(0.92)
Total	100.0 %		

¹ An expected inflation rate of 2.00% used for this period.

² An expected inflation rate of 2.92% used for this period.

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Changes in Net Pension Liability: Table 17 shows changes in net pension liability recognized over the measurement period for the PERF plans.

Table 17

Changes in Net Pension Liability – PERF Plans
(amounts in thousands)

	State Miscellaneous			State Industrial		
	Total	Plan	Net	Total	Plan	Net
	Pension Liability	Fiduciary Net Position	Pension Liability	Pension Liability	Fiduciary Net Position	Pension Liability
Balance at June 30, 2019	\$ 117,373,165	\$ 83,737,870	\$ 33,635,295	\$ 4,829,826	\$ 3,818,606	\$ 1,011,220
Changes recognized for the measurement period:						
Service cost	2,125,738	—	2,125,738	131,508	—	131,508
Interest on total pension liability	8,288,391	—	8,288,391	343,896	—	343,896
Changes of assumptions	—	—	—	—	—	—
Difference between expected and actual experience	742,481	—	742,481	24,610	—	24,610
Plan to plan resource movement	—	(4,213)	4,213	—	(1,037)	1,037
Employer contributions	—	5,008,537	(5,008,537)	—	244,773	(244,773)
Employee contributions	—	1,005,830	(1,005,830)	—	65,268	(65,268)
Net investment income	—	4,138,142	(4,138,142)	—	191,982	(191,982)
Benefit payments, including refunds of employee contributions	(6,513,916)	(6,513,916)	—	(220,912)	(220,912)	—
Administrative expense	—	(118,050)	118,050	—	(5,383)	5,383
Other Miscellaneous Income/(Expense)	—	—	—	—	—	—
Net changes	4,642,694	3,516,330	1,126,364	279,102	274,691	4,411
Balance at June 30, 2020 (Measurement Date)	\$ 122,015,859	\$ 87,254,200	\$ 34,761,659	\$ 5,108,928	\$ 4,093,297	\$ 1,015,631

	State Safety			State Peace Officers and Firefighters		
	Total	Plan	Net	Total	Plan	Net
	Pension Liability	Fiduciary Net Position	Pension Liability	Pension Liability	Fiduciary Net Position	Pension Liability
Balance at June 30, 2019	\$ 14,207,689	\$ 11,383,022	\$ 2,824,667	\$ 50,094,530	\$ 35,348,084	\$ 14,746,446
Changes recognized for the measurement period:						
Service cost	553,316	—	553,316	1,062,486	—	1,062,486
Interest on total pension liability	1,012,593	—	1,012,593	3,547,687	—	3,547,687
Changes of assumptions	—	—	—	—	—	—
Difference between expected and actual experience	16,473	—	16,473	172,204	—	172,204
Plan to plan resource movement	—	3,907	(3,907)	—	735	(735)
Employer contributions	—	747,441	(747,441)	—	3,220,739	(3,220,739)
Employee contributions	—	267,822	(267,822)	—	462,370	(462,370)
Net investment income	—	575,732	(575,732)	—	1,812,785	(1,812,785)
Benefit payments, including refunds of employee contributions	(677,362)	(677,362)	—	(2,359,940)	(2,359,940)	—
Administrative expense	—	(16,047)	16,047	—	(49,832)	49,832
Other Miscellaneous Income/(Expense)	—	—	—	—	—	—
Net changes	905,020	901,493	3,527	2,422,437	3,086,857	(664,420)
Balance at June 30, 2020 (Measurement Date)	\$ 15,112,709	\$ 12,284,515	\$ 2,828,194	\$ 52,516,967	\$ 38,434,941	\$ 14,082,026

(continued)

Table 17 (continued)

Changes in Net Pension Liability – PERF Plans (continued)
(amounts in thousands)

	California Highway Patrol			Total PERF Plans		
	Total	Plan	Net	Total	Plan	Net
	Pension Liability	Fiduciary Net Position	Pension Liability	Pension Liability	Fiduciary Net Position	Pension Liability
Balance at June 30, 2019	\$ 13,700,431	\$ 9,079,633	\$ 4,620,798	\$ 200,205,641	\$ 143,367,215	\$ 56,838,426
Changes recognized for the measurement period:						
Service cost	266,192	—	266,192	4,139,240	—	4,139,240
Interest on total pension liability	974,410	—	974,410	14,166,977	—	14,166,977
Changes of assumptions	—	—	—	—	—	—
Difference between expected and actual experience	120,496	—	120,496	1,076,264	—	1,076,264
Plan to plan resource movement	—	638	(638)	—	30	(30)
Employer contributions	—	559,585	(559,585)	—	9,781,075	(9,781,075)
Employee contributions	—	103,159	(103,159)	—	1,904,449	(1,904,449)
Net investment income	—	450,669	(450,669)	—	7,169,310	(7,169,310)
Benefit payments, including refunds of employee contributions	(651,832)	(651,832)	—	(10,423,962)	(10,423,962)	—
Administrative expense	—	(12,800)	12,800	—	(202,112)	202,112
Other Miscellaneous Income/(Expense)	—	—	—	—	—	—
Net changes	709,266	449,419	259,847	8,958,519	8,228,790	729,729
Balance at June 30, 2020 (Measurement Date)	\$ 14,409,697	\$ 9,529,052	\$ 4,880,645	\$ 209,164,160	\$ 151,596,005	\$ 57,568,155
				Reported in governmental activities	\$ 45,822,947	
				Reported in business-type activities	9,526,217	
				Reported by discretely presented component units	181,305	
				Not reported in government-wide Statement of Net Position ¹	2,037,686	
				Total net pension liability – PERF plans	\$ 57,568,155	

(concluded)

¹ Includes amounts allocated to related organizations and fiduciary funds. Also includes the difference in net pension liability for discretely presented component units with a reporting period ended December 31, 2020; and minor differences related to amounts reported in separately issued financial statements of proprietary funds and discretely presented component units.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: Table 18 shows the net pension liability of the State, with regard to the PERF plans, calculated using the discount rate of 7.15%, as well as what the State's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate.

Table 18

Net Pension Liability Sensitivity – PERF Plans

June 30, 2021

(amounts in thousands)

	Current Rate -1%	Current Rate 7.15%	Current Rate +1%
State Miscellaneous	\$ 49,538,688	\$ 34,761,659	\$ 22,377,151
State Industrial	1,712,630	1,015,631	441,194
State Safety	4,818,885	2,828,194	1,179,870
State Peace Officers and Firefighters	21,316,885	14,082,026	8,144,398
California Highway Patrol	6,902,929	4,880,645	3,224,652
Total PERF plans	\$ 84,290,017	\$ 57,568,155	\$ 35,367,265

Pension Plans Fiduciary Net Position: Detailed information about the PERF plans' fiduciary net position is available in the separately issued CalPERS financial report.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions: For the PERF plans, for the fiscal year ended June 30, 2021, the State recognized pension expense of \$10.4 billion. At June 30, 2021, the State reported deferred outflows of resources from contributions made by the State to the PERF plans subsequent to the measurement date of June 30, 2020, but prior to the fiscal year ended June 30, 2021. Differences between expected and actual experience are recognized as deferred outflows and inflows of resources. The changes of assumptions are recognized as deferred outflows and inflows of resources. The aggregate difference (positive and negative) between projected and actual earnings on pension plan investments arising in different measurement periods are reported as net deferred outflows of resources. Deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent year.

Table 19 shows pension expense and sources of deferred outflows and deferred inflows of resources related to each PERF plan.

Table 19

Pension Expense and Sources of Deferred Outflows and Deferred Inflows of Resources**Related to Pensions – PERF Plans**

June 30, 2021

(amounts in thousands)

	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol	Total PERF Plans
Pension Expense	\$ 6,050,324	\$ 226,691	\$ 745,198	\$ 2,601,691	\$ 783,374	\$ 10,407,278
Deferred Outflows of Resources:						
Employer contributions	3,791,620	128,407	473,147	1,312,046	530,587	6,235,807
Changes of assumptions	—	—	46,966	602,019	161,390	810,375
Difference between expected and actual experience	1,726,305	62,900	141,161	677,326	237,480	2,845,172
Net difference between projected and actual earnings on pension plan investments	856,981	41,156	126,449	361,526	99,097	1,485,209
Deferred Inflows of Resources:						
Difference between expected and actual experience	—	(2,243)	(13,837)	(66,122)	(34,163)	(116,365)
Changes of assumptions	(369,588)	(6,360)	(11,778)	(10,041)	—	(397,767)

Table 20 shows amounts reported as deferred outflows and inflows of resources related to pensions that will be recognized as pension expense in future years for the PERF plans. Increases to pension expense are shown as positive amounts and decreases to pension expense are shown as negative amounts.

Table 20

Recognition of Deferred Outflows and Deferred Inflows of Resources – PERF Plans

(amounts in thousands)

Year Ending June 30	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol	Total PERF Plans
2022	\$ 196,727	\$ 19,077	\$ 51,249	\$ 586,111	\$ 164,276	\$ 1,017,440
2023	929,530	35,651	89,842	439,665	111,485	1,606,173
2024	688,965	24,069	96,274	359,106	110,668	1,279,082
2025	398,476	16,656	51,596	179,826	72,741	719,295
2026	—	—	—	—	4,634	4,634

Payable to the Pension Plans: At June 30, 2021, the State reported a payable of \$917 million for the outstanding amount of contributions to the PERF pension plans required for the fiscal year ended June 30, 2021.

2. Single-employer Plans

Plan Description: CalPERS administers three single-employer defined benefit retirement plans.

Judges' – Judges' membership includes judges working in the California Supreme Court, the courts of appeal, and the superior courts who were appointed or elected prior to November 9, 1994. Judges' is funded on a "pay-as-you-go" basis, where short-term investments, contributions received during the year, and a General Fund augmentation are used to provide funding for benefit payments.

Judges' II – Judges' II membership includes judges working in the California Supreme Court, the courts of appeal, and the superior courts, who were appointed or elected on or after November 9, 1994. There are two types of service retirement available for plan members: the Defined Benefit Plan and the Monetary Credit Plan, in which members can choose a single lump sum payment or annuity at retirement.

Legislators' – Legislators' was established in 1947; its members consist of state legislators, constitutional officers, and legislative statutory officers. The PEPRA closed Legislators' to new participants effective January 1, 2013.

Benefits Provided: All employees in a covered class of employment who work on a half-time basis or more are eligible to participate. The benefits for the defined benefit plans are based on a member's years of service, age, final compensation, and a benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service. Benefits are established in accordance with the provisions of the Judges' Retirement Law, Judges' Retirement System II Law, and Legislators' Retirement Law. Additional information is available in the Actuarial Valuation Report for each plan, which may be found on CalPERS' website at www.CalPERS.ca.gov.

Judges' – The four basic types of retirement are:

- Service Retirement – Members must be at least age 60 with 20 years of service or age 70 with at least 10 years of service.
- Deferred Retirement – Vested members are eligible for deferred retirement at any age with at least five years of service.
- Disability Retirement (non-work related) – There is no age requirement, but there may be a service requirement depending on when the member became a judge. The retirement allowance is 65% of a judge's final salary, or 75% of his or her final salary if the judge has 20 or more years of service.
- Disability Retirement (work-related) – There is no age or service requirement if the disability is a result of work-related injury or disease. The retirement allowance is the same as non-work related disability retirement.
- Death Benefits – Beneficiaries may receive 25% of a current active judge's salary for life if the judge was not eligible for retirement. Beneficiaries receive one-half of what the retirement allowance would have been if the judge was retired on the date of death.

Judges' II – The four basic types of retirement are:

- Service Retirement – Judges must be at least age 65 with 20 years of service or age 70 with a minimum of five years of service to receive the defined benefit plan. Judges must have at least five years of service to receive the monetary credit plan.
- Disability Retirement (non-work related) – Judges who have five years of service and become permanently disabled because of a mental or physical disability may apply to the Commission on Judicial Performance for disability retirement.
- Disability Retirement (work related) – Judges receive 65% of their average monthly salary earned during the 12 or 36 months preceding their retirement date, regardless of age or length of service.
- Death Benefits – Beneficiaries receive the judge's monetary credits or three times the annual salary at the time of death, whichever is greater, if the judge was not eligible for retirement. Beneficiaries receive one-half of the retirement pension for life if the judge was retired on the date of death.

Legislators' – The three basic types of retirement are:

- Service Retirement – Members must be age 60, with four or more years of service credit, or any age with 20 or more years. The retirement age for legislative statutory officers is 55, or any age with 20 years or more of service credit.
- Disability Retirement – Disability retirement uses the same formula as service retirement. There is no reduction for members of the Legislature if retirement is before age 60.
- Death Benefits – Beneficiaries have multiple options depending on whether the member was eligible for retirement or was retired at the time of death.

Employees Covered by Benefit Terms: The June 30, 2020 actuarial valuation reports for each single-employer plan provide information about the number of employees by type covered within the plans. Table 21 shows the number of employees covered by the benefit terms of each of the single-employer plans as of the most recent valuation.

Table 21

Number of Employees by Type Covered by Benefit Terms – Single-employer Plans
June 30, 2020

	Judges'	Judges' II	Legislators'	Total
Inactive employees or beneficiaries currently receiving benefits	1,730	303	207	2,240
Inactive employees entitled to but not yet receiving benefits	2	2	5	9
Active employees	130	1,627	2	1,759
Total	1,862	1,932	214	4,008

Contributions: As Judges' is funded on a "pay-as-you-go" basis, the contributions made will be less than the actuarially determined contribution requirement of normal cost plus a 10-year amortization of the unfunded accrued liability. The actual contribution is the estimated amount of benefit payouts during the year. Currently, Judges' member contributions are 8.0% of pay. In certain situations, employers make member contributions.

Judges' II contribution rates are determined through CalPERS' annual actuarial valuation process as required by section 75600.5(c) of the PERL. Classic members contribute 8.0% of their annual compensation to the plan. The base total normal cost rate for PEPRA new members was re-determined in the June 30, 2020 actuarial valuation as 32.10%. The percentage changes in any given year only once the change to the total normal cost is greater than 1.0% from the base total normal cost. The new member rate should be 50% of the new normal cost rounded to the nearest quarter percentage.

For Legislators', contribution rates are determined through CalPERS' annual actuarial valuation process as required by section 9358 of the PERL. The minimum employer contribution rate under PEPRA is the greater of the actuarially determined employer rate or the employer normal cost.

Table 22 shows the average active employee and the employer contribution rates for each of the single-employer plans as a percentage of annual pay for the measurement period ended June 30, 2020.

Table 22

Contribution Rates – Single-employer Plans
June 30, 2020

	Judges'	Judges' II	Legislators'
Average active employee rate	"Pay-	9.177 %	7.425 %
Employer rate of annual payroll	as-you-	24.964	35.272
Total	go"	34.141 %	42.697 %

Actuarial Methods and Assumptions: The total pension liability for single-employer plans was measured as of June 30, 2020 (measurement date), by rolling forward the total pension liability determined by the June 30, 2019 actuarial valuations (valuation date), based on the actuarial methods and assumptions shown in Table 23.

Table 23

Actuarial Methods and Assumptions – Single-employer Plans

Valuation date:	June 30, 2019
Actuarial cost method:	Entry age normal in accordance with the requirements of GASB 68
Actuarial assumptions:	
Discount rate	Judges' 2.45%, Judges' II 6.65%, Legislators' 5.25%
Inflation	All single-employer plans – 2.50%
Salary increases	All single-employer plans – 2.75%
Investment rate of return	Judges' 2.45%, Judges' II 6.65%, Legislators' 5.25%, net of pension plan investment without reduction of administrative expense
Mortality	Mortality rates are based on the 2017 CalPERS Experience Study adopted by the CalPERS Board and include 15 years of mortality improvements using the Society of Actuaries 90% of Scale MP 2016.
Post-retirement benefit adjustments (COLAs)	Judges' – 2.75% Judges' II – 2.50% Legislators' – 2.50%

Discount Rate: To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress-tested plans that would most likely result in a discount rate that would differ from the actuarially assumed discount rate. For the single-employer plans, the following rates were used:

Judges' – 2.45%, reflecting the short-term nature of the assets. As the plan is insufficiently funded, CalPERS uses a discount rate of 2.45%, which falls within a reasonable range of yields on 20-year tax-exempt general obligation municipal bonds with an average rating of AA.

Judges' II – 6.65%

Legislators' – 5.25%

With the exception of Judges', which uses a lower rate of return, the information regarding the discount rate and the long-term expected real rate of return described previously for the PERF plans is also applicable to the single-employer plans. GAAP requires that the long-term discount rate should be determined without reduction for pension plan administrative expense.

Table 24 shows long-term expected real rates of return by asset class for Judges' II and Legislators'.

Table 24

Long-term Expected Real Rate of Return by Asset Class – Judges' II and Legislators' Plans

Asset Class	Judges' II Current Target Allocation	Legislators' Current Target Allocation	Real Return Years 1 – 10 ¹	Real Return Years 11+ ²
Global equity	52.0 %	22.0 %	4.80 %	5.98 %
Global fixed income	32.0	49.0	1.10	2.62
Inflation sensitive	5.0	16.0	0.25	1.46
Commodities	3.0	5.0	1.50	2.87
Real estate	8.0	8.0	3.50	5.00
Total	100.0 %	100.0 %		

¹ An expected inflation rate of 2.00% used for this period.

² An expected inflation rate of 2.92% used for this period.

Changes in Net Pension Liability: Table 25 shows the changes in net pension liability recognized over the measurement period for the single-employer plans.

Table 25

Changes in Net Pension Liability – Single-employer Plans
(amounts in thousands)

	Judges'			Judges' II		
	Total	Plan	Net	Total	Plan	Net
	Pension	Fiduciary	Pension	Pension	Fiduciary	Pension
	Liability	Net Position	Liability/(Asset)	Liability	Net Position	Liability/(Asset)
Balance at June 30, 2019						
(Valuation Date)	\$ 3,175,069	\$ 10,169	\$ 3,164,900	\$ 1,699,922	\$ 1,710,089	\$ (10,167)
Changes recognized for the measurement period:						
Service cost	17,026	—	17,026	114,486	—	114,486
Interest on total pension liability	79,719	—	79,719	115,517	—	115,517
Difference between expected and actual experience	(41,794)	—	(41,794)	(2,797)	—	(2,797)
Changes of assumptions	218,684	—	218,684	—	—	—
Employer contributions	—	243,132	(243,132)	—	91,148	(91,148)
Employee contributions	—	2,843	(2,843)	—	35,795	(35,795)
Net investment income	—	884	(884)	—	80,074	(80,074)
Benefit payments, including refunds of employee contributions	(213,234)	(213,234)	—	(34,547)	(34,547)	—
Administrative expense	—	(2,270)	2,270	—	(2,552)	2,552
Other miscellaneous income	—	2,202	(2,202)	—	—	—
Net changes	60,401	33,557	26,844	192,659	169,918	22,741
Balance at June 30, 2020						
(Measurement Date)	<u>\$ 3,235,470</u>	<u>\$ 43,726</u>	<u>\$ 3,191,744</u>	<u>\$ 1,892,581</u>	<u>\$ 1,880,007</u>	<u>\$ 12,574</u>

	Legislators'			Total Single-employer Plans		
	Total	Plan	Net	Total	Plan	Net
	Pension	Fiduciary	Pension	Pension	Fiduciary	Pension
	Liability	Net Position	Liability/(Asset)	Liability	Net Position	Liability/(Asset)
Balance at June 30, 2019						
(Valuation Date)	\$ 94,144	\$ 114,404	\$ (20,260)	\$ 4,969,135	\$ 1,834,662	\$ 3,134,473
Changes recognized for the measurement period:						
Service cost	100	—	100	131,612	—	131,612
Interest on total pension liability	4,885	—	4,885	200,121	—	200,121
Difference between expected and actual experience	2,320	—	2,320	(42,271)	—	(42,271)
Changes of assumptions	—	—	—	218,684	—	218,684
Employer contributions	—	98	(98)	—	334,378	(334,378)
Employee contributions	—	22	(22)	—	38,660	(38,660)
Net investment income	—	7,011	(7,011)	—	87,969	(87,969)
Benefit payments, including refunds of employee contributions	(6,939)	(6,939)	—	(254,720)	(254,720)	—
Administrative expense	—	(550)	550	—	(5,372)	5,372
Other miscellaneous income	—	2	(2)	—	2,204	(2,204)
Net changes	366	(356)	722	253,426	203,119	50,307
Balance at June 30, 2020						
(Measurement Date)	<u>\$ 94,510</u>	<u>\$ 114,048</u>	<u>\$ (19,538)</u>	<u>\$ 5,222,561</u>	<u>\$ 2,037,781</u>	<u>\$ 3,184,780</u>

Reported in governmental activities \$ 3,184,780

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: Judges' net pension liability was calculated using a discount rate of 2.45%; Judges' II used 6.65%; and Legislators' used 5.25%. Table 26 shows the net pension liability for each single-employer plan, calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

Table 26

Net Pension Liability/Asset Sensitivity – Single-employer Plans

June 30, 2021

(amounts in thousands)

	Current Rate -1%	Current Rate	Current Rate +1%
Judges' (2.45%)	\$ 3,549,351	\$ 3,191,744	\$ 2,889,090
Judges' II (6.65%)	243,616	12,574	(175,325)
Legislators' (5.25%)	(8,183)	(19,538)	(28,750)
Total Single-employer Plans	\$ 3,784,784	\$ 3,184,780	\$ 2,685,015

Pension Plans Fiduciary Net Position: Detailed information about the single-employer plans' fiduciary net position is available in the separately issued CalPERS financial report.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions: For the single-employer plans, for the fiscal year ended June 30, 2020, the State recognized pension expense of \$350 million. At June 30, 2021, the State reported deferred outflows of resources from contributions made by the State to the single-employer plans subsequent to the measurement date of June 30, 2020, but prior to the fiscal year ended June 30, 2021, which will be recognized as a reduction of the net pension liability in the subsequent year.

Table 27 shows pension expense and sources of deferred outflows and deferred inflows of resources related to each single-employer plan.

Table 27

Pension Expense and Sources of Deferred Outflows and Deferred Inflows of Resources Related to Pensions – Single-employer Plans

June 30, 2021

(amounts in thousands)

	Judges'	Judges' II	Legislators'	Total
Pension Expense	\$ 269,509	\$ 78,807	\$ 2,161	\$ 350,477
Deferred Outflows of Resources:				
Employer contributions subsequent to the measurement date	224,928	78,784	79	303,791
Changes of assumptions	—	34,616	—	34,616
Difference between expected and actual experience	—	21,759	—	21,759
Net difference between projected and actual earnings on pension plan investments	88	16,943	—	17,031
Deferred Inflows of Resources:				
Difference between expected and actual experience	—	(39,566)	—	(39,566)
Changes of assumptions	—	(31,319)	—	(31,319)
Net difference between projected and actual earnings on pension plan investments	—	—	(1,829)	(1,829)

Table 28 shows amounts reported as deferred outflows and deferred inflows of resources related to pensions that will be recognized in pension expense in future years for the single-employer plans. Increases to pension expense are shown as positive amounts and decreases to pension expense are shown as negative amounts.

Table 28

Recognition of Deferred Outflows and Deferred Inflows of Resources – Single-employer Plans

(amounts in thousands)

Year Ending June 30	Deferred Outflows of Resources		Deferred Inflows of Resources		Total
	Judges'	Judges' II	Legislators'		
2022	\$ 245	\$ (5,794)	\$ (366)	\$	(5,915)
2023	18	1,165	(569)		614
2024	(128)	4,622	(654)		3,840
2025	(47)	7,923	(240)		7,636
2026	—	(4,596)	—		(4,596)
Thereafter	—	(887)	—		(887)

B. California State Teachers' Retirement System

The State reports a net pension liability, deferred outflows and deferred inflows of resources, and expenses as a result of its statutory requirement to contribute to the State Teachers' Retirement Fund as a non-employer contributing entity.

Plan Description: CalSTRS administers the State Teachers' Retirement Fund, which is an employee benefit trust fund created to finance the State Teachers' Retirement Plan (STRP). The STRP is a cost-sharing multiple-employer defined benefit pension plan that provides retirement, disability, and survivor benefits to teachers and certain other employees of the California public school system. Four programs comprise the STRP: the Defined Benefit (DB) Program, the Defined Benefit Supplement (DBS) Program, the Cash Balance Benefit (CBB) Program, and the Replacement Benefits (RB) Program. CalSTRS issues a publicly available financial report, which may be found on CalSTRS' website at www.CalSTRS.com.

Benefits Provided: Membership in the DB Program is mandatory for all employees meeting certain statutory requirements. The DB Program provides retirement benefits based on a member's age, final compensation, and years of service credit. In addition, the retirement program provides benefits to members upon disability and to their survivors or beneficiaries upon the death of eligible members. The Teachers' Retirement Law establishes the benefits for the DB Program. The DB Program had 1,800 contributing employers, 430,000 active and 231,000 inactive program members, and 320,000 benefit recipients as of June 30, 2021. The payroll for employees covered by the DB Program for the fiscal year ended June 30, 2020, was approximately \$36.7 billion.

Membership in the DBS Program is automatic for all members of the DB Program. The DBS Program provides benefits based on the amount of funds contributed. Vesting in the DBS Program occurs automatically with vesting in the DB Program. The Teachers' Retirement Law establishes the benefits for the DBS Program. The primary government does not contribute to the DBS Program.

Contributions: The DB Program contribution rates are based on the provisions of AB 1469 and Education Code section 22955.1(b). The Legislature may amend these provisions at any time and submit the amendment to the Governor for approval. The contribution rates for members and employers for the reporting period were 10.21% and 17.10% of creditable compensation, respectively. The General Fund contributed an additional 5.811% of total creditable compensation of the fiscal year ending in the prior calendar year. Contributions will remain at 5.811% in the next year and may increase until fiscal year 2045-46. Accordingly, the State contributed \$3.7 billion for fiscal year 2020-21. CalSTRS' June 30, 2019 Defined Benefit Actuarial Valuation Report may be found on CalSTRS' website at www.CalSTRS.com/files/16a042409/db-valuation-2019.pdf.

The CBB Program is designed for employees of California public schools who are hired to perform creditable service for less than 50% of the full-time equivalent for the position. Employer participation in the CBB Program is optional. However, if the employer elects to offer the CBB Program, then each eligible employee will automatically be covered by the CBB Program, unless the member elects to participate in the DB Program or an alternative plan provided by the employer within 60 days of hire or the election period determined by the employer. At June 30, 2020, the CBB Program had 29 contributing school districts and 41,115 contributing participants.

The RB Program is a qualified excess benefits arrangement for DB Program members that is administered through a separate pension trust apart from the other three STRP programs; it was established in accordance with Internal Revenue Code section 415(m). Internal Revenue Code section 415(b) imposes a dollar limit on the annual retirement benefits an individual may receive from a qualified defined benefit pension plan. Monthly contributions that would otherwise be credited to the DB program are instead credited to the RB Program to fund monthly program costs. Monthly employer contributions are received and paid to members in amounts equal to the benefits not paid as a result of Internal Revenue Code section 415(b), subject to withholding for any applicable income or employment taxes. At June 30, 2020, 343 individuals were receiving benefits from the RB program.

Actuarial Methods and Assumptions: The total pension liability in the June 30, 2019 actuarial valuation (valuation date) was determined using the actuarial methods and assumptions shown in Table 29, applied to the measurement period ended June 30, 2020.

Table 29

Actuarial Methods and Assumptions – CalSTRS

Valuation date	June 30, 2019
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%
Post-retirement benefit increases (COLAs)	2.00% simple

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rate at each age, resulting in increases in future life expectancies. CalSTRS uses base mortality tables customized to best fit the patterns of mortality among its members. The projection scale was set to equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale table, issued by the Society of Actuaries.

Discount Rate: The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases created by AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS' general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in 2020 in conjunction with the most recent experience study. For each future valuation,

CalSTRS' consulting actuary reviews the return assumption for reasonableness based on the current capital market assumptions.

Table 30 shows the assumed allocation and best estimates of the 20-year geometric real rate of return for each major asset class.

Table 30

Long-term Expected Real Rate of Return by Asset Class – CalSTRS

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Public equity	42.0 %	4.80 %
Fixed Income	12.0	1.30
Real estate	15.0	3.60
Private equity	13.0	6.30
Risk mitigating strategies	10.0	1.80
Inflation sensitive	6.0	3.30
Cash/liquidity	2.0	(0.40)
Total	100.0 %	

Pension Liabilities, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions: CalSTRS' net pension liability was measured as of June 30, 2020 (measurement date), by applying update procedures and rolling forward the total pension liability determined by the actuarial valuation as of June 30, 2019 (valuation date). The State's proportion of the net pension liability was based on CalSTRS' calculated non-employer contributions to the pension plan relative to the total contributions of the State and all participating school districts. Per CalSTRS' revenue recognition policy, CalSTRS recognizes state contributions for the entire fiscal year at the beginning of each fiscal year. Contributions excluded from the proportionate share per CalSTRS' policy include employer contributions for retirement incentives, additional service credit, and unused sick leave. As of June 30, 2020, the State's proportionate share of the CalSTRS' net pension liability was 34.02%, or \$33.0 billion; this amount is reported in the governmental activities column of the government-wide Statement of Net Position as of June 30, 2021.

As a result of its requirement to contribute to CalSTRS, the State recognized expense of \$5.1 billion for the fiscal year ended June 30, 2021, and reported deferred outflows and deferred inflows of resources as shown in Table 31.

Table 31

Sources of Deferred Outflows and Deferred Inflows of Resources Related to Pensions – CalSTRS

June 30, 2021

(amounts in thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 3,214,418	\$ —
Net difference between projected and actual earnings on pension plan investments	783,025	—
Difference between expected and actual experiences	58,166	929,630
Proportionate share change	647,879	2,245,869
State contributions subsequent to the measurement date	3,730,902	—
Total	\$ 8,434,390	\$ 3,175,499

The \$3.7 billion reported as deferred outflows of resources resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022.

Table 32 shows amounts reported as deferred outflows and deferred inflows of resources related to pensions that will be recognized in pension expense in future years as a result of the State's requirement to contribute to CalSTRS. Increases to pension expense are shown as positive amounts and decreases to pension expense are shown as negative amounts.

Table 32

Recognition of Deferred Outflows and Deferred Inflows of Resources – CalSTRS

(amounts in thousands)

Year Ending June 30	Amount
2022	\$ (116,749)
2023	1,011,534
2024	1,158,529
2025	(1,947)
2026	(372,116)
Thereafter	(151,262)

Sensitivity of the State's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: Table 33 shows the State's proportionate share of the net pension liability calculated using the discount rate of 7.10%, as well as what the State's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.10%) or one percentage point higher (8.10%) than the current rate.

Table 33

Net Pension Liability Sensitivity – CalSTRS

June 30, 2021

(amounts in thousands)

	Current Rate –1%	Current Rate 7.10%	Current Rate +1%
State's proportionate share of net pension liability	\$ 49,803,402	\$ 32,963,596	\$ 19,059,965

Pension Plan Fiduciary Net Position: Detailed information about CalSTRS' pension plans' fiduciary net position is available in the separately issued CalSTRS financial report.

C. Trial Court Pension Plans

Plan Description: The 58 trial courts are reported as part of the primary government. Twenty-two of the trial courts provide pension benefits to their respective employees through cost-sharing multiple-employer defined benefit plans administered by their respective county public employee retirement systems. Thirty-six of the trial courts participate in county retirement plans administered by CalPERS. Of those participating in CalPERS plans, 32 trial courts provide pension benefits to their respective employees through agent multiple-employer defined benefit plans, and one trial court provides pension benefits to its respective employees through a cost-sharing multiple-employer defined benefit plan. Information pertaining to the remaining three trial courts that participate in county retirement plans administered by CalPERS will be presented in future reporting years as available.

Benefits Provided, Contributions, and Employees Covered by Benefit Terms: To obtain information on eligibility terms, benefits provided, contributions, and actuarial assumptions from individual trial court pension actuarial valuation reports, email the State Controller's Office, State Accounting and Reporting Division at StateGovReports@sco.ca.gov.

Net Pension Liability Actuarial Methods and Assumptions: The net pension liability of 49 trial courts was measured as of each individual plan's measurement date, by applying update procedures and rolling forward the total pension liability determined by the actuarial valuation as of each individual plan's valuation date, based on the actuarial methods and assumptions used by each plan. For the 32 agent multiple-employer defined benefit plans, the net pension liability was measured as of June 30, 2020, and valued as of June 30, 2019. For 12 of the cost-sharing multiple-employer defined benefit plans, the net pension liability was measured as of June 30, 2020, and valued as of June 30, 2019. Five of the cost-sharing multiple-employer plans had a measurement date of December 31, 2020; three of these plans had an actuarial valuation date of December 31, 2019, and two had a valuation date of January 1, 2020.

For the remaining six cost-sharing multiple-employer defined benefit trial court pension plans, the net pension liability was measured as of the same date the total pension liability was valued for each individual plan. One of the trial court plans had an actuarial valuation and measurement date of December 31, 2020, and five plans had an actuarial valuation and measurement date of June 30, 2020.

Table 34 shows selected actuarial assumptions for the trial court pension plans, by plan type.

Table 34

Actuarial Methods and Assumptions – Trial Court Pension Plans

	Agent Multiple-Employer Defined Benefit Pension Plans	Cost-Sharing Multiple-Employer Defined Benefit Pension Plans
Number of Plans:	32	23
Valuation date(s):	June 30, 2019	Twelve plans as of June 30, 2019. Three plans as of December 31, 2019. Two plans as of January 1, 2020. Five plans as of June 30, 2020. One plan as of December 31, 2020.
Actuarial assumptions:		
Discount rate	7.15%	Rates ranging from 6.67% to 7.40%

Discount Rates: The discount rate used to measure the total pension liability of the trial courts that participate in the agent multiple-employer defined benefit pension plan was 7.15%. The discount rates used to measure the total pension liability of each trial court that participates in a cost-sharing multiple employer defined benefit plan ranged from 6.67% to 7.40% as of the respective measurement date.

Pension Accounting Elements: For the trial court pension plans, the State reported total pension liability of \$11.5 billion and fiduciary net position of \$8.8 billion, which resulted in a net pension liability of \$2.7 billion as of June 30, 2021. For the fiscal year ended June 30, 2021, the State recognized pension expense of \$334 million. At June 30, 2021, the State reported deferred outflows of resources of \$1.0 billion and deferred inflows of resources of \$312 million. The reported deferred outflows of resources included \$312 million from pension contributions the trial courts made subsequent to the measurement date. These contributions will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022.

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS

The State provides medical and prescription drug benefits to annuitants and their dependents under the Public Employees' Medical and Hospital Care Act, and dental benefits under the State Employees' Dental Care Act, through the State of California Retiree Health Benefits Program (Retiree Health Benefits Program). The Retiree Health Benefits Program consists of a number of defined benefit other postemployment benefit (OPEB) plans, to which the State contributes as an employer. The State also offers life insurance, long-term care, and vision benefits to retirees; however, because these benefits are completely paid for by the retirees, the State has no liability. The design of health and dental benefit plans can be amended by the CalPERS Board of Administration and the California Department of Human Resources, respectively. CalPERS is a fiduciary component unit of the State, and its financial activity is included in the pension and other employee benefit trust funds column of the fiduciary funds and similar component units' financial statements of this report.

Fifty-eight county superior courts (trial courts) are included in the primary government. The trial courts offer OPEB outside of the Retiree Health Benefits Program and have separately issued actuarial valuation reports. Additional information related to the trial courts is provided in section B.

For the purpose of measuring net OPEB liability, deferred outflows and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net positions of the Retiree Health Benefits Program and the trial court OPEB plans, and changes to the plans' fiduciary net positions, have been determined on the same basis as reported by the plans.

The University of California, a discretely presented component unit, administers the University of California Retiree Health Benefit Trust (UCRHBT), which consists of single-employer OPEB plans that provide medical, dental, and vision benefits to eligible retirees and their dependents. The costs of medical and dental benefits are shared between the University and participating retirees. These costs are funded on a pay-as-you-go basis, and the University does not contribute toward the cost of other benefits available to retirees. The State does not directly contribute to the UCRHBT. Additional information on the UCRHBT can be found in the University's separately issued financial statements on its website at www.ucop.edu.

A. Retiree Health Benefits Program

Plan Description: Employer and retiree contributions to the Retiree Health Benefits Program (the Program) are established and amended by state law for different groups of employees. Through the collective bargaining process and through state law, certain bargaining units, judicial employees, and Exempt, Excluded, and Executive (EEE) employees (valuation groups) have begun prefunding retiree healthcare and dental benefits. Assets are held in separate state subaccounts by valuation group within the California Employers' Retiree Benefit Trust Fund (CERBTf), an agent multiple-employer trust administered by CalPERS for the prefunding of health, dental, and other non-pension benefits. In accordance with California Government Code section 22940, assets accumulated in the CERBTf will be invested and are not available to pay benefits until the earlier of 2046, or the date the funded ratio of the subaccount of a particular valuation group reaches at least 100% of the actuarially determined liability for the valuation group, and then only for the purposes of paying benefits of annuitants and dependents associated with that valuation group.

The Program has 17 different valuation groups that include different categories of employees. Effective July 1, 2018, valuation groups 1, 3, 4, 11, 14, 15, 17, 20 and 21, were consolidated as one actuarial

valuation group, Service Employees International Union (SEIU). Valuation groups that have accumulated prefunding assets in a CERBTf subaccount are reported as separate OPEB plans. As of the June 30, 2021 reporting date, these valuation groups included SEIU as well as Bargaining Units 2, 5, 6, 7, 8, 9, 10, 12, 13, 16, 18, 19, the Judicial Branch, and EEE employees. The OPEB plans for SEIU as well as Bargaining Units 5, 6, 9, and 12 are each reported discretely. The OPEB plans for Bargaining Units 2, 7, 8, 10, 13, 16, 18, 19, the Judicial Branch, and EEE employees are collectively reported as "Other Funded Plans." The remaining valuation groups (the California State University and Other) for which the State made contributions through the CERBTf on a "pay-as-you-go" basis to fund benefit payments are collectively reported as the "Unfunded Plan." Prefunding contributions to the CERBTf are nonrefundable, and state employees have no claims or rights to the assets. CalPERS reports on the CERBTf as part of its separately issued annual financial statements, which can be obtained from CalPERS on its website at www.CalPERS.ca.gov.

The OPEB plans have common benefit terms and are valued using common actuarial methods and assumptions, with the exception of certain demographic and economic assumptions that are specific to certain valuation groups. The valuation groups also have different prefunding contribution rates determined through collective bargaining and state law.

Benefits Provided: Benefit terms are governed by state law and can be amended by the Legislature. To be eligible for OPEB benefits, annuitants must retire within 120 days of separation from employment. Survivors of eligible annuitants may also enroll within 60 days of the annuitant's death. Dependents of annuitants who are enrolled or eligible to enroll at the time of the annuitant's death qualify for benefits.

Annuity holders who qualify for premium-free Medicare Part A, either on their own or through a spouse, must enroll in Medicare Part B coverage as soon as they qualify for Medicare Part A. The annuitant must then enroll in a Medicare supplemental insurance plan sponsored by CalPERS, which lowers the costs of retirees' health care premiums and provides some coverage beyond Medicare.

Employees Covered by Benefit Terms: Detailed information about the number of employees covered within the OPEB plans is provided in the *State of California Retiree Health Benefits Program GASB Nos. 74 and 75 Actuarial Valuation Report as of June 30, 2020* (June 30, 2020 Actuarial Valuation Report), on the State Controller's Office website, at www.sco.ca.gov.

Table 35 shows the number of employees covered by the benefit terms.

Table 35**Number of Employees by Type Covered by Benefit Terms – Retiree Health Benefits Program**

June 30, 2020

OPEB Plan	Inactive employees or beneficiaries currently receiving benefits	Active Employees	Total
Service Employees International Union (SEIU) Plan	72,935	113,525	186,460
Bargaining Unit 5 Plan	7,049	7,226	14,275
Bargaining Unit 6 Plan	26,005	30,979	56,984
Bargaining Unit 9 Plan	7,787	13,298	21,085
Bargaining Unit 12 Plan	10,166	12,801	22,967
Other Funded Plans	30,858	46,603	77,461
Unfunded Plan	43,350	54,554	97,904
Total	198,150	278,986	477,136

Note: Inactive employees that are entitled to, but not receiving benefits are not currently being tracked.

Contributions: The contribution requirements of plan members and the State are established and may be amended by the Legislature, and can be subject to collective bargaining. In accordance with the California Government Code, the State generally pays 100% of the health insurance premium cost for annuitants, plus 90% of the additional premium required for the enrollment of annuitants' family members. The State generally pays all or a portion of the dental insurance premium cost for annuitants, depending on the completed years of credited state service at retirement and the dental coverage selected by the annuitant, as specified in the California Government Code. The State funds the cost of providing health and dental insurance to annuitants primarily on a "pay-as-you-go" basis, with a modest amount of prefunding for members of SEIU, Bargaining Units 5, 6, 9, 12, and other funded plans. See Table 38 for details on the fiduciary net positions of the OPEB plans. The maximum 2020 monthly State contribution was \$767 for one-party coverage, \$1,461 for two-party coverage, and \$1,868 for family coverage. For the fiscal year ended June 30, 2020, the State contributed \$3.0 billion toward annuitants' health and dental benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes for the OPEB plans include the types of benefits provided at the time of each valuation and the established pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used are consistent with a long-term perspective.

For the measurement period ended June 30, 2020 (the measurement date), total OPEB liability for each plan was based on the actuarial methods and assumptions shown in Table 36.

Table 36**Actuarial Methods and Assumptions – Retiree Health Benefits Program**

Valuation date:	June 30, 2020
Actuarial cost method:	Entry age normal in accordance with the requirements of GASB Statement No. 75
Actuarial assumptions:	
Discount rate	Blended rate for each valuation group, consisting of 6.75% when assets are available to pay benefits, otherwise 20-year Municipal G.O. Bond AA Index rate of 2.45%
Inflation	2.25%
Salary increases	Varies by entry age and service
Investment rate of return	6.75%, net of OPEB plan investment expenses but without reduction for OPEB plan administrative expenses
Healthcare cost trend rates	Pre-Medicare coverage: Actual rates for 2021, increasing to 7.50% in 2022, then decreasing 0.50% per year to an ultimate rate of 4.50% for 2028 through 2036, then to 4.25% for 2037 and later years Post-Medicare coverage: Actual rates for 2021, increasing to 7.50% in 2022, then decreasing 0.50% per year to an ultimate rate of 4.50% for 2028 through 2036, then to 4.25% for 2037 and later years Dental coverage: 0.00% for 2021, 2.00% for 2022, 3.00% for 2023, 4.00% for 2024, and 4.25% for 2025 and later years.
Mortality	Derived using CalPERS' membership data for all members

Other demographic assumptions used in the June 30, 2020 valuation were based on the results of the 2017 CalPERS Experience Study and Review of Actuarial Assumptions report for the period from 1997 to 2015 and included updates to termination, disability, mortality assumptions, and retirement rates. The CalPERS experience study can be obtained from CalPERS' website at www.CalPERS.ca.gov.

Healthcare-related assumptions such as plan participation, aging factors, adjustments for disabled members, and adjustments for children of current retirees and survivors are based on the State of California Retiree Health Benefits Program 2018 Experience Review performed by Gabriel, Roeder, Smith and Company (GRS) for the period from 2014 to 2018. Other healthcare assumptions such as member healthcare plan selection, coverage and continuance, select and ultimate healthcare cost trend rates, and per capita claim costs and expenses, are based on the most current information available. The 2018 GRS Experience Review can be obtained from the State Controller's Office website, at www.sco.ca.gov.

Investment Rate of Return: The long-term expected rate of return on OPEB plan investments was determined by GRS using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. Expected compound (geometric) returns were calculated over a closed period. Based on separate expected real returns for the short-term (first 10 years) and the long-term (11 – 40 years), and an average inflation assumption of 2.25%, a single expected return rate of 6.75% was calculated for the combined short-term and long-term periods. If applied to expected cash flows during that period, the

resulting present value of benefits is expected to be consistent with the present value of benefits that would be determined by applying the short and long-term expected rates to the same cash flows.

Table 37 shows the long-term expected real rate of return by asset class.

Table 37

Long-term Expected Real Rate of Return by Asset Class

Asset Class	Target Asset Allocation	Real Return Years 1 – 10 ¹	Real Return Years 11 – 40 ²
Global Equity	59.0 %	4.80 %	5.98 %
Fixed Income	25.0	1.10	2.62
Treasury Inflation-Protected Securities	5.0	0.25	1.46
Real Estate Investment Trusts	8.0	3.50	5.00
Commodities	3.0	1.50	2.87
Total	100.0 %		

¹ An expected inflation rate of 1.75% used for this period.

² An expected inflation rate of 2.67% used for this period.

Discount Rates: The blended rates used to measure the June 30, 2020 total OPEB liability consist of the 20-year Municipal G.O. Bond AA Index rate of 2.45% as of June 30, 2020, as reported by Fidelity, when prefunding assets are not available to pay benefits, and 6.75% when prefunding assets are available to pay benefits. The cash flow projections used to calculate the blended discount rates were developed assuming that prefunding agreements in which actuarial determined normal costs are shared between employees and the State will continue and that the required contributions will be made on time and as scheduled beginning in 2023 and thereafter. The actuarial valuation as of June 30, 2020 includes the impact of the temporary suspensions of employee contributions under the Personal Leave Program that was in effect during the fiscal years ended June 30, 2021 and June 30, 2022. The prefunding agreements are subject to collective bargaining and legislative approval. Detailed information on the blended discount rates by valuation group is available in the *State of California Retiree Health Benefits Program GASB Nos. 74 and 75 Actuarial Valuation Report as of June 30, 2020*, on the State Controller's Office website, at www.sco.ca.gov.

Blended rates for the June 30, 2021 valuation will be determined using the Fidelity Index 20-year Municipal G.O. Bond AA Index rate of 1.92% when prefunding assets are not available to pay benefits.

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Changes in Net OPEB Liability: Table 38 shows the changes in net OPEB liability for the OPEB plans, recognized over the measurement period.

Table 38

Changes in Net OPEB Liability

(amounts in thousands)

	SEIU		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2019	\$ 31,597,356	\$ 151,612	\$ 31,445,744
Changes recognized for the measurement period:			
Service cost	1,116,519	—	1,116,519
Interest on total OPEB liability	1,162,741	—	1,162,741
Difference between expected and actual experiences	(720,036)	—	(720,036)
Changes of assumptions	480,992	—	480,992
Employer contributions	—	1,085,000	(1,085,000)
Employee contributions	—	174,235	(174,235)
Net investment income	—	9,788	(9,788)
Benefit payments	(910,765)	(910,765)	—
Administrative expense	—	(148)	148
Net changes	<u>1,129,451</u>	<u>358,110</u>	<u>771,341</u>
Balance at June 30, 2020 (Measurement Date)	<u><u>\$ 32,726,807</u></u>	<u><u>\$ 509,722</u></u>	<u><u>\$ 32,217,085</u></u>

Bargaining Unit 5 Plan			Bargaining Unit 6 Plan		
Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
\$ 5,181,801	\$ 416,319	\$ 4,765,482	\$ 15,983,539	\$ 579,048	\$ 15,404,491
159,410	—	159,410	535,696	—	535,696
204,078	—	204,078	608,903	—	608,903
(64,174)	—	(64,174)	(354,942)	—	(354,942)
466,272	—	466,272	675,803	—	675,803
—	143,840	(143,840)	—	487,266	(487,266)
—	4,061	(4,061)	—	129,540	(129,540)
—	16,069	(16,069)	—	24,249	(24,249)
(84,544)	(84,544)	—	(357,726)	(357,726)	—
—	(217)	217	—	(342)	342
681,042	79,209	601,833	1,107,734	282,987	824,747
<u><u>\$ 5,862,843</u></u>	<u><u>\$ 495,528</u></u>	<u><u>\$ 5,367,315</u></u>	<u><u>\$ 17,091,273</u></u>	<u><u>\$ 862,035</u></u>	<u><u>\$ 16,229,238</u></u>

(continued)

Table 38 (continued)

Changes in Net OPEB Liability (continued)

(amounts in thousands)

	Bargaining Unit 9 Plan		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2019	\$ 4,363,691	\$ 84,788	\$ 4,278,903
Changes recognized for the measurement period:			
Service cost	136,522	—	136,522
Interest on total OPEB liability	159,587	—	159,587
Difference between expected and actual experiences	(55,316)	—	(55,316)
Changes of assumptions	93,540	—	93,540
Employer contributions	—	132,426	(132,426)
Employee contributions	—	31,649	(31,649)
Net investment income	—	3,793	(3,793)
Benefit payments	(100,777)	(100,777)	—
Administrative expense	—	(55)	55
Net changes	<u>233,556</u>	<u>67,036</u>	<u>166,520</u>
Balance at June 30, 2020 (Measurement Date)	<u>\$ 4,597,247</u>	<u>\$ 151,824</u>	<u>\$ 4,445,423</u>

Bargaining Unit 12			Other Funded Plans		
Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
\$ 4,220,828	\$ 63,867	\$ 4,156,961	\$ 15,104,957	\$ 287,739	\$ 14,817,218
134,649	—	134,649	546,766	—	546,766
154,691	—	154,691	570,727	—	570,727
(149,086)	—	(149,086)	(517,882)	—	(517,882)
21,353	—	21,353	305,572	—	305,572
—	154,000	(154,000)	—	496,239	(496,239)
—	26,329	(26,329)	—	124,916	(124,916)
—	2,974	(2,974)	—	13,386	(13,386)
(127,671)	(127,671)	—	(371,323)	(371,323)	—
—	(43)	43	—	(194)	194
<u>33,936</u>	<u>55,589</u>	<u>(21,653)</u>	<u>533,860</u>	<u>263,024</u>	<u>270,836</u>
<u>\$ 4,254,764</u>	<u>\$ 119,456</u>	<u>\$ 4,135,308</u>	<u>\$ 15,638,817</u>	<u>\$ 550,763</u>	<u>\$ 15,088,054</u>

(continued)

Table 38 (continued)

Changes in Net OPEB Liability (continued)

(amounts in thousands)

	Unfunded Plan		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2019	\$ 17,059,797	\$ —	\$ 17,059,797
Changes recognized for the measurement period:			
Service cost	695,884	—	695,884
Interest on total OPEB liability	547,791	—	547,791
Difference between expected and actual experiences	(665,066)	—	(665,066)
Changes of assumptions	583,238	—	583,238
Employer contributions	—	512,702	(512,702)
Employee contributions	—	—	—
Net investment income	—	—	—
Benefit payments	(512,702)	(512,702)	—
Administrative expense	—	—	—
Net changes	<u>649,145</u>	<u>—</u>	<u>649,145</u>
Balance at June 30, 2020 (Measurement Date)	<u>\$ 17,708,942</u>	<u>\$ —</u>	<u>\$ 17,708,942</u>

¹ Includes amounts allocated to related organizations and fiduciary funds. Also includes the difference in net OPEB liability for discretely presented component units with a reporting period ended December 31, 2020; and minor differences related to amounts reported in separately issued financial statements of proprietary funds and discretely presented component units.

Total		
Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
\$ 93,511,969	\$ 1,583,373	\$ 91,928,596
3,325,446	—	3,325,446
3,408,518	—	3,408,518
(2,526,502)	—	(2,526,502)
2,626,770	—	2,626,770
—	3,011,473	(3,011,473)
—	490,730	(490,730)
—	70,259	(70,259)
(2,465,508)	(2,465,508)	—
—	(999)	999
<u>4,368,724</u>	<u>1,105,955</u>	<u>3,262,769</u>
<u>\$ 97,880,693</u>	<u>\$ 2,689,328</u>	<u>\$ 95,191,365</u>

Reported in governmental activities \$ 75,074,578

Reported in business-type activities 16,959,981

Reported by discretely presented component units 185,475

Not reported in government-wide Statement of Net Position¹ 2,971,331

Total net OPEB liability **\$ 95,191,365**
(concluded)

Sensitivity of the Net OPEB Liability to Changes in Blended Discount Rates: Table 39 shows the net OPEB liability for each plan as of the measurement date, calculated using their respective blended discount rates ranging from 2.45% to 3.38%, as well as what the net OPEB liability would be if it were calculated using rates that are one percentage-point lower or one percentage-point higher than the blended discount rates.

Table 39

Net OPEB Liability Sensitivity to Changes in Blended Discount Rates

June 30, 2021

(amounts in thousands)

OPEB Plan	Blended Rate	Blended Discount Rates -1%	Blended Discount Rates	Blended Discount Rates +1%
Service Employees International Union (SEIU) Plan	3.08%	\$ 38,131,376	\$ 32,217,085	\$ 27,507,740
Bargaining Unit 5 Plan	3.38%	6,606,563	5,367,315	4,415,312
Bargaining Unit 6 Plan	3.22%	19,618,629	16,229,238	13,602,144
Bargaining Unit 9 Plan	3.08%	5,266,761	4,445,423	3,790,011
Bargaining Unit 12 Plan	3.13%	4,868,571	4,135,308	3,549,455
Other Funded Plans	2.97% to 3.29%	18,001,555	15,088,054	12,791,123
Unfunded Plan	2.45%	20,818,218	17,708,942	15,229,894
Total		\$ 113,311,673	\$ 95,191,365	\$ 80,885,679

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: Table 40 shows the net OPEB liability for each plan as of the measurement date, calculated using the select and ultimate healthcare cost trend rates presented in Table 36, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the healthcare cost trend rates presented in Table 36.

Table 40

Net OPEB Liability Sensitivity to Changes in the Healthcare Cost Trend Rates

June 30, 2021

(amounts in thousands)

OPEB Plan	Healthcare Cost Trend Rates -1%	Healthcare Cost Trend Rates	Healthcare Cost Trend Rates +1%
Service Employees International Union (SEIU) Plan	\$ 28,126,549	\$ 32,217,085	\$ 37,474,214
Bargaining Unit 5 Plan	4,495,740	5,367,315	6,512,118
Bargaining Unit 6 Plan	13,949,803	16,229,238	19,179,689
Bargaining Unit 9 Plan	3,879,642	4,445,423	5,166,950
Bargaining Unit 12 Plan	3,633,220	4,135,308	4,771,995
Other Funded Plans	13,068,714	15,088,054	17,694,908
Unfunded Plan	15,569,121	17,708,942	20,456,878
Total	\$ 82,722,789	\$ 95,191,365	\$ 111,256,752

OPEB Plan Fiduciary Net Position: Detailed information about the OPEB plans' fiduciary net positions is available in the separate report issued by CalPERS, at www.CalPERS.ca.gov.

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB: The State recognized OPEB expense for the OPEB plans of \$3.6 billion for the fiscal year ended June 30, 2021. Deferred outflows of resources are recognized for changes of assumptions, for employer contributions subsequent to the measurement date, and for the difference between expected and actual experience. Deferred inflows of resources are recognized for changes of assumptions and for the difference between expected and actual experience. Net deferred outflows of resources are recognized for the aggregate difference (positive and negative) between projected and actual earnings on the OPEB plans' investments occurring in different measurement periods.

As of June 30, 2021, the State reported OPEB expense and deferred outflows and deferred inflows of resources as shown in Table 41.

Table 41

OPEB Expense and Sources of Deferred Outflows and Deferred Inflows of Resources Related to OPEB

June 30, 2021

(amounts in thousands)

Description	Service Employees International Union (SEIU) Plan	Bargaining Unit 5 Plan	Bargaining Unit 6 Plan	Bargaining Unit 9 Plan
OPEB Expense	\$ 1,111,854	\$ 342,252	\$ 633,135	\$ 105,487
Deferred Outflows of Resources:				
Employer contributions subsequent to the measurement date.....	1,204,613	87,872	480,133	137,944
Difference between expected and actual experiences.....	—	29,020	—	—
Changes of assumptions.....	1,291,874	617,669	1,197,819	179,860
Net difference between projected and actual earnings on OPEB plan investments.....	7,648	10,380	15,964	2,766
Deferred Inflows of Resources:				
Difference between expected and actual experiences.....	(2,551,314)	(115,806)	(1,251,278)	(283,352)
Changes of assumptions.....	(2,018,535)	(275,945)	(728,665)	(255,933)

The \$3.1 billion reported as deferred outflows of resources resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2022.

Bargaining Unit 12 Plan	Other Funded Plans	Unfunded Plan	Total
\$ 84,602	\$ 518,981	\$ 806,529	\$ 3,602,840
160,882	522,778	504,813	3,099,035
—	20,265	17,248	66,533
122,348	669,336	1,085,913	5,164,819
2,232	10,410	—	49,400
(377,205)	(1,304,546)	(1,253,405)	(7,136,906)
(218,431)	(889,215)	(997,612)	(5,384,336)

Table 42 shows amounts for each plan reported as deferred outflows and deferred inflows of resources related to OPEB that will be recognized as OPEB expense in future years. Increases to OPEB expense are shown as positive amounts and decreases to OPEB expense are shown as negative amounts.

Table 42

Recognition of Deferred Outflows and Deferred Inflows of Resources Related to OPEB
(amounts in thousands)

OPEB Plan	Year Ending June 30					
	2022	2023	2024	2025	2026	Thereafter
Service Employees International Union (SEIU) Plan	\$ (971,521)	\$ (971,521)	\$ (860,850)	\$ (479,634)	\$ 33,419	\$ (20,220)
Bargaining Unit 5	12,806	14,298	24,047	84,839	101,390	27,938
Bargaining Unit 6	(334,592)	(333,153)	(226,201)	30,159	80,690	16,937
Bargaining Unit 9	(151,207)	(139,306)	(69,580)	(9,485)	10,377	2,542
Bargaining Unit 12	(172,396)	(155,329)	(97,232)	(22,527)	(17,591)	(5,981)
Other Funded Plans	(430,764)	(408,068)	(339,075)	(188,783)	(85,185)	(41,875)
Unfunded Plan	(372,131)	(425,786)	(339,448)	(121,207)	67,400	43,316
Total	\$ (2,419,805)	\$ (2,418,865)	\$ (1,908,339)	\$ (706,638)	\$ 190,500	\$ 22,657

B. Trial Court OPEB Plans

Plan Description: The 58 trial courts are reported as part of the primary government, but each trial court may utilize a separate OPEB plan, where OPEB is offered to employees, and obtain a separate actuarial valuation report for GASB Statement No. 75 reporting purposes. One trial court (Los Angeles) participates in an agent multiple-employer defined benefit OPEB plan, three trial courts (Alameda, Orange, and San Diego) participate in county administered cost-sharing multiple-employer defined benefit OPEB plans, and fifty trial courts participate in single-employer defined benefit OPEB plans. Four trial courts (Fresno, Mendocino, San Benito, and Stanislaus) do not have an OPEB plan.

Benefits Provided, Contributions, and Employees Covered by Benefit Terms: To obtain information on eligibility terms, benefits provided, contributions, and actuarial assumptions from individual trial court OPEB actuarial valuation reports, email the State Controller's Office, State Accounting and Reporting Division at StateGovReports@sco.ca.gov.

Net OPEB Liability Actuarial Methods and Assumptions: For two of the trial court valuations, the net OPEB liability was measured as of December 31, 2020 (measurement date), and the remaining 52 valuations had a measurement date of June 30, 2020. One of the courts had an actuarial valuation date of December 31, 2020, and 53 courts were valued as of June 30, 2019.

Table 43 shows selected actuarial assumptions for the trial court OPEB plans, by plan type.

Table 43

Actuarial Methods and Assumptions – Trial Court OPEB Plans

	Single-Employer Defined Benefit OPEB Plans	Agent Multiple-Employer Defined Benefit OPEB Plan	Cost-Sharing Multiple-Employer Defined Benefit OPEB Plans
Valuation date:	June 30, 2019	June 30, 2019	Two plans as of June 30, 2019. One plan as of December 31, 2020.
Actuarial assumptions:			
Discount rate	Blended and single rates ranging from 2.45% to 7.00%.	Blended rate of 2.74%.	Blended rate of 7.00%
Healthcare cost trend rates	Initial rate of 6.40% in 2020, gradually decreasing to an ultimate rate of 4.00% over 56 years per the Society of Actuaries Getzen model.	Initial rate of 6.40% in 2020, gradually decreasing to an ultimate rate of 4.00% over 56 years per the Society of Actuaries Getzen model.	Initial rates ranging from 6.50 to 7.25%, decreasing gradually to ultimate rates ranging from 4.00% to 4.50% in 2028 and later years.

Discount Rates: The discount rates used to measure the total OPEB liability were based on either a single or a blended rate for each trial court. The blended rates used to measure the June 30, 2020 total OPEB liability consist of the 20-year Municipal G.O. Bond AA Index rate of 2.45% as of June 30, 2020, when prefunding assets are not available to pay benefits, and full funding discount rates ranging from 2.45% to 7.00% when prefunding assets are available to pay benefits. Single rates range from 4.75% to 7.00%. The projections of cash flows used to determine the discount rates assumed that plan contributions will be made according to funding policy, benefits will be paid out of OPEB trusts until assets are depleted, and employer contributions will first be applied to employee service costs in each period.

OPEB Accounting Elements: For the trial court OPEB plans, the State reported total OPEB liability of \$2.2 billion and fiduciary net position of \$267 million, which resulted in a net OPEB liability of \$1.9 billion as of June 30, 2021, reported in governmental activities. For the fiscal year ended June 30, 2021, the State recognized OPEB expense of \$111 million. At June 30, 2021, the State reported deferred outflows of resources of \$244 million and deferred inflows of resources of \$183 million. Deferred outflows of resources included \$66 million from OPEB contributions made subsequent to the measurement date, which will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2022.

NOTE 12: COMMERCIAL PAPER AND OTHER LONG-TERM BORROWINGS

The primary government has two commercial paper borrowing programs: a general obligation commercial paper program and an enterprise fund commercial paper program for the Department of Water Resources. Commercial paper (new issuance or rollover notes that replace maturing new issuances) may be issued at the prevailing market rate, not to exceed 11% for the general obligation and 12% for the Department of Water Resources enterprise fund program, for periods not to exceed 270 days from the date of issuance. The proceeds from the initial issuance of commercial paper are used for voter-approved projects of the general obligation bond program and certain state water projects. For both commercial paper borrowing programs, the commercial paper is retired by the issuance of long-term debt, so commercial paper is considered a noncurrent liability.

To provide liquidity for the programs, the State has entered into revolving credit agreements with credit providers such as commercial banks, which total the maximum authorized issuance of general obligation and enterprise fund commercial paper notes. As of June 30, 2021, there were no borrowings with the banks under the revolving credit agreements. The current "Letter of Credit" agreements for the general obligation commercial paper program authorize the issuance of notes in an aggregate principal amount not to exceed \$2.3 billion. As of June 30, 2021, the general obligation commercial paper program had \$1.2 billion in outstanding commercial paper notes for governmental activities. The current agreements for the enterprise fund commercial paper program authorize the issuance of notes in an aggregate principal amount not to exceed \$1.4 billion. As of June 30, 2021, the enterprise fund commercial paper program had \$338 million in outstanding notes.

The primary government has a bond anticipation note program that consists of borrowing for capital improvements on certain California State University campuses. As of June 30, 2021, \$63 million in outstanding bond anticipation notes existed in anticipation of the primary government issuing revenue bonds to the public.

The University of California, a discretely presented component unit, has a commercial paper program and other uncollateralized borrowings. Additional disclosures for the University's commercial paper and other long-term borrowings are included in the University's separately issued financial statements, which can be obtained from the University on its website at www.ucop.edu.

NOTE 13: LEASES

The aggregate amount of lease commitments for facilities and equipment of the primary government in effect as of June 30, 2021, was approximately \$2.7 billion. Primary government leases that are classified as operating leases, in accordance with the applicable standards, contain clauses providing for termination. Operating lease expenditures are recognized as being incurred over the lease term. Operating lease expenditures for the fiscal year ended June 30, 2021, amounted to approximately \$311 million for governmental activities and \$29 million for business-type activities. It is expected that, in the normal course of business, most of these operating leases will be replaced by similar leases.

The total present value of net minimum capital lease payments for the primary government is \$696 million. Note 9, Long-term Obligations, reports current additions and deductions for these capital lease obligations. The California State University, an enterprise fund, and the State Public Works Board (SPWB), an internal service fund, entered into lease-purchase agreements amounting to a present value of net minimum lease payments of \$137 million, which are included in the capital lease commitments. This amount represents 19.7% of the total present value of minimum capital lease payments of the primary government. Also included in the capital lease commitments are lease-purchase agreements to acquire equipment. Total assets related to capital leases have a net carrying value of \$180 million for governmental activities and \$147 million for business-type activities.

The capital lease commitments do not include \$7.6 billion in lease-purchase agreements with SPWB and \$13 million in lease purchase agreements with building authorities that are blended component units. The SPWB and the building authorities acquire or develop office buildings and then lease the facilities to state agencies. Upon expiration of the lease, title passes to the primary government. The costs of the buildings and the related outstanding revenue bonds are reported as governmental activities in the government-wide financial statements. Accordingly, the lease receivables and capital lease obligations associated with these buildings are not included in the government-wide financial statements.

The University of California, a discretely presented component unit, leases land, buildings, and equipment under agreements recorded as operating leases. Additional disclosure for the University's lease obligations is included in its separately issued financial statements that may be found on its website at www.ucop.edu.

Table 44 summarizes future minimum lease commitments of the primary government.

Table 44

Schedule of Future Minimum Lease Commitments – Primary Government
(amounts in thousands)

Year Ending June 30	Governmental Activities		Business-type Activities		Total
	Operating Leases	Capital Leases	Operating Leases	Capital Leases	
2022	\$ 274,058	\$ 193,712	\$ 33,902	\$ 37,388	\$ 539,060
2023	216,746	150,223	21,256	36,353	424,578
2024	159,343	102,918	18,992	34,643	315,896
2025	97,709	81,810	17,277	33,791	230,587
2026	76,865	68,831	15,579	39,038	200,313
2027-2031	84,476	261,263	41,054	153,488	540,281
2032-2036	31,974	141,412	12,899	115,640	301,925
2037-2041	1,395	31,703	10,191	30,506	73,795
2042-2046	659	262	7,063	16,691	24,675
2047-2051	403	—	1,229	9,274	10,906
2052-2056	115	—	—	—	115
2057-2061	44	—	—	—	44
Total minimum lease payments	\$ 943,787	1,032,134	\$ 179,442	506,812	\$ 2,662,175
Less: amount representing interest		672,322		170,731	
Present value of net minimum lease payments		359,812		336,081	
Less: current portion		43,366		20,008	
Capital lease obligation, net of current portion		\$ 316,446		\$ 316,073	

NOTE 14: COMMITMENTS

As of June 30, 2021, the primary government had commitments of \$6.8 billion for certain highway construction projects. These commitments are not included as a liability in the Federal Fund or the Transportation Fund because future expenditures related to these commitments will be reimbursed with \$5.7 billion from proceeds of approved federal grants and \$1.1 billion from local governments. The primary government also had other commitments for which the future expenditures will be reimbursed by the proceeds of approved federal grants of \$951 million for various education programs, \$623 million for terrorism prevention and disaster-preparedness response projects, \$375 million for services provided under various public health programs, \$65 million for community service programs, \$20 million for services provided under the child support program, \$84 million for services under the workforce development program, and \$1.8 billion for housing and community development programs.

The primary government had other commitments, totaling \$15.8 billion, that are not included as a liability on the Balance Sheet or the Statement of Net Position. The \$15.8 billion in commitments includes grant agreements totaling approximately \$9.1 billion to reimburse other entities for construction projects for school building aid, parks, transportation-related infrastructure, housing, and other improvements; and to reimburse counties and cities for costs associated with various programs. Any assets that have been constructed will not belong to the primary government, whose payments are contingent upon the other entities entering into construction contracts. The \$15.8 billion in commitments includes \$2.9 billion for undisbursed loan commitments to qualified agencies for clean water projects and \$1.1 billion in undisbursed loan commitments for various programs aimed at providing housing and emergency shelter to persons in need.

The \$15.8 billion in commitments also includes contracts of \$1.0 billion for the construction of water projects and the purchase and transmission of power that are not included as a liability on the Statement of Net Position of the Water Resources Fund. Included in this amount are certain power purchase, sale, and exchange contracts. The primary government had commitments of \$827 million for CSU construction projects. In addition, CSU participates in forward-purchase contracts of electricity. As of June 30, 2021, CSU's obligation under these special purchase arrangements requires it to purchase at fixed prices an estimated total of \$9 million in electricity through December 2022. The primary government also had commitments of \$14 million to veterans for the purchase of properties under contracts of sale. The California State Lottery Commission had commitments of \$860 million for gaming and telecommunication systems and services. These are long-term projects, and all of the contracts' needs may not have been defined. The projects will be funded with existing and future program resources or with the proceeds of revenue and general obligation bonds.

As of June 30, 2021, the primary government encumbered expenditures of \$5.0 billion for the General Fund, \$4.5 billion for the Transportation Fund, \$4.1 billion for the Environmental and Natural Resources Fund, \$12 million for the Health Care Related Programs Fund, and \$1.7 billion for the nonmajor governmental funds. See Note 2A, Budgeting and Budgetary Control, for an explanation of the primary government's policy concerning encumbrances.

As of June 30, 2021, the discretely presented and fiduciary component units had other commitments that were not included as liabilities on the corresponding Statement of Net Position. Additional disclosure for the University of California's commitments is included in its separately issued financial statements, which may be found on its website at www.ucop.edu. Additional disclosure for the California Housing Finance Agency's (CalHFA) commitments is included in its separately issued financial statements, which may be found on its website at www.CalHFA.ca.gov. Additional disclosure for the California Public Employees' Retirement System's (CalPERS) commitments is included in its separately issued financial statements, which may be found on its website at www.CalPERS.ca.gov. Additional disclosure for the California State Teachers' Retirement System's (CalSTRS) commitments is included in its separately issued financial statements, which may be found on its website at www.CalSTRS.com.

NOTE 15: GENERAL OBLIGATION BONDS

The State Constitution permits the primary government to issue general obligation bonds for specific purposes and in such amounts as approved by a two-thirds vote of both houses of the Legislature and by a majority of voters in a general or direct primary election. The debt service for general obligation bonds is appropriated from the General Fund. Under the State Constitution, the General Fund is used first to support the public school system and public institutions of higher education; the General Fund can then be used to service the debt on outstanding general obligation bonds. Enterprise funds and certain other funds reimburse the General Fund for any debt service that it provides on their behalf. General obligation bonds that are directly related to, and are expected to be paid from, the resources of enterprise funds are included as a liability of such funds in the financial statements. However, the General Fund may be liable for the payment of any principal and interest on these bonds that is not met from the resources of such enterprise funds.

As of June 30, 2021, the State had \$70.8 billion in outstanding general obligation bonds related to governmental activities and \$587 million related to business-type activities. In addition, \$34.9 billion in long-term general obligation bonds had been authorized but not issued, of which \$34.0 billion is related to governmental activities and \$971 million is related to business-type activities. The total amount authorized but not issued includes \$12.0 billion authorized by the applicable finance committees for issuance in the form of commercial paper notes. Of this amount, \$1.2 billion in general obligation indebtedness in the form of commercial paper notes was not yet retired by long-term bonds.

A. Variable-rate General Obligation Bonds

The State issues both fixed and variable-rate general obligation bonds. As of June 30, 2021, the State had \$1.5 billion in variable-rate general obligation bonds outstanding, consisting of \$237 million in daily-rate bonds with credit enhancement, \$630 million in weekly-rate bonds with credit enhancement, and \$625 million in weekly- or monthly- index floating rate bonds without credit enhancement. The interest rates associated with the credit-enhanced bonds are determined by the remarketing agents, or for the Series 2020A by an electronic bidding system through a market agent, to be the lowest rate that would allow the bonds to sell on the effective date of such rate at a price (without regard to accrued interest) equal to 100% of the principal amount. The interest rates associated with the unenhanced index floating rate bonds are determined either by a rate based on the Securities Industry and Financial Markets Association (SIFMA) Index rate or a predetermined percentage of the London Interbank Offered Rate (LIBOR) then in effect plus a pre-determined spread. The interest on variable-rate bonds is generally paid on the first business day of each calendar month.

The credit-enhanced bonds are secured by letters of credit that secure payment of principal and interest on the bonds and, as applicable, payment of purchase price upon tender by the holder. The State has entered into different credit agreements with various banks (credit providers) for one or more series of credit-enhanced bonds. Under these credit agreements, the credit providers agree to pay all principal and interest payments to the bondholders up to a commitment amount identified in the applicable credit agreement; the State is then required to reimburse the credit providers for the amounts paid. In return, the credit providers are compensated with commitment fees that are calculated as a percentage of the applicable commitment amount. The bondholders have the right to tender the bonds on any business day if the bonds are in a daily-rate mode or a weekly-rate mode where the rate is set by an electronic bidding system through a market agent and weekly if the bonds are in a weekly-rate mode set through a remarketing agent. Upon a tender, the remarketing agent or market agent, as applicable, will attempt to remarket the tendered bond to a new investor. If the remarketing of the tendered bond is unsuccessful,

the bond will be purchased by the applicable credit provider and become a bank bond and accrue interest at higher rates, which cannot exceed 11% as permitted by law until remarketed, redeemed, or paid at maturity. If a bond cannot be remarketed and remains a bank bond for a period ranging from 90 days to 180 days, the bond will be subject to amortization payments in equal installments under the terms stated in the applicable credit agreement. The amortization period may exceed the expiration date of the applicable credit agreement. A bank bond may be remarketed at any time during the amortization period. There were no bank bonds during fiscal year 2020-21.

The letters of credit for the Series 2003 variable-rate bonds have expiration dates of March 25, 2022; August 26, 2022; and August 28, 2023. The letter of credit for the Series 2004 variable-rate bonds has an expiration date of January 16, 2024. The letters of credit for the Series 2005 variable-rate bonds have expiration dates of April 22, 2022; September 22, 2023; and January 12, 2024. The letter of credit for the Series 2020A variable-rate bond has an expiration date of November 18, 2022. The Series 2013B and 2013E index floating rate bonds have scheduled mandatory purchase dates on December 1, 2022 and December 1, 2023, respectively. The Series 2017C index floating rate bonds have a scheduled mandatory purchase date on April 1, 2022.

Sinking fund deposits for the variable-rate general obligation bonds are set aside in a sinking fund at the beginning of each fiscal year; such deposits are required and will continue for each fiscal year with scheduled sinking fund payments. The deposits set aside in any fiscal year may be applied, with approval of the State Treasurer and the appropriate bond finance committees, to the redemption or purchase and retirement of any other general obligation bonds (bonds other than the bonds to which the sinking fund deposits relate) then outstanding. If a sinking fund deposit is not applied by January 31 of that fiscal year to such other bonds, the State Treasurer will select the related variable-rate general obligation bonds that will be redeemed in whole or in part on an interest payment date in that fiscal year. The required sinking fund deposits were set aside for fiscal year 2020-21.

B. Mandatory Tender Bonds

As of June 30, 2021, the State had \$625 million in outstanding index floating rate general obligation bonds with scheduled mandatory tender dates (discussed in Section A). On their respective scheduled mandatory tender dates, these bonds are subject to mandatory tender for purchase at a price equal to 100% of the principal amount, plus accrued interest, without premium, unless the bonds have been called for redemption or remarketed on or prior to that day. These bonds have scheduled mandatory tender dates on April 1, 2022; December 1, 2022; and December 1, 2023. In the event bonds are not redeemed or there is an unsuccessful remarketing of all the outstanding bonds for a particular scheduled mandatory tender date, there is no event of default, however, the bonds will enter into a delayed remarketing period and accrue interest at a higher effective interest rate, in most cases gradually increasing on a stepped basis until they are remarketed, redeemed, or paid at maturity. Bonds in this delayed remarketing period can be redeemed or remarketed on any business day, with limited prior notice. Current state laws limit interest rates to 11% per annum.

C. Build America Bonds

As of June 30, 2021, the State had \$11.9 billion in taxable various-purpose general obligation bonds outstanding that were issued as "Build America Bonds" under the American Recovery and Reinvestment Act of 2009 (ARRA) signed into law on February 17, 2009. The bonds have scheduled maturity dates between 2021 and 2040. Pursuant to ARRA, the State receives a cash subsidy payment from the

U. S. Treasury equal to 35% of the interest payable by the State on the Build America Bonds on or near each interest payment date. Subsequent federal legislation reduced the Build America Bonds subsidy by 5.9% for the federal fiscal year ending September 30, 2020, and by 5.7% for the federal fiscal year ending September 30, 2021. The cash payment does not constitute a full faith and credit guarantee of the federal government, but is required to be paid by the U. S. Treasury under ARRA. The subsidy payments are deposited into the State's General Fund.

D. Debt Service Requirements

Table 45 shows the debt service requirements for all general obligation bonds as of June 30, 2021. The estimated debt service requirements for the \$1.5 billion variable-rate general obligation bonds are calculated using the actual interest rates in effect on June 30, 2021. For mandatory tender bonds, the debt service requirements shown in Table 45 are based on the assumption that the interest rate will remain in effect until the applicable reset dates and that the bonds will be fully redeemed on their scheduled maturity dates. The amounts include scheduled mandatory sinking fund redemptions but do not reflect any interest subsidy under the Build America Bonds program or any other offsets to general fund costs of debt service.

Table 45

Schedule of Debt Service Requirements for General Obligation Bonds (amounts in thousands)

Year Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 3,504,180	\$ 3,440,829	\$ 6,945,009	\$ 47,375	\$ 17,574	\$ 64,949
2023	3,219,890	3,278,873	6,498,763	3,200	16,909	20,109
2024	3,138,985	3,139,905	6,278,890	2,145	16,890	19,035
2025	3,131,250	3,002,727	6,133,977	7,770	16,810	24,580
2026	3,208,950	2,858,354	6,067,304	4,380	16,723	21,103
2027 - 2031	16,945,435	12,057,743	29,003,178	156,100	73,560	229,660
2032 - 2036	16,055,465	8,271,227	24,326,692	111,715	48,902	160,617
2037 - 2041	13,488,390	4,104,248	17,592,638	66,180	37,009	103,189
2042 - 2046	5,563,910	1,125,984	6,689,894	119,970	22,521	142,491
2047 - 2051	2,581,000	219,908	2,800,908	68,015	3,810	71,825
Total	\$ 70,837,455	\$ 41,499,798	\$ 112,337,253	\$ 586,850	\$ 270,708	\$ 857,558

E. General Obligation Bond Defeasances

1. Current Year Activity

On September 9, 2020, the primary government issued \$1.6 billion in general obligation bonds to current refund \$2.0 billion in outstanding fixed and variable-rate general obligation bonds with principal redemptions scheduled in the fiscal years ended June 30, 2021 to 2041. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased overall debt service by \$568 million and resulted in an economic gain of \$504 million. The economic gain is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at 1.39% per year over the life of the new bonds.

On November 3, 2020, the primary government issued \$548 million in general obligation bonds to current refund \$663 million in outstanding general obligation bonds with principal redemptions scheduled in the fiscal years ended June 30, 2023 to 2024, 2026 to 2033, and 2035 to 2036. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased overall debt service by \$218 million and resulted in an economic gain of \$199 million. The economic gain is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at 1.35% per year over the life of the new bonds.

On March 23, 2021, the primary government issued \$964 million in general obligation bonds to current refund \$1.2 billion in outstanding variable-rate general obligation bonds with principal redemptions scheduled in the fiscal years ended June 30, 2021 to 2034. As a result, the refunded bonds were defeased and redeemed, and the liability for those bonds has been removed from the financial statements. The purpose of this refunding was to convert variable-rate debt into fixed-rate debt to effect a favorable reorganization of the debt structure of the State.

On April 15, 2021, the primary government issued \$60 million in general obligation bonds to advance refund \$64 million in outstanding general obligation bonds with principal redemptions scheduled in the fiscal years ended June 30, 2029, and 2031. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased overall debt service by \$18 million and resulted in an economic gain of \$16 million. The economic gain is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at 1.80% per year over the life of the new bonds.

2. Outstanding Balance

In the current and prior years, the primary government placed the proceeds of the refunding bonds and other resources in a special irrevocable escrow trust account with the State Treasury to provide for all future debt service payments on defeased bonds. The assets of the trust accounts and liability for defeased bonds are not included in the State's financial statements. As of June 30, 2021, the outstanding balance of defeased general obligation bonds was approximately \$64 million.

NOTE 16: REVENUE BONDS

A. Governmental Activities

The California Alternative Energy and Advanced Transportation Financing Authority is authorized to issue Clean Renewable Energy Bonds to fund the acquisition and installation of certain transportation-related solar energy facilities located throughout the State. These bonds finance activity in the Transportation Fund and are included in the governmental activities column of the government-wide Statement of Net Position.

The California Health Facilities Financing Authority (CHFFA) is authorized to issue No Place Like Home Program Senior Revenue Bonds to provide permanent supportive housing for persons experiencing homelessness or chronic homelessness, or who are at-risk for chronic homelessness, and who are in need of mental health services. These bonds are secured by and payable from a portion of Proposition 63 Tax Transfers. The primary government has no legal liability for the payment of principal and interest on these revenue bonds. Total principal and interest remaining on the bonds are

\$1.0 billion, payable through 2035. Interest paid in the current year totaled \$16 million. These bonds are included in the governmental activities column of the government-wide Statement of Net Position.

The Golden State Tobacco Securitization Corporation (GSTSC), a blended component unit, as authorized by state law, has issued asset-backed bonds to purchase 100% of the State's rights to future revenues from the Master Settlement Agreement with participating tobacco companies. These bonds are secured by and payable solely from future Tobacco Settlement Revenue and interest earned on that revenue. The primary government has no legal liability for the payment of principal and interest on the bonds. The Legislature has annually granted a General Fund appropriation for payment of debt service in the event tobacco settlement revenues and other available amounts prove insufficient to make these payments during the next fiscal year. However, the use of the appropriated monies has never been required. Total principal and interest remaining on all asset-backed bonds is \$12.7 billion, payable through 2047. All of the Tobacco Settlement Revenue and interest has been pledged in support of these asset-backed bonds. Principal and interest paid in the current year totaled \$530 million, while Tobacco Settlement Revenue and interest earned totaled \$471 million. These bonds are included in the governmental activities column of the government-wide Statement of Net Position.

Under state law, the State Public Works Board (SPWB), an agency that accounts for its activity in the Public Buildings Construction Fund, an internal service fund, and certain building authorities may issue revenue bonds. These bonds are issued for the purpose of designing, acquiring, or constructing state buildings, related improvements, and equipment. Leases with state agencies pay the principal and interest on the revenue bonds issued by the Public Buildings Construction Fund and building authorities. The General Fund has no legal liability for the payment of principal and interest on these revenue bonds. Total principal and interest remaining on the bonds is \$11.8 billion, payable through 2046. These revenue bonds are included in the governmental activities column of the government-wide Statement of Net Position.

For the specific debt service coverage ratios, refer to the Schedule of Pledged Revenue Coverage in the Statistical Section.

B. Business-type Activities

Revenue bonds that are directly related to, and are expected to be paid from, the resources of enterprise funds are included in the accounts of such funds. Principal and interest on revenue bonds are payable from the pledged revenues of the respective funds of agencies that issued the bonds. The General Fund has no legal liability for payment of principal and interest on revenue bonds. For specific debt service coverage ratios, refer to the Schedule of Pledged Revenue Coverage in the Statistical Section.

Revenue bonds to acquire, construct, or renovate state facilities or to refund outstanding revenue bonds in advance of maturity are issued for water resources, financing of electric power purchases for resale to utility customers, state university campuses, and certain nonmajor enterprise funds.

Revenue bonds related to two enterprise funds contain provisions that define events of default related to punctuality of the payment of the outstanding principal and interest, which could result in acceleration of debt payments.

C. Discretely Presented Component Units

The University of California issues revenue bonds to finance various auxiliary, administrative, academic, medical center, and research facilities. The revenue bonds are not collateralized by any encumbrance, mortgage, or other pledge of property except pledged revenues, and do not constitute general obligations of the University. For more information regarding revenue bonds, current year defeasances, and outstanding defeasances of the University, refer to its separately issued financial report for fiscal year 2020-21, which may be found on its website at www.ucop.edu.

Under state law, the California Housing Finance Agency (CalHFA) issues fixed-rate and variable-rate revenue bonds to fund loans to qualified borrowers for single-family houses and multifamily developments. Variable-rate debt is typically related to remarketed rates or common indices, such as the Securities Industry and Financial Markets Association (SIFMA) or the London Interbank Offered Rate (LIBOR) and is reset periodically. As of June 2021, CalHFA redeemed all outstanding variable rate debt. CalHFA issues both federally taxable and tax-exempt bonds. The bonds issued by CalHFA are payable solely from and collateralized by revenues and other pledged assets. For more information regarding revenue bonds, current year defeasances, and outstanding defeasances of the CalHFA, refer to its separately issued financial report for fiscal year 2020-21, which may be found on its website at www.CalHFA.ca.gov.

Table 46 shows outstanding revenue bonds of the primary government and the discretely presented component units.

Table 46

Schedule of Revenue Bonds Payable

June 30, 2021

(amounts in thousands)

Primary government	
Governmental activities	
Transportation Fund	\$ 1,278
Public Buildings Construction Fund	8,805,729
Nonmajor governmental funds:	
Golden State Tobacco Securitization Corporation Fund	6,279,817
No Place Like Home Program	870,505
Building authorities	40,910
Total governmental activities	15,998,239
Business-type activities	
Electric Power Fund	777,000
Water Resources Fund	3,763,125
California State University	8,557,601
Nonmajor enterprise funds	1,708,919
Total business-type activities	14,806,645
Total primary government	30,804,884
Discretely presented component units	
University of California	28,818,950
California Housing Finance Agency	312,037
Nonmajor component units	852,750
Total discretely presented component units	29,983,737
Total revenue bonds payable	\$ 60,788,621

Table 47 shows the debt service requirements for fixed-rate and variable-rate bonds. It excludes unamortized premiums and discounts that are included in Table 46.

Table 47

Schedule of Debt Service Requirements for Revenue Bonds

(amounts in thousands)

Year Ending June 30	Primary Government				Discretely Presented	
	Governmental Activities		Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest *
2022	\$ 744,466	\$ 665,628	\$ 1,361,475	\$ 538,396	\$ 562,943	\$ 1,189,081
2023	611,896	633,957	516,045	485,642	617,275	1,162,230
2024	679,529	616,777	544,515	463,087	660,668	1,138,392
2025	687,114	592,025	554,855	441,164	1,093,779	1,112,670
2026	706,356	565,743	549,265	419,072	1,226,423	1,072,460
2027-2031	3,631,834	2,304,110	2,866,190	1,754,116	5,417,779	4,784,483
2032-2036	3,017,080	1,422,480	2,707,375	1,167,711	4,216,413	3,788,798
2037-2041	1,944,350	692,650	1,483,280	727,057	4,363,414	2,743,701
2042-2046	791,240	401,636	1,432,810	415,394	3,838,944	1,738,210
2047-2051	2,382,313	2,415,142	1,149,165	145,512	3,291,285	1,019,751
2052-2056	—	—	295,820	24,598	309,466	613,852
2057-2121	—	—	—	—	2,680,986	4,608,069
Total	\$ 15,196,178	\$ 10,310,148	\$ 13,460,795	\$ 6,581,749	\$ 28,279,375	\$ 24,971,697

* Includes interest on variable-rate bonds based on rates in effect on June 30, 2021.

D. Revenue Bond Defeasances**1. Current Year – Governmental Activities**

During the 2020-21 fiscal year, the SPWB issued \$31 million in lease revenue refunding bonds. The bond proceeds were used to refund \$41 million in outstanding lease revenue bonds. The net proceeds of the refunding bonds, along with additional resources, were deposited in an escrow account to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liabilities for those bonds have been removed from the financial statements. The refunding decreased debt service payments by \$11 million and resulted in an economic gain of \$9 million. The lease revenue bonds are reported in the Public Buildings Construction Fund, an internal service fund.

During the 2020-21 fiscal year, the GSTSC issued \$437 million in Enhanced Tobacco Settlement Asset-Backed refunding bonds. The bond proceeds were used to advance refund \$363 million in outstanding Enhanced Tobacco Settlement Asset-Backed bonds. The net proceeds of the refunding bonds, along with additional resources, were deposited in an escrow account to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liabilities for those bonds have been removed from the financial statements. The refunding decreased debt service payments by \$48 million and resulted in an economic gain of \$28 million.

2. Current Year – Business-type Activities

In September 2020, the California State University issued \$446 million in systemwide revenue bonds to advance refund certain outstanding systemwide revenue bonds. Portions of the proceeds from the refunding bonds were deposited in escrow accounts to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased debt service payments by \$71 million and resulted in an economic gain of \$64 million.

In September 2020, The Department of Water Resources deposited its own existing resources in an escrow account to provide for all future debt service payments for \$221 million in outstanding power supply revenue bonds. As a result, the bonds are considered defeased and the liabilities for those bonds have been removed from the financial statements. The defeasance resulted in a loss of \$8 million.

3. Outstanding Balances

In current and prior fiscal years, the primary government placed the proceeds of the refunding bonds and other resources in irrevocable trust accounts to provide for all future debt service requirements. Accordingly, the assets and liabilities for these defeased bonds are not included in the financial statements. As of June 30, 2021, the outstanding balance of defeased revenue bonds was \$1.4 billion for business-type activities. Of this amount, the outstanding balance of bonds that were defeased using the State's own existing resources was \$14 million. All defeased revenue bonds for governmental activities were redeemed by June 30, 2021.

NOTE 17: RISK MANAGEMENT

The primary government has elected, with a few exceptions, to be self-insured against loss or liability. The primary government generally does not maintain reserves. Losses are covered by appropriations from each fund responsible for payment in the year in which the payment occurs. The State is permissively self-insured and, barring any extraordinary catastrophic event, the potential amount of loss faced by the State is not considered material in relation to the primary government's financial position. Generally, the exceptions are when a bond resolution or a contract requires the primary government to purchase commercial insurance for coverage against property loss or liability. There have been no significant reductions in insurance coverage from the prior year. In addition, no insurance settlement in the last three years has exceeded insurance coverage. All claim payments are on a "pay-as-you-go" basis, with workers' compensation benefits for self-insured agencies initially being paid by the State Compensation Insurance Fund.

The discounted liability for unpaid self-insurance claims of the primary government is estimated to be \$5.0 billion as of June 30, 2021. This estimate is primarily based on actuarial reviews of the State's workers' compensation program and includes indemnity payments to claimants, as well as all other costs of providing workers' compensation benefits, such as medical care and rehabilitation. The estimate also includes the liability for unpaid services fees, industrial disability leave benefits, and incurred-but-not-reported amounts. The estimated total liability of approximately \$6.9 billion is discounted to \$5.0 billion using a 3.5% interest rate. Of the total discounted liability, \$525 million is a current liability, of which \$384 million is included in the General Fund, \$136 million in the special revenue funds, and \$5 million in the internal service funds. The remaining \$4.4 billion is reported as other noncurrent liabilities in the government-wide Statement of Net Position.

The University of California, a discretely presented component unit, is self-insured or insured through a wholly-owned captive insurance company. Additional disclosures for the University's risk management and self-insurance claims liability are included in its separately issued financial statements, which can be obtained from the University on its website at www.ucop.edu.

Table 48 shows the changes in the self-insurance claims liability for the primary government.

Table 48

Schedule of Changes in Self-insurance Claims

Year Ended June 30

(amounts in thousands)

	2021	2020
Unpaid claims, beginning	\$ 4,688,013	\$ 4,436,720
Incurred claims	831,985	777,605
Claim payments	(566,278)	(526,312)
Unpaid claims, ending	\$ 4,953,720	\$ 4,688,013

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NOTE 18: INTERFUND BALANCES AND TRANSFERS**A. Interfund Balances**

Short-term interfund receivables and payables result from the time lag between the dates on which goods and services are delivered and the dates on which payments between entities are made. In addition, interfund borrowing, mainly from nonmajor governmental funds, is used to meet temporary imbalances of receipts and disbursements in the General Fund.

Table 49 shows the amounts due from and due to other funds.

Table 49**Schedule of Due From Other Funds and Due To Other Funds**

June 30, 2021

(amounts in thousands)

Due From	Due To				
	General Fund	Transportation Fund	Environmental and Natural Resources Fund	Health Care Related Programs Fund	Nonmajor Governmental Fund
Governmental funds					
General Fund	\$ —	\$ —	\$ —	\$ —	\$ 882,520
Federal Fund	17,110,627	1,425,860	90,397	44,186	35,605
Transportation Fund	195,583	—	—	—	554,553
Environmental and Natural Resources Fund	141,160	2,401	—	—	11,164
Health Care Related Programs Fund	1,928,157	—	14	—	4,266
Nonmajor governmental funds	489,379	205	5,895	47,678	47,393
Total governmental funds	19,864,906	1,428,466	96,306	91,864	1,535,501
Enterprise funds					
Electric Power Fund	3	—	—	—	—
Water Resources Fund	—	—	—	—	—
State Lottery Fund	607	—	—	—	494,332
Nonmajor enterprise funds	2,208	22	18,582	—	595
Total enterprise funds	2,818	22	18,582	—	494,927
Internal service funds	32,557	15,792	5,570	—	20,683
Total due from other funds	\$ 19,900,281	\$ 1,444,280	\$ 120,458	\$ 91,864	\$ 2,051,111

Due To						
State Lottery Fund	Unemployment Programs Fund	California State University Fund	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total Due To Other Funds
\$ —	\$ 156,681	\$ 4,580	\$ —	\$ 266,165	\$ 822,673	\$ 2,132,619
—	44,197	—	19,042	55,279	—	18,825,193
—	—	—	—	11,881	—	762,017
—	—	—	1,989	25,921	—	182,635
—	—	—	—	5,240	—	1,937,677
—	—	—	457	79,982	—	670,989
—	200,878	4,580	21,488	444,468	822,673	24,511,130
—	—	—	—	11	—	14
—	—	—	—	94,844	—	94,844
—	—	—	—	—	—	494,939
—	—	—	—	15	—	21,422
—	—	—	—	94,870	—	611,219
763	2,307	—	880	190,406	398	269,356
\$ 763	\$ 203,185	\$ 4,580	\$ 22,368	\$ 729,744	\$ 823,071	\$ 25,391,705

Interfund receivables and payables are the result of interfund loans that are not expected to be repaid within one year. In addition to the temporary interfund cash-flow borrowing shown in Table 49, annual enacted budgets provide for long-term loans from many of the State's special funds—mainly the Environmental and Natural Resources Fund, Health Care Related Programs Funds, and nonmajor governmental funds—to the General Fund.

In fiscal year 2017-18, a supplemental employer contribution was made to the California Public Employees' Retirement System (CalPERS) to help reduce the State's net pension liability. The supplemental employer contribution was funded through a cash loan from borrowable deposits in the State's internal investment pool—mainly from the Environmental and Natural Resources Fund and nonmajor governmental funds. The General Fund and other funds that normally contribute to CalPERS and benefit from the supplemental contribution will repay the loan and replenish the internal investment pool deposits. The table below includes an outstanding balance of \$2.5 billion of interfund loans. There is an additional \$135 million reported as loans receivable from entities outside of the State's primary government.

Table 50 shows the primary government's interfund receivables and payables.

Table 50

Schedule of Interfund Receivables and Payables

June 30, 2021

(amounts in thousands)

Interfund Receivables	Interfund Payables			
	General Fund	Transportation Fund	Environmental and Natural Resources Fund	Health Care Related Programs Fund
Governmental funds				
General Fund	\$ —	\$ 206,034	\$ 1,897,980	\$ 319,074
Transportation Fund	—	—	—	—
Environmental and Natural Resources Fund	229,289	10,000	—	—
Nonmajor governmental funds	18,752	1,448	—	—
Total governmental funds	248,041	217,482	1,897,980	319,074
Enterprise funds				
Electric Power Fund	—	10	74	15
Water Resources Fund	—	2,395	17,259	3,403
State Lottery Fund	—	540	3,890	767
California State University Fund	—	5,587	40,252	7,936
Nonmajor enterprise funds	21,720	76	547	108
Total enterprise funds	21,720	8,608	62,022	12,229
Internal service funds	2,601,945	2,649	19,083	3,762
Total interfund receivables	\$ 2,871,706	\$ 228,739	\$ 1,979,085	\$ 335,065

Interfund Payables						
Nonmajor Governmental Funds	Water Resources Fund	Unemployment Programs Fund	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total Interfund Payables
\$ 1,369,561	\$ —	\$ 301,512	\$ 21,101	\$ 19,613	\$ 42,927	\$ 4,177,802
20,000	—	—	—	690	—	20,690
—	—	—	—	2,601	—	241,890
—	—	—	—	—	—	20,200
1,389,561	—	301,512	21,101	22,904	42,927	4,460,582
31	—	20	—	—	3	153
7,254	—	4,683	95	10	667	35,766
1,635	—	1,056	21	2	150	8,061
16,919	—	10,922	221	24	1,556	83,417
230	—	148	3	—	22	22,854
26,069	—	16,829	340	36	2,398	150,251
8,022	158,092	5,178	105	18,351	737	2,817,924
\$ 1,423,652	\$ 158,092	\$ 323,519	\$ 21,546	\$ 41,291	\$ 46,062	\$ 7,428,757

The amounts shown as due from primary government and due to component units represent short-term receivables and payables between the primary government and component units resulting from the time lag between the dates on which goods and services are provided and received and the dates on which payments between entities are made.

Table 51 shows the amounts due from the primary government and due to component units.

Table 51

Schedule of Due From Primary Government and Due To Component Units

June 30, 2021

(amounts in thousands)

Due From	Due To University of California
Governmental funds	
General Fund	\$ 235,010
Transportation Fund	6,248
Nonmajor governmental funds	28,548
Total governmental funds	269,806
Total due from primary government	\$ 269,806

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B. Interfund Transfers

Transfers move money collected by one fund to another fund, which then disburses it as required by law. The General Fund and certain other funds transfer money to support various programs accounted for in other funds. The largest transfer from the General Fund was \$3.9 billion to the California State University, an enterprise fund. The General Fund also transferred \$2.8 billion to nonmajor governmental funds, mainly for support of trial courts and local governments. The Transportation Fund transferred \$1.7 billion in weight fee revenues to the Transportation Debt Service Fund, a nonmajor governmental fund, for transportation-related debt service costs. The Federal Fund transferred \$1.1 billion to the General Fund for administration of the Unemployment Insurance Program.

Table 52 shows interfund transfers of the primary government.

Table 52**Schedule of Interfund Transfers**

June 30, 2021

(amounts in thousands)

Transferred From	Transferred To		
	General Fund	Transportation Fund	Environmental and Natural Resources Fund
Governmental funds			
General Fund	\$ —	\$ 610	\$ 99,385
Federal Fund	1,057,907	848	17,500
Transportation Fund	25,312	—	10,442
Environmental and Natural Resources Fund	81,103	1,117	—
Health Care Related Programs Fund	6,038	—	—
Nonmajor governmental funds	192,315	22	23,999
Total governmental funds	1,362,675	2,597	151,326
Internal service funds	16,390	—	—
Total transfers from other funds	\$ 1,379,065	\$ 2,597	\$ 151,326

Transferred To					
Health Care Related Programs Fund	Nonmajor Governmental Funds	California State University Fund	Nonmajor Enterprise Funds	Internal Service Funds	Total Transfers To Other Funds
\$ 120,761	\$ 2,788,238	\$ 3,851,664	\$ —	\$ 29,462	\$ 6,890,120
17	32,758	—	2	88	1,109,120
—	1,702,885	—	—	—	1,738,639
—	30,271	—	—	—	112,491
—	37	—	—	—	6,075
3,979	172,633	—	—	—	392,948
124,757	4,726,822	3,851,664	2	29,550	10,249,393
—	24,286	—	—	—	40,676
\$ 124,757	\$ 4,751,108	\$ 3,851,664	\$ 2	\$ 29,550	\$ 10,290,069

NOTE 19: FUND BALANCES, NET POSITION DEFICITS, AND ENDOWMENTS**A. Fund Balances**

Table 53 shows the composition of the governmental fund balances.

Table 53**Schedule of Fund Balances by Function**

June 30, 2021

(amounts in thousands)

	General Fund	Federal Fund	Transportation Fund	Environmental and Natural Resources Fund	Health Care Related Programs Fund	Nonmajor Governmental Funds
Nonspendable						
Long-term interfund receivables	\$ 2,871,706	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term loans receivable	6,905	—	—	—	—	—
Other	—	—	—	—	—	10,238
Total nonspendable	2,878,611	—	—	—	—	10,238
Restricted						
General government	21,212	22,949	—	5,262	1	5,721,935
Education	180,936	106	1,226	—	323,064	997,394
Health and human services	246,357	257	—	83,189	1,561,535	3,163,842
Natural resources and environmental protection	481	680	—	6,059,304	—	296,759
Business, consumer services, and housing	1,653	259,587	231,450	22,892	—	4,911,951
Transportation	—	—	9,505,029	—	—	40,576
Corrections and rehabilitation	137,978	—	—	—	—	73,013
Budget stabilization	12,339,422	—	—	—	—	—
Total restricted	12,928,039	283,579	9,737,705	6,170,647	1,884,600	15,205,470
Committed						
General government	190,950	—	—	19,654	—	488,680
Education	10,300	—	—	—	—	77,467
Health and human services	454,513	—	63	—	49,124	211,677
Natural resources and environmental protection	5,272	—	3	8,573,966	—	488,531
Business, consumer services, and housing	—	—	—	86,722	—	113,105
Transportation	—	—	46,726	—	—	4,407
Corrections and rehabilitation	7,316	—	—	—	—	550
Total committed	668,351	—	46,792	8,680,342	49,124	1,384,417
Assigned						
General government	575,902	—	—	—	—	45,543
Education	31,676	—	—	—	—	—
Health and human services	1,648,903	—	—	—	—	—
Natural resources and environmental protection	1,968,595	—	—	—	—	—
Business, consumer services, and housing	393,279	—	—	—	—	—
Transportation	3,282	—	—	—	—	—
Corrections and rehabilitation	316,480	—	—	—	—	—
Total assigned	4,938,117	—	—	—	—	45,543
Unassigned	52,731,990	(8,822,239)	—	—	—	—
Total fund balances	\$ 74,145,108	\$ (8,538,660)	\$ 9,784,497	\$ 14,850,989	\$ 1,933,724	\$ 16,645,668

B. Net Position Deficits

Table 54 shows the net position deficit balances.

Table 54**Schedule of Net Position Deficits**

June 30, 2021

(amounts in thousands)

	Governmental Funds	Internal Service Funds	Enterprise Funds
Federal Fund	\$ 8,538,660	\$ —	\$ —
Architecture Revolving Fund	—	109,384	—
Service Revolving Fund	—	1,034,345	—
Technology Services Revolving Fund	—	452,820	—
Water Resources Revolving Fund	—	16,382	—
Other Internal Service Programs Fund	—	820,740	—
State Lottery Fund	—	—	138,433
Unemployment Programs Fund	—	—	32,887,073
California State University Fund	—	—	17,329,201
Total net position deficits	\$ 8,538,660	\$ 2,433,671	\$ 50,354,707

C. Discretely Presented Component Unit Endowments and Gifts

The University of California, a discretely presented component unit, administers certain restricted nonexpendable, restricted expendable, and unrestricted endowments that are included in the related net position categories of the government-wide and fund financial statements. As of June 30, 2021, the value of restricted endowments and gifts totaled \$26.1 billion, and unrestricted endowments and gifts totaled \$8.5 billion. The University's policy is to retain realized and unrealized appreciation on investments with the endowment after an annual income distribution. The net appreciation available to meet future spending needs upon approval by the Board of Regents amounted to \$3.9 billion at June 30, 2021. The portion of investment returns earned on endowments and distributed each year to support current operations is based on a rate approved by the Board of Regents. In addition, the California State University Auxiliary Organizations and the University of California Hastings College of the Law, nonmajor component units, have restricted nonexpendable and restricted expendable endowments of \$1.7 billion and \$21 million, respectively.

NOTE 20: DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

In the fund financial statements, governmental funds reported deferred inflows of resources of \$2.9 billion as this amount represents revenues that are earned and measurable, but not available within 12 months of the end of the reporting period.

Table 55 shows the detail of the deferred outflows of resources and deferred inflows of resources reported in the government-wide Statement of Net Position. For descriptions of the deferred outflows and deferred inflows of resources transactions, see Note 1.L.

Table 55**Schedule of Deferred Outflows and Deferred Inflows of Resources**

June 30, 2021

(amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Deferred outflows of resources:				
Loss on refunding of debt	\$ 806,367	\$ 214,588	\$ 1,020,955	\$ 291,372
Decrease in fair value of hedging derivative instruments	—	—	—	154,182
Net pension liability	19,260,646	1,801,193	21,061,839	3,373,694
Net other postemployment benefits liability	6,854,067	1,582,620	8,436,687	5,991,334
Deferred asset retirement obligation	—	—	—	73,141
Other deferred outflows	—	—	—	4,538
Total deferred outflows of resources	\$ 26,921,080	\$ 3,598,401	\$ 30,519,481	\$ 9,888,261
Deferred inflows of resources:				
Gain on refunding of debt	\$ 423,524	\$ 4,354	\$ 427,878	\$ 7,964
Service concession arrangements	33,516	—	33,516	237,787
Irrevocable split-interest agreements	—	—	—	359,994
Net pension liability	3,953,019	128,554	4,081,573	11,222,087
Net other postemployment benefits liability	9,916,913	2,476,988	12,393,901	5,676,120
Other deferred inflows	—	1,890,345	1,890,345	353,857
Total deferred inflows of resources	\$ 14,326,972	\$ 4,500,241	\$ 18,827,213	\$ 17,857,809

NOTE 21: NO COMMITMENT DEBT

The California Housing Finance Agency (CalHFA), a major component unit, issued conduit debt to provide financial assistance for the acquisition, construction, and development of multifamily rental housing. As of June 30, 2021, the CalHFA had \$3.1 billion of conduit debt obligations outstanding, which is not debt of the State.

Certain debt of the nonmajor component units is issued to finance activities such as the promotion of renewable energy sources and financing for economic development projects. This debt is secured by the credit of private and public entities and is administered by trustees independent of the State. As of June 30, 2021, these component units had approximately \$4.6 billion of debt outstanding, which is not debt of the State.

NOTE 22: CONTINGENT LIABILITIES**A. Litigation**

The primary government is a party to numerous legal proceedings, many of which are not unusual for governmental operations. To the extent they existed, the following legal proceedings were accrued as a liability in the government-wide financial statements: those decided against the primary government before June 30, 2021; those in progress as of June 30, 2021, and settled or decided against the primary government as of March 23, 2023; and those having a high probability of resulting in a decision against the primary government as of March 23, 2023 and for which amounts could be estimated. In the governmental fund financial statements, the portion of the liability that is expected to be paid within the next 12 months is recorded as a liability in the fund from which payment will be made. In the proprietary fund financial statements, the entire liability is recorded in the fund from which payment will be made.

In addition, the primary government is involved in certain other legal proceedings that, if decided against the primary government, may impair its revenue sources or require it to make significant expenditures. Because of the prospective nature of these proceedings, no provision for the potential liability has been made in the financial statements.

Following are descriptions of the more significant lawsuits pending against the primary government:

A writ petition, *Bekkerman et al. v. California Department of Tax and Fee Administration (formerly the California Board of Equalization)*, was filed against the primary government challenging the validity of a California Department of Tax and Fee Administration (CDTFA) sales tax regulation (California Code of Regulations, Title 18, section 1585) that requires the sales tax charged on a mobile telephone to be based on the full retail price of the phone, rather than any discounted price that is contingent on a service plan contract. A companion class action has been filed. The primary government filed a demurrer that was sustained on September 5, 2017, which resulted in the dismissal of the state defendants from the class action. The plaintiffs appealed that order and subsequently dismissed that appeal voluntarily. In the writ action, plaintiffs amended the writ petition to add class action claims for refunds of sales tax. On September 14, 2018, the court granted the State's motion to strike the class action claims for refunds from the writ petition. CDTFA filed an answer to the amended petition on September 20, 2018. In the writ action, the Court granted the writ on September 4, 2020, and ordered that Rule 1585 may not be applied to bundled sales in which the retailer is also the service carrier. The State appealed on March 17, 2021, and plaintiff's cross-appealed on April 6, 2021. On September 20, 2021, the Court of Appeal granted a stay of judgement in the writ of action pending appeal. CDTFA's opening brief was filed May 11, 2022. Briefing is scheduled to conclude on or about May 25, 2023. If the sales tax regulation is invalidated, the companion class action could lead to an order requiring CDTFA to refund approximately \$1.0 billion in sales tax collections.

The primary government is a defendant in two similar cases: *Atkins v. State of California* and *Reyes v. State of California*, alleging that Senate Bill (SB) 98 and SB 820 unfairly restrict new enrollment at charter schools by requiring schools to be funded according to their average daily attendance during the 2019-20 fiscal year, and by requiring charter schools to offer 175 days of instruction compared to 180 days for public schools. The plaintiffs allege that the bills violate various provisions of the California Constitution, including students' rights to education, equal protection, and due process. SB 98 was amended by SB 820, and the amended law provides that fiscal year 2020-21 budgets be used to

determine fiscal year 2020-21 funding for the plaintiffs' schools instead of the 2019-20 average daily attendance. The plaintiff for the *Atkins v. State of California* case amended the complaint and filed the amended complaint on October 9, 2020. On May 4, 2021, petitioners and respondents filed cross opening briefs addressing the merits of the case. By stipulation, the briefing in *Atkins v. State of California* will be case dispositive and in *Reyes v. State of California* will be non-evidentiary. Hearings were set for July 2, 2021. The parties briefed the merits of the case and the court ruled without an evidentiary hearing. On July 27, 2021, the court issued a final decision in favor of respondents on all claims. Respondents lodged a proposed judgment on August 10, 2021. On October 15, 2021, plaintiffs appealed. To date, the parties have completed their appellate briefing and await oral argument. The estimated range of loss is not possible to ascertain at this time.

The primary government is a defendant in a case, *People of the State of California (Butte County D.A.) v. Department of Water Resources*, regarding the claims that the debris deposited into the Feather River due to the failure of the Oroville Dam spillway in 2017 was harmful to fish and wildlife. This case is one of eight coordinated cases concerning the Oroville Dam spillway failure. A motion for summary judgment was granted on December 18, 2020. The appellate record is being prepared prior to the appellant's opening brief being filed. It is uncertain when the appeal will resolve and whether the matter will be remanded to the trial court for trial. The summary judgment is currently on appeal. Appellant's reply brief is due April 13, 2023. The Butte County District Attorney seeks to impose \$34.0 billion to \$51.0 billion in civil penalties for alleged pollution that violates Fish and Game Code section 5650.

The primary government is a defendant in a case, *Francis Bechtel, et al. v. Department of Water Resources*, which is one of seven coordinated cases related to the failure of the Oroville Dam spillway in 2017. The plaintiffs sought class certification for damages arising out of the mandatory evacuation order issued by the Butte County Sheriff. Class discovery has been completed. Class certification motions were denied and were appealed by the Bechtel plaintiffs only. The court of appeal upheld the trial court's denial of class certification on March 15, 2022. The remaining plaintiffs, two former-class representatives, did not participate in the required settlement discussions. It is uncertain if the class representatives' personal claims will go to trial. The estimated range of loss is not possible to ascertain at this time.

The primary government is a defendant in a case, *Perea, et al. v. Dooley, et al.* The petitioners sued the primary government alleging that reimbursements paid to providers under the Medi-Cal program are too low and therefore impaired access to care and services for Medi-Cal patients. The petitioners argue that this constitutes discrimination against Latinos, senior citizens, and persons with disabilities. The petitioners do not seek damages but seek prospective declaratory and injunctive relief that would require the State to increase the reimbursement rates paid to providers by the Medi-Cal program. The State filed a demurrer to petitioners' Third and First Amended Complaints in 2019. A hearing for the First Amended Complaint was held on February 13, 2020. The Third Amended Complaint was overruled on June 21, 2019, and the matter was actively litigated until April 2020, when the parties stipulated to a stay in light of the COVID-19 pandemic. The stay was lifted on April 10, 2021, and the parties have resumed preponderating and responding to written discovery. A demurrer for the First Amended Complaint was scheduled for a hearing on November 24, 2020; however, following the court's tentative favorable ruling to the State prior to the hearing, the petitioner proceeded in pro per, and filed a series of Americans with Disabilities Act accommodation requests that continued until December 2020. A demurrer hearing was scheduled for September 14, 2021. On October 25, 2021, judgment was entered in favor of defendants. The deadline for petitioners to move for class certification was December 10, 2021. Defendants filed their motion for judgment on the pleadings on November 19, 2021. Plaintiffs filed their

opposition on December 6, 2021 and the State's reply brief was filed on December 10, 2021. The hearing on the motion for judgment on the pleadings and the next case management conference was continued to February 2, 2022. On June 29, 2022, the Superior Court issued judgment in favor of defendants. On August 19, 2022, petitioners' filed their notice of appeal. Appellants filed their opening brief on February 14, 2023 and the State's opposition brief is due on May 15, 2023. The estimated impact to prospective rates is not possible to ascertain at this time. The estimated potential loss in the case of *Perea, et al. v. Dooley, et al.* is more than \$1.0 billion annually.

The primary government was a defendant in the following cases: *Anthem Blue Cross v. David Maxwell-Jolly, et al.*; *Molina Family Health Plan v. Department of Health Care Services*; and *Health Net of California v. Department of Health Care Services* regarding application of budget reduction factors to managed-care capitated rates. These cases were settled on a contingent basis based on the plans' profitability. The estimated combined total potential loss is more than \$400 million based on three separate settlement agreements that were entered into in 2013 and 2014.

The primary government is a defendant in three similar cases: *Metropolitan Water District of Southern California, et al. v. Dept. of Fish and Wildlife, et al.*; *State Water Contractors, et al. v. Dept. of Fish and Wildlife, et al.*; *San Bernardino Valley Municipal Water Dist. v. Cal. Dept. of Water Resources, et al.* The plaintiffs filed lawsuits against the primary government seeking to rescind an incidental take permit under the California Endangered Species Act issued by Department of Fish and Wildlife to DWR concerning its operation of the State Water Project, and to rescind DWR's environmental review of the same under the California Environmental Quality Act. The plaintiffs also claimed that DWR breached its water supply contracts by accepting the permit. One plaintiff asserts that the permit constitutes taking without just compensation. Five other consolidated cases are seeking non-contract-based (writ of mandamus) relief. DWR and the Department of Fish and Wildlife are preparing the administrative records relative to their administrative decisions that are being challenged. On May 7, 2021, the court granted DWR's motion to bifurcate the writ of mandamus claims from the non-writ of mandamus claims, and ordered the writ of mandamus claims tried first. Discovery is stayed until after completion of the writ of mandamus trial. No trial date has been set for the writ of mandamus trial, and the administrative records are not yet certified. The estimated range of loss is not possible to ascertain at this time. One plaintiff has estimated damages at \$100 million, and the other plaintiffs have not estimated their claimed damages.

The primary government is a defendant in a case, *Amalgamated Transit Union International, et al. v. U.S. Department of Labor, et al.* Under federal law, as a condition of receiving certain federal transit grants, transit agencies must demonstrate to the Department of Labor's (DOL) satisfaction that they provide fair and equitable labor arrangements for transit workers, including arrangements that ensure the "continuation of collective bargaining rights." After California enacted PEPRA in 2012, DOL issued a certification decision finding that PEPRA interfered with the continuation of transit workers' bargaining rights. The State successfully challenged this determination as violating the Administrative Procedure Act, and the Eastern District of California permanently enjoined DOL from relying on PEPRA as a basis to deny grants to two transit agencies. In 2019, DOL began certifying grants in conformity with the district court's orders. A transit union objected to these certifications and filed the pending case, asking the same federal judge to reconsider the earlier ruling and reach the opposite conclusion. The State of California intervened in the case to defend DOL's certification decision. The parties filed and briefed cross-motions for summary judgment, but after the change in presidential administrations in 2020, DOL sought and obtained a voluntary remand of proceedings so it could reconsider its position. In October 2021, DOL issued a new decision reverting to its prior view that PEPRA precludes certification under

section 13(c) of the Urban Mass Transportation Act of 1964. The October 2021 reconsideration again finds, in spite of the court's prior contrary rulings, that PEPR interferes with the collective bargaining rights of transit workers. The reconsideration states that DOL will decline to certify any future grant applications from local transit agencies who are subject to PEPR. Media reports have estimated the anticipated loss to California transit agencies of funds under the American Rescue Plan Act to be around \$2.5 billion, along with around \$9.5 billion of anticipated funds under the Infrastructure Improvement and Jobs Act. The State recently filed a cross-complaint against DOL challenging the reconsidered certification decision as arbitrary and capricious in violation of the Administrative Procedure Act, and it obtained a preliminary injunction staying implementation of the reconsidered determination pending the issuance of a final decision on the merits. The Attorney General represents the State of California. The State expeditiously asserted cross-claims challenging the reconsidered determination and moved quickly to stay its implementation. The State will vigorously pursue its cross claims through dispositive motions and, if necessary, on appeal. The State moved for leave to file a cross-complaint on November 12, 2021; leave was granted on December 3, 2021, with the cross-complaint deemed filed. The Court preliminary enjoined implementation of the reconsidered determination on December 20, 2021. Cross-motions for summary judgment were heard on February 11, 2022. On December 28, 2022, the court granted the State's cross-motion for summary judgment, finding that (1) DOF exceeded its authority by adopting a categorical rule precluding certification; (2) DOL violated the Administrative Procedure Act by ignoring evidence that PEPR does not interfere with the collective bargaining rights of transit workers; and (3) DOL's interpretation and application of the Urban Mass Transportation Act of 1964 lack support in the text and legislative history of the statute, and are arbitrary and capricious. On February 22, 2023, the district court entered final judgment including a permanent injunction preventing DOL from relying on PEPR as a basis not to certify grants. The plaintiff and possibly DOL are expected to appeal the judgment. If upheld by the courts, DOL's policy could cost California transit agencies several billion dollars in federal grant funds each year.

The primary government is a defendant in a case, *Bear Mountain Development Company, LLC v. State of California*, for breach of contract regarding cancellation of a contract for delivery of Personal Protective Equipment (PPE). The State filed a demurrer on August 13, 2021. The court heard the demurrer on December 15, 2021 and the demurrer was granted with leave to amend. On July 27, 2022, the court heard the State's second demurrer to the Second Amended Complaint, and the demurrer was overruled. The State filed an answer to the Third Amended Complaint and filed a cross complaint alleging fraud and misrepresentation. Plaintiff demurred to the State's cross complaint. On March 9, 2023, the court overruled the demurrer to the fraud cause of action. The court sustained the demurrer to the negligent misrepresentation cause of action with leave to amend. The case is currently in discovery and the State plans to file a motion for summary judgment. No trial date has been set. The plaintiff is seeking damages of \$799 million for the State's cancellation of a contract for delivery of PPE.

The primary government is a defendant in a case, *California Rental Housing Association v. Gavin Newsom*. The plaintiff is an association representing over 19,000 landlords that own more than 536,000 units throughout the state, challenging the State's temporary eviction moratorium during the COVID-19 pandemic. The plaintiffs allege that the moratorium violated the Due Process Clause, the Contract Clause, and the Takings Clause of the United States Constitution. The trial court dismissed the case as moot, and the plaintiff appealed. The estimated range of loss is not possible to ascertain at this time.

The primary government is a defendant in a case, *Harkey-Kirk, et al. v. California Department of Public Health*, for alleged disclosure of private medical information after plaintiffs sought and received prenatal

testing for the detection of birth defects facilitated by the California Department of Public Health's Prenatal Screening Program (PNS Program). Following the testing, the PNS Program mailed correspondence to the plaintiffs' mailing addresses they voluntarily provided to the PNS Program for the purpose of receiving communications regarding their testing. In the correspondence, the program used its statutorily given name in its return address: Prenatal Screening Program. Plaintiffs allege anyone viewing the correspondence would be apprised of their pregnancy, and therefore seek damages for alleged violations under the Confidentiality of Medical Information Act (CMIA). Following the granting of the primary government's motion for judgement, the plaintiff filed an amended complaint deleting dismissed causes of action. The State's demurrer to the First Amended Complaint was overruled as to plaintiff's CMIA and constitutional causes of action. The State filed an answer on March 1, 2021. On December 9, 2021, the class was certified to include: "All persons enrolled as patients in Defendant's prenatal screening program who were sent U.S. Mail by Defendant California Department of Public Health with an address driver containing the phrase 'Prenatal Screening Program,' in an envelope with a plastic window, at any time from four years prior to the filing of this action." The State filed a motion for summary judgment on the remaining two causes of action. On July 19, 2022, the Court granted the State's motion for summary judgment as to the constitutional cause of action, but denied summary judgment as to the CMIA cause of action. The only remaining cause of action is under the CMIA. The State's new motion for summary judgment regarding the CMIA claim is pending with a hearing scheduled for April 21, 2023. The CMIA allows for nominal damages of \$1,000 per violation. However, the size of the class has not yet been determined. Assuming the class goes forward as currently defined, damages under the CMIA could total well over a billion dollars. Further, in their prayer for relief, plaintiffs seek not only the nominal damages available under the CMIA, but also general, special, and consequential damages and attorneys' fees. In light of plaintiffs' broad, nonspecific requests for relief and the unknown class size, an estimated range of loss is not possible to ascertain at this time.

B. Federal Audit Exceptions

The primary government receives substantial funding from the federal government in the form of grants and other federal assistance. The primary government, the University of California, California Housing Finance Agency (CalHFA), and certain nonmajor discretely presented component units are entitled to these resources only if they comply with the terms and conditions of the grants and contracts and with the applicable federal laws and regulations; they may spend these resources only for eligible purposes. If audits disclose exceptions, the primary government, the University, CalHFA, and certain nonmajor discretely presented component units may incur a liability to the federal government.

NOTE 23: SUBSEQUENT EVENTS

The following information describes significant events that occurred subsequent to June 30, 2021, but prior to the date of the auditor's report.

A. Debt Issuances

In July 2021, the California State University (CSU) issued \$1.9 billion in revenue bonds to finance and refinance projects; to acquire, construct, improve, and renovate certain CSU facilities; to refund certain outstanding system-wide revenue bonds; and to pay related issuance costs.

In August 2021 and October 2022, the primary government issued a total of \$364 million in veterans home purchase revenue bonds to build bond reserve accounts and to finance the purchase of homes and farms for California military veterans.

In September and November 2021, and March, September, October, and November 2022 and March 2023, the primary government issued a total of \$11.6 billion in general obligation bonds to fund various capital projects and other voter-approved costs related to K-12 schools and higher education facilities, transportation improvements and high-speed rail, water quality and environmental protection, and other public purposes; to pay certain commercial paper notes as they mature; to refund certain outstanding bonds; and to pay related issuance costs.

In September and December 2021 and December 2022, the Golden State Tobacco Securitization Corporation, a blended component unit, issued a total of \$6.2 billion in tobacco settlement asset-backed bonds to refund a portion of its outstanding asset-backed bonds, build bond reserve accounts, and pay related issuance costs.

In October and November 2021, and April 2022, the State Public Works Board issued a total of \$1.2 billion in lease revenue bonds to finance and refinance the design and construction costs of various projects; to refund and defease outstanding lease revenue bonds; to reimburse interim loans; to fund capitalized interest; to fund reserve fund contributions, if necessary; and to pay related issuance costs.

In March 2022, the California Health Facilities Financing Authority issued \$1.1 billion in revenue bonds under the No Place Like Home Program to provide housing for persons experiencing homelessness, chronic homelessness, or who are in need of mental health services, and to pay issuance costs.

In April and August 2022 and February 2023, the University of California, a major component unit, through its conduit, issued a total of \$6.3 billion in revenue bonds to finance or refinance certain capital projects of the University, to refund outstanding bonds, and to pay related issuance costs.

In September 2022, the Department of Water Resources issued \$248 million in revenue bonds to fund construction of water system projects; to repay commercial papers; to refund certain outstanding water system revenue bonds; to fund a deposit to the debt service reserve account; and to pay related issuance costs.

In December 2022 and January 2023, the California Infrastructure and Economic Development Bank (I-Bank), a component unit, issued \$649 million in Infrastructure State Revolving bonds to advance refund and defease a portion of its outstanding bonds, to fund construction projects, and to pay related issuance costs. In December 2022, I-Bank also issued \$16 million in lease revenue bonds to fund construction projects and to pay related issuance costs.

B. Other

In the November 8, 2022 general election, voters passed Proposition 28 authorizing additional funding for arts and music education in all K-12 public schools (including charters schools), with a greater proportion going to schools with more economically disadvantage students. This will result in increased state education costs of approximately \$1.0 billion annually.

California continues to face longer, more severe fire seasons, with five of the 20 largest wildfires in state history occurring in 2021. The 2021 fire season saw approximately 7,400 fires and 2.6 million acres burned. Although the 2022 fire season saw more fires recorded, it was less catastrophic, with approximately 7,500 fires and just under 363,000 acres burned.

The United State federal government has already provided California with over \$43.0 billion in combined recovery funds through the American Rescue Plan Act of 2021 (ARPA), to cover costs incurred by the state between March 3, 2021, and December 31, 2024, to mitigate the impacts of the COVID-19 pandemic. Of the \$43.0 billion, \$27.0 billion has been allocated to the Coronavirus State Fiscal Recovery Fund (SFRF) to help California build back a stronger, more equitable economy and address the disproportionate negative economic impacts of the pandemic to low-wage earners. Funds from the SFRF have been used to address public health impacts, address negative economic impacts, invest in broadband infrastructure projects, and replace lost state revenue.

California continues to experience large gaps between significant precipitation events that are vital to the state's water supply. The 2022-23 Budget allocates a total of \$5.2 billion over four years to respond to long-term water resilience. Additionally, the Budget includes a one-time investment of \$2.8 billion to support immediate drought relief efforts, advance drinking water and clean water projects, support dam safety and flood management, and support agricultural water conservation.

In July 2021, the California Public Employees' Retirement System (CalPERS) Board of Administration voted to lower the discount rate for the PERF from 7.00% to 6.80%, effective for the June 30, 2022, measurement date for pensions. All other factors aside, the impact of this change would increase the State's net pension liability reported in its financial statements for the fiscal year ended June 30, 2023.

In August 2022, the State's contracted actuary published the *State of California Retiree Health Benefits Program GASB Nos. 74 and 75 Actuarial Valuation Report as of June 30, 2021*, which will be used to measure the State's net OPEB liability as of June 30, 2022. Based on the Actuarial Valuation Report, the State will report a net OPEB liability as of June 30, 2022 of \$95.5 billion, an increase of \$319 million over the net OPEB liability reported as of June 30, 2021. The report is available on the State Controller's Office website, at www.sco.ca.gov.

In March 2022, the CalPERS Board of Administration voted to lower the CERBT Strategy 1 long-term investment return assumption from 6.75% to 6.00%, effective for the June 30, 2021, measurement date for OPEB. All other factors aside, the impact of this change in assumption would increase the State's net OPEB liability reported in its financial statements for the fiscal year ended June 30, 2022.

California's demand for unemployment insurance benefits required the State to borrow larger than normal amounts from the U.S. Department of Labor during the COVID-19 pandemic. As of June 30, 2021, the State had \$19.8 billion in such loans, which were used to cover the deficits in the Unemployment Programs Fund and continue to provide payment benefits to California workers. Subsequent to June 30, 2021, the State paid down approximately \$1.1 billion in outstanding loans with the U.S. Department of Labor, to a balance of approximately \$18.7 billion as of March 23, 2023.

Required Supplementary Information



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Schedule of Changes in Net Pension Liability and Related Ratios

For the Past Seven Fiscal Years¹
(amounts in thousands)

PUBLIC EMPLOYEES' RETIREMENT FUND PLANS

STATE MISCELLANEOUS²

Total pension liability

	2014 ³	2015 ³
Service cost	\$ 1,477,762	\$ 1,576,695
Interest on total pension liability	6,670,928	6,970,837
Differences between expected and actual experience	—	693,639
Changes of assumptions	—	—
Benefit payments, including refunds of employee contributions	(4,844,631)	(5,098,222)
Net change in total pension liability	3,304,059	4,142,949
Total pension liability – beginning	88,885,115	92,189,174
Total pension liability – ending (a)	\$ 92,189,174	\$ 96,332,123

Plan fiduciary net position

Contributions – employer	\$ 2,156,312	\$ 2,608,785
Contributions – employee	766,896	771,046
Net investment income	10,370,838	1,505,042
Benefit payments, including refunds of employee contributions	(4,844,631)	(5,098,222)
Net plan to plan resource movement	—	(354)
Administrative expense	(86,473)	(76,678)
Other miscellaneous income/(expense)	—	—
Net change in plan fiduciary net position	8,362,942	(290,381)
Plan fiduciary net position – beginning	60,017,620	68,380,562
Plan fiduciary net position – ending (b)	\$ 68,380,562	\$ 68,090,181

State's net pension liability – ending (a) – (b)	\$ 23,808,612	\$ 28,241,942

Plan fiduciary net position as a percentage of the total pension liability	74.17 %	70.68 %

Covered payroll	\$ 10,019,739	\$ 10,640,884

State's net pension liability as a percentage of covered payroll	237.62 %	265.41 %

¹ This schedule will be built prospectively until it contains ten years of data.

² This schedule includes amounts attributable to related organizations, fiduciary component units, and discretely presented component units, which are not part of the primary government.

³ The date in the column heading represents the end of the measurement period of the net pension liability, which is one year prior to the reporting period.

	2016 ³	2017 ³	2018 ³	2019 ³	2020 ³
\$	1,668,682	\$ 1,927,531	\$ 1,953,761	\$ 2,042,862	\$ 2,125,738
	7,220,961	7,381,049	7,571,997	7,970,572	8,288,391
	(101,381)	(387,041)	445,743	2,032,459	742,481
	—	5,667,561	(1,377,556)	—	—
	(5,346,864)	(5,572,707)	(5,865,849)	(6,190,738)	(6,513,916)
	3,441,398	9,016,393	2,728,096	5,855,155	4,642,694
	96,332,123	99,773,521	108,789,914	111,518,010	117,373,165
\$	99,773,521	\$ 108,789,914	\$ 111,518,010	\$ 117,373,165	\$ 122,015,859
\$	2,818,406	\$ 3,094,941	\$ 7,044,360	\$ 3,777,484	\$ 5,008,537
	801,023	843,772	870,402	942,980	1,005,830
	339,588	7,329,859	6,127,761	5,163,147	4,138,143
	(5,346,864)	(5,572,707)	(5,865,849)	(6,190,738)	(6,513,916)
	(1,154)	(2,737)	(1,340)	(1,344)	(4,213)
	(41,497)	(98,419)	(112,592)	(57,163)	(118,050)
	—	—	(213,815)	185	—
	(1,430,498)	5,594,709	7,848,927	3,634,551	3,516,331
	68,090,181	66,659,683	72,254,392	80,103,319	83,737,870
\$	66,659,683	\$ 72,254,392	\$ 80,103,319	\$ 83,737,870	\$ 87,254,201
\$	33,113,838	\$ 36,535,522	\$ 31,414,691	\$ 33,635,295	\$ 34,761,658
	66.81 %	66.42 %	71.83 %	71.34 %	71.51 %
\$	11,189,932	\$ 11,591,576	\$ 12,254,527	\$ 12,913,195	\$ 13,579,610
	295.93 %	315.19 %	256.35 %	260.47 %	255.98 %
					(continued)

(continued)

Schedule of Changes in Net Pension Liability and Related Ratios (continued)

For the Past Seven Fiscal Years¹
(amounts in thousands)

PUBLIC EMPLOYEES' RETIREMENT FUND PLANS

STATE INDUSTRIAL²

Total pension liability

	2014 ³	2015 ³
Service cost	\$ 92,324	\$ 100,006
Interest on total pension liability	241,278	257,527
Differences between expected and actual experience	—	26,976
Changes of assumptions	—	—
Benefit payments, including refunds of employee contributions	(146,977)	(157,029)
Net change in total pension liability	186,625	227,480
Total pension liability – beginning	3,181,282	3,367,907
Total pension liability – ending (a)	\$ 3,367,907	\$ 3,595,387

Plan fiduciary net position

Contributions – employer	\$ 88,516	\$ 107,238
Contributions – employee	44,459	49,482
Net investment income	423,076	62,385
Benefit payments, including refunds of employee contributions	(146,977)	(157,029)
Net plan to plan resource movement	—	30
Administrative expense	(3,583)	(3,252)
Other miscellaneous income/(expense)	—	—
Net change in plan fiduciary net position	405,491	58,854
Plan fiduciary net position – beginning	2,420,958	2,826,449
Plan fiduciary net position – ending (b)	\$ 2,826,449	\$ 2,885,303

State's net pension liability – ending (a) – (b)

Plan fiduciary net position as a percentage of the total pension liability

Covered payroll

State's net pension liability as a percentage of covered payroll

2016 ³	2017 ³	2018 ³	2019 ³	2020 ³
\$ 107,868	\$ 124,792	\$ 119,521	\$ 127,006	\$ 131,508
273,308	290,058	301,134	324,909	343,896
7,009	21,516	(19,063)	106,233	24,610
—	245,450	(54,062)	—	—
(167,359)	(177,654)	(190,683)	(205,544)	(220,912)
220,826	504,162	156,847	352,604	279,102
3,595,387	3,816,213	4,320,375	4,477,222	4,829,826
<u>\$ 3,816,213</u>	<u>\$ 4,320,375</u>	<u>\$ 4,477,222</u>	<u>\$ 4,829,826</u>	<u>\$ 5,108,928</u>
\$ 116,730	\$ 123,163	\$ 241,062	\$ 148,494	\$ 244,773
52,775	54,114	58,404	61,338	65,268
14,444	322,150	272,379	233,027	191,982
(167,359)	(177,654)	(190,683)	(205,544)	(220,912)
216	(141)	268	(754)	(1,037)
(1,758)	(4,282)	(5,014)	(2,558)	(5,383)
—	—	(9,522)	8	—
15,048	317,350	366,894	234,011	274,691
2,885,303	2,900,351	3,217,701	3,584,595	3,818,606
<u>\$ 2,900,351</u>	<u>\$ 3,217,701</u>	<u>\$ 3,584,595</u>	<u>\$ 3,818,606</u>	<u>\$ 4,093,297</u>
<u>\$ 915,862</u>	<u>\$ 1,102,674</u>	<u>\$ 892,627</u>	<u>\$ 1,011,220</u>	<u>\$ 1,015,631</u>

76.00 % 74.48 % 80.06 % 79.06 % 80.12 %

\$ 625,220 \$ 643,295 \$ 695,014 \$ 728,609 \$ 765,840

146.49 % 171.41 % 128.43 % 138.79 % 132.62 %

(continued)

Schedule of Changes in Net Pension Liability and Related Ratios (continued)

For the Past Seven Fiscal Years¹
(amounts in thousands)

PUBLIC EMPLOYEES' RETIREMENT FUND PLANS

STATE SAFETY²

Total pension liability

	2014 ³	2015 ³
Service cost	\$ 402,902	\$ 422,634
Interest on total pension liability	663,219	734,333
Differences between expected and actual experience	—	(4,150)
Changes of assumptions	—	—
Benefit payments, including refunds of employee contributions	(429,353)	(469,275)
Net change in total pension liability	636,768	683,542
Total pension liability – beginning	8,682,750	9,626,597 *
Total pension liability – ending (a)	\$ 9,319,518	\$ 10,310,139

Plan fiduciary net position

Contributions – employer	\$ 339,232	\$ 393,925
Contributions – employee	196,148	215,482
Net investment income	1,162,050	175,677
Benefit payments, including refunds of employee contributions	(429,353)	(469,275)
Net plan to plan resource movement	—	499
Administrative expense	(9,945)	(9,200)
Other miscellaneous income/(expense)	—	—
Net change in plan fiduciary net position	1,258,132	307,108
Plan fiduciary net position – beginning	6,583,260	7,841,392
Plan fiduciary net position – ending (b)	\$ 7,841,392	\$ 8,148,500

State's net pension liability – ending (a) – (b)

Plan fiduciary net position as a percentage of the total pension liability

Covered payroll

State's net pension liability as a percentage of covered payroll

* Restated

	2016 ³	2017 ³	2018 ³	2019 ³	2020 ³
	\$ 438,147	\$ 497,129	\$ 504,383	\$ 536,173	\$ 553,316
	786,096	827,412	877,944	951,075	1,012,593
	(2,235)	(109,901)	(21,592)	227,078	16,473
	—	673,183	(41,225)	—	—
	(502,427)	(538,735)	(578,504)	(626,451)	(677,362)
	719,581	1,349,088	741,006	1,087,875	905,020
	10,310,139	11,029,720	12,378,808	13,119,814	14,207,689
	\$ 11,029,720	\$ 12,378,808	\$ 13,119,814	\$ 14,207,689	\$ 15,112,709
	\$ 401,108	\$ 433,232	\$ 774,759	\$ 523,076	\$ 747,441
	221,615	231,364	245,021	257,071	267,822
	42,258	926,106	797,214	691,911	575,732
	(502,427)	(538,735)	(578,504)	(626,451)	(677,362)
	548	295	532	1,482	3,907
	(4,966)	(12,264)	(14,565)	(7,524)	(16,047)
	—	—	(27,658)	24	—
	158,136	1,039,998	1,196,799	839,589	901,493
	8,148,500	8,306,636	9,346,634	10,543,433	11,383,022
	\$ 8,306,636	\$ 9,346,634	\$ 10,543,433	\$ 11,383,022	\$ 12,284,515
	\$ 2,723,084	\$ 3,032,174	\$ 2,576,381	\$ 2,824,667	\$ 2,828,194
	75.31 %	75.51 %	80.36 %	80.12 %	81.29 %
	\$ 2,100,295	\$ 2,167,429	\$ 2,339,642	\$ 2,468,018	\$ 2,566,403
	129.65 %	139.90 %	110.12 %	114.45 %	110.20 %
					(continued)

(continued)

Schedule of Changes in Net Pension Liability and Related Ratios (continued)

For the Past Seven Fiscal Years¹
(amounts in thousands)

PUBLIC EMPLOYEES' RETIREMENT FUND PLANS

STATE PEACE OFFICERS AND FIREFIGHTERS²

Total pension liability

	2014 ³	2015 ³
Service cost	\$ 816,836	\$ 838,628
Interest on total pension liability	2,622,406	2,759,982
Differences between expected and actual experience	—	288,526
Changes of assumptions	—	—
Benefit payments, including refunds of employee contributions	(1,568,738)	(1,697,676)
Net change in total pension liability	1,870,504	2,189,460
Total pension liability – beginning	34,655,771	36,219,196 *
Total pension liability – ending (a)	\$ 36,526,275	\$ 38,408,656

Plan fiduciary net position

Contributions – employer	\$ 959,741	\$ 1,146,192
Contributions – employee	331,956	366,419
Net investment income	3,964,754	584,142
Benefit payments, including refunds of employee contributions	(1,568,738)	(1,697,676)
Net plan to plan resource movement	—	194
Administrative expense	(33,334)	(30,069)
Other miscellaneous income/(expense)	—	—
Net change in plan fiduciary net position	3,654,379	369,202
Plan fiduciary net position – beginning	22,713,610	26,367,989
Plan fiduciary net position – ending (b)	\$ 26,367,989	\$ 26,737,191

State's net pension liability – ending (a) – (b)	\$ 10,158,286	\$ 11,671,465

Plan fiduciary net position as a percentage of the total pension liability	72.19 %	69.61 %

Covered payroll	\$ 3,030,525	\$ 3,115,287

State's net pension liability as a percentage of covered payroll	335.20 %	374.65 %

* Restated

2016 ³	2017 ³	2018 ³	2019 ³	2020 ³
\$ 861,694	\$ 980,897	\$ 1,011,482	\$ 1,044,955	\$ 1,062,486
2,902,900	3,018,186	3,185,628	3,381,608	3,547,687
18,316	(286,527)	354,089	664,430	172,204
—	2,608,752	(25,104)	—	—
(1,822,841)	(1,938,027)	(2,065,007)	(2,209,557)	(2,359,940)
1,960,069	4,383,281	2,461,088	2,881,436	2,422,437
38,408,656	40,368,725	44,752,006	47,213,094	50,094,530
\$ 40,368,725	\$ 44,752,006	\$ 47,213,094	\$ 50,094,530	\$ 52,516,967
\$ 1,265,145	\$ 1,427,240	\$ 3,068,270	\$ 1,665,872	\$ 3,220,740
381,185	399,946	421,662	437,937	462,370
137,927	2,954,170	2,522,044	2,175,528	1,812,785
(1,822,841)	(1,938,027)	(2,065,007)	(2,209,557)	(2,359,941)
114	1,628	(104)	350	735
(16,295)	(39,395)	(45,950)	(23,765)	(49,832)
—	—	(87,261)	77	—
(54,765)	2,805,562	3,813,654	2,046,442	3,086,857
26,737,191	26,682,426	29,487,988	33,301,642	35,348,084
\$ 26,682,426	\$ 29,487,988	\$ 33,301,642	\$ 35,348,084	\$ 38,434,941
\$ 13,686,299	\$ 15,264,018	\$ 13,911,452	\$ 14,746,446	\$ 14,082,026

66.10 %	65.89 %	70.53 %	70.56 %	73.19 %

\$ 3,241,895	\$ 3,416,627	\$ 3,557,011	\$ 3,676,854	\$ 3,904,615

422.17 %	446.76 %	391.10 %	401.06 %	360.65 %

(continued)

Schedule of Changes in Net Pension Liability and Related Ratios (continued)

For the Past Seven Fiscal Years¹
(amounts in thousands)

PUBLIC EMPLOYEES' RETIREMENT FUND PLANS

CALIFORNIA HIGHWAY PATROL

Total pension liability

	2014 ³	2015 ³
Service cost	\$ 191,730	\$ 198,665
Interest on total pension liability	724,474	764,348
Differences between expected and actual experience	—	75,593
Changes of assumptions	—	—
Benefit payments, including refunds of employee contributions	(460,991)	(487,061)
Net change in total pension liability	455,213	551,545
Total pension liability – beginning	9,604,872	10,060,085
Total pension liability – ending (a)	\$ 10,060,085	\$ 10,611,630

Plan fiduciary net position

Contributions – employer	\$ 277,702	\$ 351,197
Contributions – employee	83,161	85,791
Net investment income	1,005,007	146,782
Benefit payments, including refunds of employee contributions	(460,991)	(487,061)
Net plan to plan resource movement	—	(214)
Administrative expense	(8,417)	(7,600)
Other miscellaneous income/(expense)	—	—
Net change in plan fiduciary net position	896,462	88,895
Plan fiduciary net position – beginning	5,759,985	6,656,447
Plan fiduciary net position – ending (b)	\$ 6,656,447	\$ 6,745,342

State's net pension liability – ending (a) – (b)	\$ 3,403,638	\$ 3,866,288

Plan fiduciary net position as a percentage of the total pension liability	66.17 %	63.57 %

Covered payroll	\$ 765,283	\$ 809,610

State's net pension liability as a percentage of covered payroll	444.76 %	477.55 %

2016 ³	2017 ³	2018 ³	2019 ³	2020 ³
\$ 210,619	\$ 237,064	\$ 248,531	\$ 257,384	\$ 266,192
809,691	833,062	878,113	926,056	974,410
125,614	(158,392)	103,283	135,148	120,496
—	721,972	12,213	—	—
(516,723)	(543,456)	(579,080)	(612,298)	(651,832)
629,201	1,090,250	663,060	706,290	709,266
10,611,630	11,240,831	12,331,081	12,994,141	13,700,431
<u>\$ 11,240,831</u>	<u>\$ 12,331,081</u>	<u>\$ 12,994,141</u>	<u>\$ 13,700,431</u>	<u>\$ 14,409,697</u>
\$ 375,928	\$ 426,603	\$ 978,060	\$ 507,055	\$ 559,585
86,111	91,116	95,482	100,080	103,159
33,918	747,272	639,591	556,379	450,669
(516,723)	(543,456)	(579,080)	(612,298)	(651,832)
292	1,050	330	265	638
(4,111)	(9,923)	(11,583)	(6,090)	(12,800)
—	—	(21,997)	20	—
(24,585)	712,662	1,100,803	545,411	449,419
6,745,342	6,720,757	7,433,419	8,534,222	9,079,633
<u>\$ 6,720,757</u>	<u>\$ 7,433,419</u>	<u>\$ 8,534,222</u>	<u>\$ 9,079,633</u>	<u>\$ 9,529,052</u>
<u>\$ 4,520,074</u>	<u>\$ 4,897,662</u>	<u>\$ 4,459,919</u>	<u>\$ 4,620,798</u>	<u>\$ 4,880,645</u>

59.79 %	60.28 %	65.68 %	66.27 %	66.13 %

\$ 808,032	\$ 851,427	\$ 884,197	\$ 933,689	\$ 948,000

559.39 %	575.23 %	504.40 %	494.90 %	514.84 %

(continued)

Schedule of Changes in Net Pension Liability and Related Ratios (continued)

For the Past Seven Fiscal Years¹

(amounts in thousands)

	2014 ³	2015 ³	2016 ³	2017 ³	2018 ³	2019 ³	2020 ³
SINGLE-EMPLOYER PLANS							
JUDGES'							
Total pension liability							
Service cost	\$ 27,581	\$ 27,841	\$ 29,314	\$ 22,733	\$ 19,131	\$ 20,073	\$ 17,026
Interest on total pension liability	140,256	133,181	107,514	115,067	109,395	99,427	79,720
Differences between expected and actual experience	—	57,568	(59,421)	(366,200)	(121,259)	86,873	(41,794)
Changes of assumptions	—	158,646	384,306	(107,670)	(20,879)	153,651	218,684
Benefit payments, including refunds of employee contributions	(193,935)	(201,868)	(199,349)	(200,440)	(207,823)	(221,954)	(213,234)
Net change in total pension liability	(26,098)	175,368	262,364	(536,510)	(221,435)	138,070	60,402
Total pension liability – beginning	3,383,310	3,357,212	3,532,580	3,794,944	3,258,434	3,036,999	3,175,069
Total pension liability – ending (a)	\$ 3,357,212	\$ 3,532,580	\$ 3,794,944	\$ 3,258,434	\$ 3,036,999	\$ 3,175,069	\$ 3,235,471
Plan fiduciary net position							
Contributions – employer	\$ 191,148	\$ 180,910	\$ 192,287	\$ 204,475	\$ 199,241	\$ 195,903	\$ 243,132
Contributions – employee	7,248	3,877	3,559	3,398	3,061	2,679	2,843
Net investment income	59	88	193	424	846	1,166	885
Benefit payments, including refunds of employee contributions	(193,935)	(201,867)	(199,349)	(200,440)	(207,823)	(221,954)	(213,234)
Administrative expense	(1,141)	(1,227)	(642)	(1,771)	(2,106)	(10,032)	(2,270)
Other miscellaneous income/(expense)	—	2,198	2,568	2,395	(1,863)	2,776	2,202
Net change in plan fiduciary net position	3,379	(16,021)	(1,384)	8,481	(8,644)	(29,462)	33,558
Plan fiduciary net position – beginning	53,820	57,199	41,178	39,794	48,275	39,631	10,169
Plan fiduciary net position – ending (b)	\$ 57,199	\$ 41,178	\$ 39,794	\$ 48,275	\$ 39,631	\$ 10,169	\$ 43,727
State's net pension liability – ending (a) – (b)	\$ 3,300,013	\$ 3,491,402	\$ 3,755,150	\$ 3,210,159	\$ 2,997,368	\$ 3,164,900	\$ 3,191,744
Plan fiduciary net position as a percentage of the total pension liability	1.70 %	1.17 %	1.05 %	1.48 %	1.30 %	0.32 %	1.35 %
Covered payroll	\$ 163,574	\$ 28,770	\$ 23,537	\$ 26,102	\$ 24,007	\$ 22,117	\$ 16,017
State's net pension liability as a percentage of covered payroll	2017.44 %	12135.56 %	15954.24 %	12298.52 %	12485.39 %	14309.81 %	19927.23 %

(continued)

Schedule of Changes in Net Pension Liability and Related Ratios (continued)

For the Past Seven Fiscal Years¹

(amounts in thousands)

	2014 ³	2015 ³	2016 ³	2017 ³	2018 ³	2019 ³	2020 ³
SINGLE-EMPLOYER PLANS							
JUDGES' II							
Total pension liability							
Service cost	\$ 78,670	\$ 79,641	\$ 86,635	\$ 97,679	\$ 95,843	\$ 103,791	\$ 114,486
Interest on total pension liability	61,044	69,128	78,412	85,654	91,418	103,889	115,517
Differences between expected and actual experience	—	(17,319)	(4,546)	(26,382)	(26,875)	30,292	(2,797)
Changes of assumptions	—	(16,619)	—	69,233	(41,763)	—	—
Benefit payments, including refunds of employee contributions	(8,950)	(14,041)	(21,704)	(22,406)	(31,795)	(36,204)	(34,547)
Net change in total pension liability	130,764	100,790	138,797	203,778	86,828	201,768	192,659
Total pension liability – beginning	837,198	967,962	1,068,752	1,207,549	1,411,327	1,498,154	1,699,922
Total pension liability – ending (a)	\$ 967,962	\$ 1,068,752	\$ 1,207,549	\$ 1,411,327	\$ 1,498,155	\$ 1,699,922	\$ 1,892,581
Plan fiduciary net position							
Contributions – employer	\$ 57,027	\$ 65,629	\$ 65,839	\$ 67,102	\$ 79,699	\$ 84,099	\$ 91,147
Contributions – employee	20,413	22,242	24,598	25,076	27,514	31,375	35,796
Net investment income	150,168	(2,402)	20,810	115,057	101,820	106,781	80,074
Benefit payments, including refunds of employee contributions	(8,950)	(14,041)	(21,704)	(22,406)	(31,795)	(36,204)	(34,547)
Administrative expense	(785)	(1,127)	(732)	(1,682)	(2,370)	(1,477)	(2,552)
Other miscellaneous income/(expense)	—	—	—	—	(5,451)	—	—
Net change in plan fiduciary net position	217,873	70,301	88,811	183,147	169,417	184,574	169,918
Plan fiduciary net position – beginning	795,967	1,013,840	1,084,141	1,172,952	1,356,099	1,525,515	1,710,089
Plan fiduciary net position – ending (b)	\$ 1,013,840	\$ 1,084,141	\$ 1,172,952	\$ 1,356,099	\$ 1,525,516	\$ 1,710,089	\$ 1,880,007
State's net pension liability/(asset) – ending (a) – (b)	\$ (45,878)	\$ (15,389)	\$ 34,597	\$ 55,228	\$ (27,361)	\$ (10,167)	\$ 12,574
Plan fiduciary net position as a percentage of the total pension liability	104.74 %	101.44 %	97.13 %	96.09 %	101.83 %	100.60 %	99.34 %
Covered payroll	\$ 40,476	\$ 180,230	\$ 192,739	\$ 192,786	\$ 202,433	\$ 220,742	\$ 246,968
State's net pension liability as a percentage of covered payroll	-113.35 %	-8.54 %	17.95 %	28.65 %	-13.52 %	-4.61 %	5.09 %

(continued)

Schedule of Changes in Net Pension Liability and Related Ratios (continued)

For the Past Seven Fiscal Years¹
(amounts in thousands)

SINGLE-EMPLOYER PLANS

LEGISLATORS'

Total pension liability

	2014 ³	2015 ³
Service cost	\$ 732	\$ 769
Interest on total pension liability	6,465	6,268
Differences between expected and actual experience	—	(4,246)
Changes of assumptions	—	(2,654)
Benefit payments, including refunds of employee contributions	(7,482)	(9,087)
Net change in total pension liability	(285)	(8,950)
Total pension liability – beginning	115,806	115,521
Total pension liability – ending (a)	\$ 115,521	\$ 106,571

Plan fiduciary net position

Contributions – employer	\$ 565	\$ 590
Contributions – employee	113	105
Net investment income	15,372	(94)
Benefit payments, including refunds of employee contributions	(7,482)	(9,087)
Administrative expense	(362)	(399)
Other miscellaneous income/(expense)	—	—
Net change in plan fiduciary net position	8,206	(8,885)
Plan fiduciary net position – beginning	122,148	130,354
Plan fiduciary net position – ending (b)	\$ 130,354	\$ 121,469

State's net pension liability/(asset) – ending (a) – (b)	\$ (14,833)	\$ (14,898)

Plan fiduciary net position as a percentage of the total pension liability	112.84 %	113.98 %

Covered payroll	\$ 1,471	\$ 1,397

State's net pension liability as a percentage of covered payroll	-1008.36 %	-1066.43 %

2016 ³	2017 ³	2018 ³	2019 ³	2020 ³
\$ 608	\$ 639	\$ 542	\$ 268	\$ 100
5,978	5,291	4,987	4,873	4,885
(3,530)	(5,998)	(2,061)	(427)	2,320
—	7,857	(2,529)	—	—
(7,407)	(7,249)	(6,918)	(7,350)	(6,939)
(4,351)	540	(5,979)	(2,636)	366
106,571	102,220	102,760	96,780	94,144
\$ 102,220	\$ 102,760	\$ 96,781	\$ 94,144	\$ 94,510
\$ 549	\$ 517	\$ 467	\$ 250	\$ 98
96	94	82	92	22
4,545	5,047	5,486	7,860	7,011
(7,407)	(7,249)	(6,918)	(7,350)	(6,939)
(202)	(575)	(670)	(324)	(550)
—	—	(1,454)	—	2
(2,419)	(2,166)	(3,007)	528	(356)
121,469	119,050	116,884	113,876	114,404
\$ 119,050	\$ 116,884	\$ 113,877	\$ 114,404	\$ 114,048
\$ (16,830)	\$ (14,124)	\$ (17,096)	\$ (20,260)	\$ (19,538)
116.46 %	113.74 %	117.66 %	121.52 %	120.67 %
\$ 1,298	\$ 1,270	\$ 1,121	\$ 684	\$ 284
-1296.61 %	-1112.13 %	-1525.07 %	-2961.99 %	-6879.58 % (concluded)

Schedule of State Pension Contributions

For the Past Seven Fiscal Years¹

(amounts in thousands)

	2015	2016	2017	2018	2019	2020	2021
PUBLIC EMPLOYEES' RETIREMENT FUND PLANS							
STATE MISCELLANEOUS²							
Actuarially determined contribution	\$ 2,421,157	\$ 2,718,895	\$ 3,078,232	\$ 3,397,736	\$ 3,631,721	\$ 4,006,672	\$ 4,324,789
Contributions in relation to the actuarially determined contribution	(2,583,400)	(2,814,126)	(3,098,305)	(3,482,291)	(3,794,379)	(5,032,209)	(3,791,620)
Contribution deficiency (excess)	\$ (162,243)	\$ (95,231)	\$ (20,073)	\$ (84,555)	\$ (162,658)	\$ (1,025,537)	\$ 533,169
Covered payroll	\$ 10,655,117	\$ 11,197,607	\$ 11,591,576	\$ 12,254,527	\$ 12,913,195	\$ 13,579,610	\$ 12,909,399
Contributions as a percentage of covered payroll	24.25 %	25.13 %	26.73 %	28.42 %	29.38 %	37.06 %	29.37 %
STATE INDUSTRIAL²							
Actuarially determined contribution	\$ 92,024	\$ 103,293	\$ 116,880	\$ 131,131	\$ 134,969	\$ 153,724	\$ 166,535
Contributions in relation to the actuarially determined contribution	(104,769)	(116,594)	(123,789)	(141,832)	(148,790)	(245,757)	(128,407)
Contribution deficiency (excess)	\$ (12,745)	\$ (13,301)	\$ (6,909)	\$ (10,701)	\$ (13,821)	\$ (92,033)	\$ 38,128
Covered payroll	\$ 577,713	\$ 625,220	\$ 643,295	\$ 695,014	\$ 728,609	\$ 765,840	\$ 706,128
Contributions as a percentage of covered payroll	18.14 %	18.65 %	19.24 %	20.41 %	20.42 %	32.09 %	18.18 %
STATE SAFETY²							
Actuarially determined contribution	\$ 341,509	\$ 368,444	\$ 400,379	\$ 435,662	\$ 466,765	\$ 526,375	\$ 553,298
Contributions in relation to the actuarially determined contribution	(387,508)	(404,595)	(431,991)	(481,479)	(531,360)	(759,505)	(473,147)
Contribution deficiency (excess)	\$ (45,999)	\$ (36,151)	\$ (31,612)	\$ (45,817)	\$ (64,595)	\$ (233,130)	\$ 80,151
Covered payroll	\$ 2,003,716	\$ 2,100,289	\$ 2,167,429	\$ 2,339,642	\$ 2,468,018	\$ 2,566,403	\$ 2,367,960
Contributions as a percentage of covered payroll	19.34 %	19.26 %	19.93 %	20.58 %	21.53 %	29.59 %	19.98 %
STATE PEACE OFFICERS AND FIREFIGHTERS²							
Actuarially determined contribution	\$ 1,086,102	\$ 1,197,160	\$ 1,343,177	\$ 1,462,630	\$ 1,581,049	\$ 1,755,306	\$ 1,871,841
Contributions in relation to the actuarially determined contribution	(1,148,597)	(1,263,436)	(1,431,851)	(1,573,299)	(1,667,839)	(3,234,348)	(1,312,046)
Contribution deficiency (excess)	\$ (62,495)	\$ (66,276)	\$ (88,674)	\$ (110,669)	\$ (86,790)	\$ (1,479,042)	\$ 559,795
Covered payroll	\$ 3,115,364	\$ 3,241,763	\$ 3,416,627	\$ 3,557,011	\$ 3,676,854	\$ 3,904,615	\$ 3,629,097
Contributions as a percentage of covered payroll	36.87 %	38.97 %	41.91 %	44.23 %	45.36 %	82.83 %	36.15 %

(continued)

¹ This schedule will be built prospectively until it contains ten years of data.² This schedule includes amounts attributable to related organizations, fiduciary component units, and discretely presented component units, which are not part of the primary government.

Schedule of State Pension Contributions (continued)

For the Past Seven Fiscal Years¹

(amounts in thousands)

	2015	2016	2017	2018	2019	2020	2021
PUBLIC EMPLOYEES' RETIREMENT FUND PLANS							
CALIFORNIA HIGHWAY PATROL							
Actuarially determined contribution	\$ 323,393	\$ 363,634	\$ 414,975	\$ 447,376	\$ 484,056	\$ 532,159	\$ 574,509
Contributions in relation to the actuarially determined contribution	(352,139)	(377,534)	(426,014)	(478,354)	(514,683)	(560,538)	(530,587)
Contribution deficiency (excess)	\$ (28,746)	\$ (13,900)	\$ (11,039)	\$ (30,978)	\$ (30,627)	\$ (28,379)	\$ 43,922
Covered payroll	\$ 809,610	\$ 808,032	\$ 851,427	\$ 884,197	\$ 933,689	\$ 948,000	\$ 882,119
Contributions as a percentage of covered payroll	43.49 %	46.72 %	50.04 %	54.10 %	55.12 %	59.13 %	60.15 %
SINGLE-EMPLOYER PLANS							
JUDGES'							
Actuarially determined contribution	\$ 1,884,555	\$ 463,073	\$ 448,636	\$ 438,156	\$ 415,110	\$ 414,849	\$ 366,446
Contributions in relation to the actuarially determined contribution	(3,598)	(3,252)	(202,368)	(197,017)	(194,189)	(241,993)	(224,928)
Contribution deficiency (excess)	\$ 1,880,957	\$ 459,821	\$ 246,268	\$ 241,139	\$ 220,921	\$ 172,856	\$ 141,518
Covered payroll	\$ 167,542	\$ 29,771	\$ 23,822	\$ 27,003	\$ 25,748	\$ 16,017	\$ 13,444
Contributions as a percentage of covered payroll	2.15 %	10.92 %	849.50 %	729.61 %	754.19 %	1,510.85 %	1,673.07 %
JUDGES' II							
Actuarially determined contribution	\$ 63,193	\$ 58,362	\$ 66,951	\$ 79,181	\$ 75,862	\$ 81,782	\$ 88,439
Contributions in relation to the actuarially determined contribution	(59,982)	(60,476)	(55,965)	(73,916)	(76,155)	(83,872)	(78,784)
Contribution deficiency (excess)	\$ 3,211	\$ (2,114)	\$ 10,986	\$ 5,265	\$ (293)	\$ (2,090)	\$ 9,655
Covered payroll	\$ 41,458	\$ 186,505	\$ 195,066	\$ 199,438	\$ 217,112	\$ 246,968	\$ 233,316
Contributions as a percentage of covered payroll	144.68 %	32.43 %	28.69 %	37.06 %	35.08 %	33.96 %	33.77 %
LEGISLATORS'							
Actuarially determined contribution	\$ 260	\$ 141	\$ —	\$ 20	\$ —	\$ 101	\$ 84
Contributions in relation to the actuarially determined contribution	(544)	(549)	(516)	(467)	(261)	(100)	(79)
Contribution deficiency (excess)	\$ (284)	\$ (408)	\$ (516)	\$ (447)	\$ (261)	\$ 1	\$ 5
Covered payroll	\$ 1,397	\$ 1,298	\$ 1,270	\$ 1,121	\$ 684	\$ 284	\$ 267
Contributions as a percentage of covered payroll	38.94 %	42.30 %	40.63 %	41.66 %	38.16 %	35.21 %	29.59 %

(continued)

Schedule of State Pension Contributions (continued)

For the Past Seven Fiscal Years¹

(amounts in thousands)

Notes to Required Supplementary Information for the most recent fiscal year presented:

Public Employees' Retirement Fund (PERF) and Single-Employer Plans

Actual contribution amounts:	Based on statutorily required contributions as outlined in California Government Code section 20683.2, which dictates that any excess employer contributions due to increased employee contributions must be allocated to the unfunded liability.
Covered payroll:	Pensionable earnings provided by the employer.
Valuation date:	Actuarially determined contribution rates were calculated as of June 30, 2019.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal
Amortization method	See each plan's June 30, 2018 Actuarial Valuation Report.
Asset valuation method	PERF – Fair value of assets; for details see plan's June 30, 2018 Actuarial Valuation Report. Judges' – Market value of assets Judges' II – Market value of assets Legislators' – Market value of assets
Inflation	PERF – 2.50% Judges' – 2.50% Judges' II – 2.50% Legislators' – 2.50%
Salary increases	PERF – varies by entry age and service Judges' – 2.75% Judges' II – 2.75% Legislators' – 2.75%
Payroll growth	PERF – 2.75% Judges' – 2.75% Judges' II – 2.75% Legislators' – 2.75%
Investment rate of return	Net of pension plan investment expenses and administrative expenses; includes inflation: PERF – 7.00%, which is used for contribution purposes Judges' – 2.45% Judges' II – 6.50% Legislators' – 5.00%
Retirement age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	Mortality rates are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015 adopted by the CalPERS Board and post-retirement mortality rates include 15 years of projected mortality improvements using 90% of Scale MP-2016 published by the Society of Actuaries.

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Schedule of the State's Proportionate Share of Net Pension Liability – CalSTRS

For the Past Seven Fiscal Years¹

(amounts in thousands)

	2014 ²	2015 ²
State's proportion of CalSTRS' net pension liability	37.65 %	34.59 %
State's proportionate share of CalSTRS' net pension liability	\$ 22,001,531	\$ 23,289,391
Plan fiduciary net position as a percentage of the total pension liability	76.52 %	74.02 %

¹ This schedule will be built prospectively until it contains ten years of data.² The date in the column heading represents the end of the measurement period of the net pension liability, which is one year prior to the reporting period.

Schedule of the State's Contributions – CalSTRS

For the Past Seven Fiscal Years¹

(amounts in thousands)

	2015	2016
Statutorily required contribution	\$ 1,486,004	\$ 1,935,288
Contributions in relation to the statutorily required contribution	1,486,004	1,935,288
Annual contribution deficiency/(excess)	\$ —	\$ —

¹ This schedule will be built prospectively until it contains ten years of data.

	2016 ²	2017 ²	2018 ²	2019 ²	2020 ²
	36.28 %	37.17 %	36.41 %	35.30 %	34.02 %
\$	29,343,626	\$ 34,374,816	\$ 33,462,419	\$ 31,880,645	\$ 32,963,596
	70.04 %	69.46 %	70.99 %	72.56 %	71.82 %

	2017	2018	2019	2020	2021
\$	2,472,993	\$ 2,790,444	\$ 3,082,316	\$ 4,446,836	\$ 3,730,902
	2,472,993	2,790,444	3,082,316	4,446,836	3,730,902
\$	—	\$ —	\$ —	\$ —	\$ —

Notes to Required Supplementary Information for the most recent fiscal year presented:

State's Participation in CalSTRS

Actual contribution amounts:	Based on statutorily required contributions as outlined in California Education Code sections 22954, 22955 and 22955.1, as well as California Public Resources Code section 6217. Additionally, contributions for fiscal year 2020-21 include a supplemental contribution of \$297 million for the State, pursuant to Senate Bill 90.
Valuation date:	Actuarially determined contribution rates were calculated as of June 30, 2019.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal
Amortization method/period	Level percent of payroll, closed/open period, 30 years remaining amortization period
Asset valuation method	Adjustment to market value
Consumer price inflation	2.75%
Payroll growth	3.50%
Investment rate of return	For calculating the actuarially determined contribution: 7.00%, net of pension plan investment and administrative expenses For calculating total pension liability: 7.10%, net of pension plan investment expenses, but gross of administrative expenses
Interest on accounts	3.00%
Post-retirement benefit increases (COLAs)	2.00% simple

Schedule of Changes in Net OPEB Liability and Related Ratios

For the Past Fiscal Years¹
(amounts in thousands)

	2019 ^{2,6}	2020 ²
RETIREE HEALTH BENEFITS PROGRAM		
SERVICE EMPLOYEES INTERNATIONAL UNION (SEIU)³		
Total OPEB liability		
Service cost	\$ 1,078,364	\$ 1,116,519
Interest on total OPEB liability	1,201,673	1,162,741
Differences between expected and actual experiences ⁵	(525,007)	(720,036)
Changes in assumptions	1,213,332	480,992
Benefit payments	(856,494)	(910,765)
Net change in total OPEB liability	2,111,868	1,129,451
Total OPEB liability – beginning	29,485,488	31,597,356
Total OPEB liability – ending (a)	\$ 31,597,356	\$ 32,726,807
Plan fiduciary net position		
Contributions – employer	\$ 856,494	\$ 910,765
Contributions – prefunding	71,712	174,235
Contributions – employee	71,712	174,235
Net investment income	8,202	9,788
Benefit payments	(856,494)	(910,765)
Administrative expense	(14)	(148)
Other expenses	—	—
Net change in plan fiduciary net position	151,612	358,110
Plan fiduciary net position – beginning	—	151,612
Plan fiduciary net position – ending (b)	\$ 151,612	\$ 509,722
State's net OPEB liability – ending (a) – (b)	\$ 31,445,744	\$ 32,217,085
Plan fiduciary net position as a percentage of the total OPEB liability	0.48 %	1.56 %
Covered payroll	\$ 7,317,203	\$ 7,701,525
State's net OPEB liability as a percentage of covered payroll	429.75 %	418.32 %

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¹ This schedule will be built prospectively until it contains ten years of data.

² The date in the column heading represents the end of the measurement period of the net OPEB liability, which is one year prior to the reporting period.

³ This schedule includes amounts attributable to related organizations, fiduciary component units, and discretely presented component units, which are not part of the primary government.

⁴ The valuation groups that comprise the Unfunded and Other Funded plans shifted from the prior year.

⁵ Includes differences between projected pay-as-you-go contributions, based on expected benefit payments, disclosed in the *State of California Retiree Health Benefits Program - GASB Nos. 74 and 75 Actuarial Valuation Report as of June 30, 2020*, and the actual pay-as-you-go contributions allocated to plans.

⁶ This is the first year the SEIU valuation group is presented as it began prefunding in the 2018-19 measurement period and shifted from the Unfunded plan from the prior year.

Schedule of Changes in Net OPEB Liability and Related Ratios (continued)

For the Past Fiscal Years¹
(amounts in thousands)

	2017 ²	2018 ²	2019 ²	2020 ²
RETIREE HEALTH BENEFITS PROGRAM				
BARGAINING UNIT 5 PLAN				
Total OPEB liability				
Service cost	\$ 168,057	\$ 146,042	\$ 140,545	\$ 159,410
Interest on total OPEB liability	179,397	195,713	199,637	204,078
Differences between expected and actual experiences ⁵	—	(108,271)	41,288	(64,174)
Changes in assumptions	(474,646)	(137,150)	318,292	466,272
Benefit payments	(95,517)	(77,897)	(78,501)	(84,544)
Net change in total OPEB liability	(222,709)	18,437	621,261	681,042
Total OPEB liability – beginning	4,764,812	4,542,103	4,560,540	5,181,801
Total OPEB liability – ending (a)	\$ 4,542,103	\$ 4,560,540	\$ 5,181,801	\$ 5,862,843
Plan fiduciary net position				
Contributions – employer	\$ 95,517	\$ 77,897	\$ 78,501	\$ 84,544
Contributions – prefunding	77,454	59,697	57,567	59,296
Contributions – employee	12,783	4,089	3,943	4,061
Net investment income	21,109	20,988	23,834	16,069
Benefit payments	(95,517)	(77,897)	(78,501)	(84,544)
Administrative expense	(95)	(144)	(77)	(217)
Other expenses	(290)	—	—	—
Net change in plan fiduciary net position	110,961	84,630	85,267	79,209
Plan fiduciary net position – beginning	135,701	246,662	331,052	* 416,319
Plan fiduciary net position – ending (b)	\$ 246,662	\$ 331,292	\$ 416,319	\$ 495,528
State's net OPEB liability – ending (a) – (b)	\$ 4,295,441	\$ 4,229,248	\$ 4,765,482	\$ 5,367,315
Plan fiduciary net position as a percentage of the total OPEB liability	5.43 %	7.26 %	8.03 %	8.45 %
Covered payroll	\$ 866,040	\$ 895,430	\$ 942,765	\$ 958,694
State's net OPEB liability as a percentage of covered payroll	495.99 %	472.31 %	505.48 %	559.86 %

* Restated

Schedule of Changes in Net OPEB Liability and Related Ratios (continued)

For the Past Fiscal Years¹
(amounts in thousands)

	2017 ²	2018 ²	2019 ²	2020 ²
RETIREE HEALTH BENEFITS PROGRAM				
BARGAINING UNIT 6 PLAN				
Total OPEB liability				
Service cost	\$ 609,551	\$ 531,916	\$ 503,829	\$ 535,696
Interest on total OPEB liability	574,853	634,360	622,325	608,903
Differences between expected and actual experiences ⁵	—	(1,186,530)	(460,414)	(354,942)
Changes in assumptions	(1,637,897)	(164,236)	912,754	675,803
Benefit payments	(325,344)	(327,604)	(294,213)	(357,726)
Net change in total OPEB liability	(778,837)	(512,094)	1,284,281	1,107,734
Total OPEB liability – beginning	15,990,189	15,211,352	14,699,258	15,983,539
Total OPEB liability – ending (a)	\$ 15,211,352	\$ 14,699,258	\$ 15,983,539	\$ 17,091,273
Plan fiduciary net position				
Contributions – employer	\$ 325,344	\$ 327,604	\$ 294,213	\$ 357,726
Contributions – prefunding	146,933	65,245	106,592	129,540
Contributions – employee	23,181	65,245	106,592	129,540
Net investment income	15,089	17,235	33,447	24,249
Benefit payments	(325,344)	(327,604)	(294,213)	(357,726)
Administrative expense	(48)	(128)	(94)	(342)
Other expenses	—	—	—	—
Net change in plan fiduciary net position	185,155	147,597	246,537	282,987
Plan fiduciary net position – beginning	—	185,155	332,511	* 579,048
Plan fiduciary net position – ending (b)	\$ 185,155	\$ 332,752	\$ 579,048	\$ 862,035
State's net OPEB liability – ending (a) – (b)	\$ 15,026,197	\$ 14,366,506	\$ 15,404,491	\$ 16,229,238
Plan fiduciary net position as a percentage of the total OPEB liability	1.22 %	2.26 %	3.62 %	5.04 %
Covered payroll	\$ 2,653,404	\$ 2,726,616	\$ 2,819,233	\$ 2,989,457
State's net OPEB liability as a percentage of covered payroll	566.30 %	526.90 %	546.41 %	542.88 %

* Restated

Schedule of Changes in Net OPEB Liability and Related Ratios (continued)

For the Past Fiscal Years¹
(amounts in thousands)

	2017 ²	2018 ²	2019 ²	2020 ²
RETIREE HEALTH BENEFITS PROGRAM				
BARGAINING UNIT 9 PLAN³				
Total OPEB liability				
Service cost	\$ 166,173	\$ 142,954	\$ 127,060	\$ 136,522
Interest on total OPEB liability	154,495	174,062	165,399	159,587
Differences between expected and actual experiences ⁵	—	(334,650)	(88,806)	(55,316)
Changes in assumptions	(475,991)	(200,549)	145,634	93,540
Benefit payments	(82,449)	(85,278)	(84,522)	(100,777)
Net change in total OPEB liability	(237,772)	(303,461)	264,765	233,556
Total OPEB liability – beginning	4,640,159	4,402,387	4,098,926	4,363,691
Total OPEB liability – ending (a)	\$ 4,402,387	\$ 4,098,926	\$ 4,363,691	\$ 4,597,247
Plan fiduciary net position				
Contributions – employer	\$ 82,449	\$ 85,278	\$ 84,522	\$ 100,777
Contributions – prefunding	35,210	5,688	13,311	31,649
Contributions – employee	—	5,688	13,311	31,649
Net investment income	3,630	3,246	4,789	3,793
Benefit payments	(82,449)	(85,278)	(84,522)	(100,777)
Administrative expense	(11)	(22)	(14)	(55)
Other expenses	—	—	—	—
Net change in plan fiduciary net position	38,829	14,600	31,397	67,036
Plan fiduciary net position – beginning	—	38,829	53,391	* 84,788
Plan fiduciary net position – ending (b)	\$ 38,829	\$ 53,429	\$ 84,788	\$ 151,824
State's net OPEB liability – ending (a) – (b)	\$ 4,363,558	\$ 4,045,497	\$ 4,278,903	\$ 4,445,423
Plan fiduciary net position as a percentage of the total OPEB liability	0.88 %	1.30 %	1.94 %	3.30 %
Covered payroll	\$ 1,366,302	\$ 1,376,743	\$ 1,502,529	\$ 1,596,949
State's net OPEB liability as a percentage of covered payroll	319.37 %	293.85 %	284.78 %	278.37 %

* Restated

Schedule of Changes in Net OPEB Liability and Related Ratios (continued)

For the Past Fiscal Years¹
(amounts in thousands)

	2017 ²	2018 ²	2019 ²	2020 ²
RETIREE HEALTH BENEFITS PROGRAM				
BARGAINING UNIT 12 PLAN³				
Total OPEB liability				
Service cost	\$ 167,689	\$ 146,732	\$ 129,311	\$ 134,649
Interest on total OPEB liability	154,036	172,744	162,948	154,691
Differences between expected and actual experiences ⁵	—	(362,455)	(97,510)	(149,086)
Changes in assumptions	(433,966)	(166,573)	152,849	21,353
Benefit payments	(110,860)	(114,235)	(120,833)	(127,671)
Net change in total OPEB liability	(223,101)	(323,787)	226,765	33,936
Total OPEB liability – beginning	4,540,951	4,317,850	3,994,063	4,220,828
Total OPEB liability – ending (a)	\$ 4,317,850	\$ 3,994,063	\$ 4,220,828	\$ 4,254,764
Plan fiduciary net position				
Contributions – employer	\$ 110,860	\$ 114,235	\$ 120,833	\$ 127,671
Contributions – prefunding	1,076	8,280	16,268	26,329
Contributions – employee	1,076	8,280	16,268	26,329
Net investment income	872	1,051	3,552	2,974
Benefit payments	(110,860)	(114,235)	(120,833)	(127,671)
Administrative expense	(4)	(9)	(9)	(43)
Other expenses	—	—	—	—
Net change in plan fiduciary net position	3,020	17,602	36,079	55,589
Plan fiduciary net position – beginning	7,186	10,206	27,788	* 63,867
Plan fiduciary net position – ending (b)	\$ 10,206	\$ 27,808	\$ 63,867	\$ 119,456
State's net OPEB liability – ending (a) – (b)	\$ 4,307,644	\$ 3,966,255	\$ 4,156,961	\$ 4,135,308
Plan fiduciary net position as a percentage of the total OPEB liability	0.24 %	0.70 %	1.51 %	2.81 %
Covered payroll	\$ 627,283	\$ 676,752	\$ 723,964	\$ 748,801
State's net OPEB liability as a percentage of covered payroll	686.71 %	586.07 %	574.19 %	552.26 %

* Restated

Schedule of Changes in Net OPEB Liability and Related Ratios (continued)

For the Past Fiscal Years¹
(amounts in thousands)

	2017 ²	2018 ^{2,4}	2019 ^{2,4}	2020 ²
RETIREE HEALTH BENEFITS PROGRAM				
OTHER FUNDED PLANS³				
Total OPEB liability				
Service cost	\$ 92,991	\$ 501,028	\$ 528,502	\$ 546,766
Interest on total OPEB liability	74,923	523,258	581,170	570,727
Differences between expected and actual experiences ⁵	—	(1,033,520)	(221,816)	(517,882)
Changes in assumptions	(197,059)	(304,299)	506,543	305,572
Benefit payments	(46,820)	(288,774)	(364,207)	(371,323)
Net change in total OPEB liability	(75,965)	(602,307)	1,030,192	533,860
Total OPEB liability – beginning	2,116,405	12,699,917	14,074,765	15,104,957
Total OPEB liability – ending (a)	\$ 2,040,440	\$ 12,097,610	\$ 15,104,957	\$ 15,638,817
Plan fiduciary net position				
Contributions – employer	\$ 46,820	\$ 288,774	\$ 364,207	\$ 371,323
Contributions – prefunding	10,442	32,759	71,376	124,916
Contributions – employee	2,323	32,759	71,376	124,916
Net investment income	1,589	5,578	16,116	13,386
Benefit payments	(46,820)	(288,774)	(364,207)	(371,323)
Administrative expense	(7)	(47)	(43)	(194)
Other expenses	—	—	—	—
Net change in plan fiduciary net position	14,347	71,049	158,825	263,024
Plan fiduciary net position – beginning	4,836	57,956	128,914	287,739
Plan fiduciary net position – ending (b)	\$ 19,183	\$ 129,005	\$ 287,739	\$ 550,763
State's net OPEB liability – ending (a) – (b)	\$ 2,021,257	\$ 11,968,605	\$ 14,817,218	\$ 15,088,054
Plan fiduciary net position as a percentage of the total OPEB liability	0.94 %	1.07 %	1.90 %	3.52 %
Covered payroll	\$ 851,868	\$ 3,469,855	\$ 4,162,765	\$ 4,363,200
State's net OPEB liability as a percentage of covered payroll	237.27 %	344.93 %	355.95 %	345.80 %

* Restated

Schedule of Changes in Net OPEB Liability and Related Ratios (continued)

For the Past Fiscal Years¹
(amounts in thousands)

	2017 ²	2018 ^{2,4}	2019 ^{2,4,6}	2020 ²
RETIREE HEALTH BENEFITS PROGRAM				
UNFUNDED PLAN³				
Total OPEB liability				
Service cost	\$ 2,805,040	\$ 2,008,794	\$ 651,082	\$ 695,884
Interest on total OPEB liability	2,112,139	1,959,522	576,896	547,791
Differences between expected and actual experiences ⁵	—	(4,164,211)	(41,161)	(665,066)
Changes in assumptions	(6,610,919)	(1,766,620)	863,523	583,238
Benefit payments	(1,457,705)	(1,352,652)	(546,742)	(512,702)
Net change in total OPEB liability	(3,151,445)	(3,315,167)	1,503,598	649,145
Total OPEB liability – beginning	64,144,931	50,334,009	15,556,199	17,059,797
Total OPEB liability – ending (a)	\$ 60,993,486	\$ 47,018,842	\$ 17,059,797	\$ 17,708,942
Plan fiduciary net position				
Contributions – employer	\$ 1,457,705	\$ 1,352,652	\$ 546,742	\$ 512,702
Contributions – prefunding	—	—	—	—
Contributions – employee	—	—	—	—
Net investment income	—	—	—	—
Benefit payments	(1,457,705)	(1,352,652)	(546,742)	(512,702)
Administrative expense	—	—	—	—
Other expenses	—	—	—	—
Net change in plan fiduciary net position	—	—	—	—
Plan fiduciary net position – beginning	—	—	—	—
Plan fiduciary net position – ending (b)	\$ —	\$ —	\$ —	\$ —
State's net OPEB liability – ending (a) – (b)	\$ 60,993,486	\$ 47,018,842	\$ 17,059,797	\$ 17,708,942
Plan fiduciary net position as a percentage of the total OPEB liability	— %	— %	— %	— %
Covered payroll	\$ 12,525,617	\$ 10,825,049	\$ 3,366,371	\$ 3,536,386
State's net OPEB liability as a percentage of covered payroll	486.95 %	434.35 %	506.77 %	500.76 %
	(concluded)	(concluded)	(concluded)	(concluded)

Schedule of OPEB Contributions

For the Past Fiscal Years¹

(amounts in thousands)

	2018	2019 ³	2020 ³	2021 ³
RETIREE HEALTH BENEFITS PROGRAM				
SERVICE EMPLOYEES INTERNATIONAL UNION PLAN²				
Actuarially determined contribution	\$ —	\$ —	\$ 1,543,231	\$ 1,584,331
Contributions in relation to the actuarially determined contribution	—	—	(1,077,554)	(1,204,613)
Contribution deficiency	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 465,677</u>	<u>\$ 379,718</u>
Covered payroll	\$ —	\$ —	\$ 7,701,525	\$ 9,192,501
Contributions as a percentage of covered payroll	—	—	13.99 %	13.10 %
BARGAINING UNIT 5 PLAN				
Actuarially determined contribution	\$ 204,361	\$ 210,625	\$ 229,183	\$ 240,749
Contributions in relation to the actuarially determined contribution	(184,456)	(137,475)	(139,230)	(87,872)
Contribution deficiency	<u>\$ 19,905</u>	<u>\$ 73,150</u>	<u>\$ 89,953</u>	<u>\$ 152,877</u>
Covered payroll	\$ 915,549	\$ 942,765	\$ 958,694	\$ 969,073
Contributions as a percentage of covered payroll	20.15 %	14.58 %	14.52 %	9.07 %
BARGAINING UNIT 6 PLAN				
Actuarially determined contribution	\$ 743,757	\$ 671,262	\$ 676,241	\$ 772,683
Contributions in relation to the actuarially determined contribution	(503,636)	(445,061)	(477,342)	(480,133)
Contribution deficiency	<u>\$ 240,121</u>	<u>\$ 226,201</u>	<u>\$ 198,899</u>	<u>\$ 292,550</u>
Covered payroll	\$ 2,805,093	\$ 2,819,233	\$ 2,989,457	\$ 2,786,526
Contributions as a percentage of covered payroll	17.95 %	15.79 %	15.97 %	17.23 %
BARGAINING UNIT 9 PLAN²				
Actuarially determined contribution	\$ 207,027	\$ 191,109	\$ 194,353	\$ 212,002
Contributions in relation to the actuarially determined contribution	(125,471)	(102,971)	(131,031)	(137,944)
Contribution deficiency	<u>\$ 81,556</u>	<u>\$ 88,138</u>	<u>\$ 63,322</u>	<u>\$ 74,058</u>
Covered payroll	\$ 1,444,410	\$ 1,502,529	\$ 1,596,949	\$ 2,021,661
Contributions as a percentage of covered payroll	8.69 %	6.85 %	8.21 %	6.82 %

¹ This schedule will be built prospectively until it contains ten years of data.² This schedule includes amounts attributable to related organizations, fiduciary component units, and discretely presented component units, which are not part of the primary government.³ The valuation groups that comprise the Unfunded and Other Funded plans shifted from the prior year.

Schedule of OPEB Contributions (continued)

For the Past Fiscal Years¹

(amounts in thousands)

	2018	2019 ³	2020 ³	2021 ³
RETIREE HEALTH BENEFITS PROGRAM				
BARGAINING UNIT 12 PLAN²				
Actuarially determined contribution	\$ 217,883	\$ 197,202	\$ 198,316	\$ 203,358
Contributions in relation to the actuarially determined contribution	(119,368)	(137,758)	(153,368)	(160,882)
Contribution deficiency	<u>\$ 98,515</u>	<u>\$ 59,444</u>	<u>\$ 44,948</u>	<u>\$ 42,476</u>
Covered payroll	\$ 663,143	\$ 723,870	\$ 748,801	\$ 673,098
Contributions as a percentage of covered payroll	18.00 %	19.03 %	20.48 %	23.90 %
OTHER FUNDED PLANS²				
Actuarially determined contribution	\$ 109,630	\$ 608,960	\$ 707,352	\$ 756,965
Contributions in relation to the actuarially determined contribution	(61,064)	(366,050)	(492,373)	(522,778)
Contribution deficiency	<u>\$ 48,566</u>	<u>\$ 242,910</u>	<u>\$ 214,979</u>	<u>\$ 234,187</u>
Covered payroll	\$ 900,567	\$ 3,595,234	\$ 4,363,200	\$ 4,132,800
Contributions as a percentage of covered payroll	6.78 %	10.18 %	11.28 %	12.65 %
UNFUNDED PLAN²				
Actuarially determined contribution	\$ 3,199,223	\$ 2,552,923	\$ 977,820	\$ 944,654
Contributions in relation to the actuarially determined contribution	(1,547,989)	(1,493,023)	(512,702)	(504,813)
Contribution deficiency	<u>\$ 1,651,234</u>	<u>\$ 1,059,900</u>	<u>\$ 465,118</u>	<u>\$ 439,841</u>
Covered payroll	\$ 13,241,681	\$ 11,391,811	\$ 3,536,386	\$ 832,893
Contributions as a percentage of covered payroll	11.69 %	13.11 %	14.50 %	60.61 %

Schedule of OPEB Contributions (continued)

For the Past Fiscal Year

(amounts in thousands)

Notes to Required Supplementary Information for the most recent fiscal year presented:

Retiree Health Benefits Program

Covered payroll:	Pensionable earnings provided by employer
Valuation date:	Actuarially determined contribution rates were calculated as of June 30, 2020.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Amortization period	30 years
Asset valuation method	Market value of assets; for details see the June 30, 2020 Actuarial Valuation Report
Inflation	2.25%
Healthcare cost trend rates	Pre-Medicare coverage: Actual rates for 2021, increasing to 7.50% in 2022, then decreasing 0.50% per year to an ultimate rate of 4.50% for 2028 through 2036, then to 4.25% for 2037 and later years. Post-Medicare coverage: Actual rates for 2021, increasing to 7.50% in 2022, then decreasing 0.50% per year to an ultimate rate of 4.50% for 2028 through 2036, then to 4.25% for 2037 and later years. Dental coverage: 0.00% in 2021, 2.00% for 2022, 3.00% for 2023, 4.00% for 2024, and 4.25% for 2025 and thereafter.
Salary increases	Varies by entry age and service
Investment rate of return	6.75%, net of OPEB plan investment expenses but without reduction for OPEB administrative expenses.
Retirement age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	Mortality rates are based on the 2017 CalPERS Experience Study adopted by the CalPERS Board. Post-retirement mortality rates include 15 years of projected on-going mortality improvements using the Society of Actuaries 90% Scale MP 2016.

(concluded)

Infrastructure Assets Using the Modified Approach

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 34, the State uses the modified approach to report the cost of its infrastructure assets (state bridges, roadways, and high-speed rail). Under the modified approach, the State does not report depreciation expense for infrastructure assets but capitalizes all costs that add to the capacity and efficiency of state-owned bridges, roads, and the high-speed rail system. All maintenance and preservation costs are expensed and not capitalized.

A. Infrastructure Asset Reporting Categories

The infrastructure assets reported in the State's financial statements for the fiscal year ending June 30, 2021, are in the following categories and amounts: state highway infrastructure, consisting of completed highway projects totaling \$81.0 billion; land purchased for highway projects totaling \$15.0 billion; infrastructure construction-in-progress (uncompleted highway projects) totaling \$9.4 billion; and high-speed rail system infrastructure, consisting of construction-in-progress (uncompleted rail construction projects) totaling \$4.5 billion.

Donation and Relinquishment: Donation and relinquishment activity affects the inventory of statewide lane miles, land, and/or bridges as adjustments to the infrastructure assets and/or land balance in the State's financial statements. For the fiscal year ending June 30, 2021, there were no donations of infrastructure land, and relinquishments were \$52 million of state highway infrastructure (completed highway projects) and \$10 million of infrastructure land.

B. Condition Baselines and Assessments

1. Bridges

The federal Fixing America's Surface Transportation (FAST) Act required all states to adopt national asset management performance measures to establish nationwide consistency for condition reporting of highway assets. Under the FAST Act, the national performance measure for bridges is total deck area of the structures in good, fair, or poor condition. The inspection data is based on the American Association of State Highway Transportation Officials' *Guide Manual for Bridge Element Inspection* and the *Caltrans Bridge Element Inspection Manual*.

The State's established condition baseline for fiscal year 2020-21 is to have at least 90% of the State's bridge deck area in fair or better condition.

The following table shows the State's established condition baseline and actual statewide bridge condition for the last three fiscal years:

Fiscal Year Ended June 30	Established Condition ¹	Actual Condition
2019	90.0% Fair or Better	95.4% Fair or Better
2020	90.0% Fair or Better	95.7% Fair or Better
2021	90.0% Fair or Better	95.7% Fair or Better

¹ The actual statewide bridge conditions should not be lower than the baseline condition established by the State.

The following table provides details on the State's actual bridge condition as of June 30, 2021:

Condition	Number of Bridges/Tunnels	Deck Area (sq. ft.)	Deck Area (%)
Good	7,133	130,764,637	49.46 %
Fair	5,489	122,549,337	46.34
Poor	485	11,118,344	4.20
Total	13,107	264,432,318	100.00 %

2. Roadways

The State conducts a periodic pavement-condition survey, which evaluates ride quality and structural integrity and identifies the number of distressed lane miles. The State classifies a roadway's pavement condition by the following descriptions:

- Excellent/good condition – few potholes or cracks
- Fair condition – moderate number of potholes or cracks
- Poor condition – significant or extensive number of potholes or cracks

Statewide lane miles are considered “distressed lane miles” if they are in poor condition. The actual distressed lane miles are compared to the established condition baseline to ensure that the baseline is not exceeded.

The following table shows the State's established condition baseline and actual distressed lane miles from the last three completed pavement-condition surveys:

Condition Assessment Date ²	Established Condition Baseline Distressed Lane Miles (maximum) ³	Actual Distressed Lane Miles	Actual Distressed Lane Miles as Percent of Total Lane Miles
August 2019 ³	18,000	6,166	12.3 %
September 2020 ¹	18,000	5,890	11.9
April 2020 ¹	18,000	6,872	13.8

¹ Condition assessment for the State's established condition baseline and actual distressed lane miles is being reported as of the *State of the Pavement* report publication date.

² The actual statewide distressed lane miles should not exceed the maximum distressed lane miles established by the State.

³ Condition assessment for the State's established condition baseline and actual distressed lane miles is being reported in the *Automated Pavement Condition Survey* report as of the end of 2020.

The following table provides details on the State's actual distressed lane miles as of the last completed pavement-condition survey:

Pavement Condition	Lane Miles	Distressed Lane Miles
Excellent/Good	33,376	—
Fair	9,676	—
Poor	6,872	6,872
Total	49,924	6,872

C. Budgeted and Actual Preservation Costs

The estimated budgeted preservation costs represent the preservation projects approved by the California Transportation Commission and the State's scheduled preservation work for each fiscal year. The actual preservation costs represent the cumulative cost to date for the projects approved and work scheduled in each fiscal year.

1. Bridges

The following table shows the State's budgeted and actual preservation cost information for the State's bridges for the most recent and four previous fiscal years:

Fiscal Year Ending June 30	Estimated Budgeted Preservation Costs (in millions)¹	Actual Preservation Costs (in millions)¹
2017	\$ 200	\$ 200
2018	267	266
2019	291	282
2020	225	217
2021	238	152

¹Some prior years were updated based on more current information.

2. Roadways

The following table shows the State's budgeted and actual preservation cost information for the State's roadways for the most recent and four previous fiscal years:

Fiscal Year Ending June 30	Estimated Budgeted Preservation Costs (in millions)¹	Actual Preservation Costs (in millions)¹
2017	\$ 3,943	\$ 3,852
2018	4,036	3,868
2019	5,067	4,552
2020	5,113	4,089
2021	5,247	2,506

¹Some prior years were updated based on more current information.

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Budgetary Comparison Schedule

General Fund and Major Special Revenue Funds

Year Ended June 30, 2021

(amounts in thousands)

	General			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Corporation tax	\$ 16,948,018	\$ 22,590,587	\$ 23,251,943	\$ 661,356
Intergovernmental	—	—	—	—
Cigarette and tobacco taxes	54,739	59,826	59,728	(98)
Insurance gross premiums tax	3,252,886	3,139,292	3,140,954	1,662
Vehicle license fees	39,467	39,896	41,003	1,107
Motor vehicle fuel tax	—	—	—	—
Personal income tax	102,208,381	128,855,688	128,578,663	(277,025)
Retail sales and use taxes	26,508,494	29,072,913	29,063,216	(9,697)
Other major taxes and licenses	385,326	415,742	412,812	(2,930)
Other revenues	4,223,537	2,636,438	2,923,646	287,208
Total revenues	153,620,848	186,810,382	187,471,965	661,583
EXPENDITURES				
Business, consumer services, and housing	1,237,573	879,949	776,282	(103,667)
Transportation	82,235	89,435	82,559	(6,876)
Natural resources and environmental protection	3,309,813	6,259,974	4,593,298	(1,666,676)
Health and human services	39,358,953	50,169,887	42,444,850	(7,725,037)
Corrections and rehabilitation	13,289,571	12,879,865	12,628,707	(251,158)
Education	93,985,037	95,283,742	91,521,223	(3,762,519)
General government:				
Tax relief	397,083	415,001	397,083	(17,918)
Debt service	6,211,890	4,632,973	4,599,634	(33,339)
Other general government	9,526,368	11,969,284	10,319,396	(1,649,888)
Total expenditures	167,398,523	182,580,110	167,363,032	(15,217,078)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	—	—	13,384,402	—
Transfers to other funds	—	—	(6,414,395)	—
Other additions (deductions)	—	—	1,424,034	—
Total other financing sources (uses)	—	—	8,394,041	—
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	—	—	28,502,974	—
Fund balances – beginning	—	—	3,436,716 *	—
Fund balances – ending	\$ —	\$ —	\$ 31,939,690	\$ —

* Restated

	Federal				Transportation			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget	Original	Final	Amounts	Final Budget
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
221,800,368	221,800,368	221,800,368	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	8,797,556	7,731,291	8,664,985	933,694
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	7,891,142	4,191,933	7,326,209	3,134,276
1,007	1,007	1,007	—	—	1,371,397	4,175,318	416,320	(3,758,998)
221,801,375	221,801,375	221,801,375	—	—	18,060,095	16,098,542	16,407,514	308,972
1,861,588	1,861,588	1,861,588	—	—	125,008	119,072	116,706	(2,366)
4,129,804	4,129,804	4,129,804	—	—	12,290,619	13,881,828	12,771,251	(1,110,577)
316,576	316,576	316,576	—	—	196,795	184,582	181,333	(3,249)
87,811,267	87,811,267	87,811,267	—	—	16,876	16,737	15,987	(750)
65,134	65,134	65,134	—	—	—	—	—	—
26,715,686	26,715,686	26,715,686	—	—	7,876	9,822	9,322	(500)
—	—	—	—	—	—	—	—	—
—	—	—	—	—	1,918	2,139	908	(1,231)
4,316,590	4,316,590	4,316,590	—	—	164,244	614,775	606,269	(8,506)
125,216,645	125,216,645	125,216,645	—	—	12,803,336	14,828,955	13,701,776	(1,127,179)
—	—	27,016,223	—	—	—	—	20,374,086	—
—	—	(123,600,931)	—	—	—	—	(22,828,368)	—
—	—	1	—	—	—	—	109,791	—
—	—	(96,584,707)	—	—	—	—	(2,344,491)	—
—	—	23	—	—	—	—	361,247	—
—	—	614	—	—	—	—	8,772,640 *	—
\$ —	\$ —	\$ 637	\$ —	\$ —	\$ —	\$ —	\$ 9,133,887	\$ —

(continued)

Budgetary Comparison Schedule (continued)

General Fund and Major Special Revenue Funds

Year Ended June 30, 2021

(amounts in thousands)

	Environmental and Natural Resources			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Corporation tax	\$ —	\$ —	\$ —	\$ —
Intergovernmental	—	—	—	—
Cigarette and tobacco taxes	—	—	—	—
Insurance gross premiums tax	—	—	—	—
Vehicle license fees	—	—	—	—
Motor vehicle fuel tax	—	—	—	—
Personal income tax	—	—	—	—
Retail sales and use taxes	—	—	—	—
Other major taxes and licenses	185,137	185,137	185,137	—
Other revenues	6,998,928	6,998,928	6,998,928	—
Total revenues	7,184,065	7,184,065	7,184,065	—
EXPENDITURES				
Business, consumer services, and housing	212,836	212,274	208,142	(4,132)
Transportation	1,377,713	1,379,389	1,379,267	(122)
Natural resources and environmental protection	5,729,229	7,555,153	5,927,181	(1,627,972)
Health and human services	58,214	59,589	40,689	(18,900)
Corrections and rehabilitation	—	—	—	—
Education	3,015	3,014	507	(2,507)
General government:				
Tax relief	—	—	—	—
Debt service	31	20	20	—
Other general government	204,286	287,611	273,517	(14,094)
Total expenditures	7,585,324	9,497,050	7,829,323	(1,667,727)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	—	—	688,212	—
Transfers to other funds	—	—	(1,335,348)	—
Other additions (deductions)	—	—	1,247,123	—
Total other financing sources (uses)	—	—	599,987	—
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	—	—	(45,271)	—
Fund balances – beginning	—	—	14,095,557 *	—
Fund balances – ending	\$ —	\$ —	\$ 14,050,286	\$ —

* Restated

	Health Care Related Programs			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
	\$ —	\$ —	\$ —	\$ —
	—	—	—	—
	—	—	—	—
	—	—	—	—
	—	—	—	—
	—	—	—	—
	—	—	—	—
	2,769,935	2,769,935	2,769,935	—
	8,984,324	8,984,324	8,984,324	—
	11,754,259	11,754,259	11,754,259	—
	—	—	—	—
	—	—	—	—
	166	228	166	(62)
	11,559,576	11,580,013	11,562,760	(17,253)
	—	—	—	—
	108,264	108,264	108,264	—
	—	—	—	—
	—	8	8	—
	16,328	16,328	16,328	—
	11,684,334	11,704,841	11,687,526	(17,315)
	—	—	4,861	—
	—	—	(107,088)	—
	—	—	596,127	—
	—	—	493,900	—
	—	—	560,633	—
	—	—	2,761,608 *	—
	\$ —	\$ —	\$ 3,322,241	\$ —

(concluded)

Reconciliation of Budgetary Basis Fund Balances of the General Fund and Major Special Revenue Funds to GAAP Basis Fund Balances

June 30, 2021

(amounts in thousands)

	Major Special Revenue Funds				
	General	Federal	Transportation	Environmental and Natural Resources	Health Care Related Programs
Budgetary fund balance reclassified into GAAP statement fund structure	\$ 31,939,690	\$ 637	\$ 9,133,887	\$ 14,050,286	\$ 3,322,241
Basis difference:					
Interfund receivables	2,863,706	—	63,258	786,823	100,000
Loans receivable	25,354	259,693	—	446,694	23,000
Interfund payables	(4,218,385)	—	(742,544)	(378,985)	(3,219)
Escheat property	(1,242,544)	—	—	—	—
Tax revenues	11,119,800	—	—	—	—
Fund classification changes	13,702,373	27,061,197	—	—	—
Other	21,875,471	—	2,116,559	15,326	—
Timing difference:					
Liabilities budgeted in subsequent years	(1,920,357)	(35,860,187)	(786,663)	(69,155)	(1,508,298)
GAAP fund balance – ending	\$ 74,145,108	\$ (8,538,660)	\$ 9,784,497	\$ 14,850,989	\$ 1,933,724

Notes to the Required Supplementary Information

Budgetary Comparison Schedule

The State annually reports its financial condition based on a Generally Accepted Accounting Principles (GAAP) basis and on the State's budgetary provisions (budgetary basis). The Budgetary Comparison Schedule for the General Fund and Major Special Revenue Funds reports the original budget, the final budget, the actual expenditures, and the variance between the final budget and the actual expenditures, using the budgetary basis of accounting.

On the budgetary basis, individual appropriations are charged as expenditures when commitments for goods and services are incurred. However, for financial reporting purposes, the State reports expenditures based on the year in which goods and services are received. The Budgetary Comparison Schedule includes all of the current year expenditures for the General Fund and major special revenue funds as well as related appropriations that typically are legislatively authorized annually, continually, or by project. While the encumbrances relate to all programs' expenditures on a budgetary basis, adjustments for encumbrances are made under "other general government," except for Environmental and Natural Resources where adjustments for encumbrances are made under each program's expenditures.

The Budgetary Comparison Schedule is not presented in this document at the legal level of budgetary control because such a presentation would be extremely lengthy and cumbersome. The State of California prepares a separate report, the Annual Comprehensive Financial Report Supplement, which includes statements that demonstrate compliance with the legal level of budgetary control in accordance

with Government Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Section 2400.121. The supplement includes a comparison of the annual appropriated budget with expenditures at the legal level of control. A copy of the Annual Comprehensive Financial Report Supplement is available upon email request to the State Controller's Office, State Accounting and Reporting Division at StateGovReports@sco.ca.gov.

Reconciliation of Budgetary with GAAP Basis

The reconciliation of budgetary basis fund balances of the General Fund and the major special revenue funds to GAAP basis fund balances is presented on the previous page and the reconciling items are explained in the following paragraphs.

Basis Difference

Interfund Receivables and Loans Receivable: Loans made to other funds or to other governments are normally recorded as either expenditures or transfers on a budgetary basis. However, in accordance with GAAP, these loans are recorded as assets. The adjustments related to interfund receivables caused increases of \$2.9 billion in the General Fund, \$63 million in the Transportation Fund, \$787 million in the Environmental and Natural Resources Fund, and \$100 million in the Health Care Related Programs Fund. The adjustments related to loans receivable caused increases of \$25 million in the General Fund, \$260 million in the Federal Fund, \$447 million in the Environmental and Natural Resources Fund, and \$23 million in the Health Care Related Programs Fund.

Interfund Payables: Loans received from other funds are normally recorded as transfers on a budgetary basis. However, in accordance with GAAP, these loans are recorded as liabilities. The adjustments related to interfund payables caused decreases of \$4.2 billion in the General Fund, \$743 million in the Transportation Fund, \$379 million in the Environmental and Natural Resources Fund, and \$3 million in the Health Care Related Programs Fund.

Escheat Property: A liability for the estimated amount of escheat property expected to ultimately be reclaimed and paid is not reported on a budgetary basis. The liability is required to be reported on a GAAP basis. This adjustment caused a \$1.2 billion decrease in the General Fund.

Tax Revenues: Estimated tax payments are accrued on a budgetary basis pursuant to Chapter 751, Statutes of 2008; however, in accordance with GAAP, tax payments are accrued based on the portion of estimated net final payments related to the fiscal year. This adjustment caused an increase of \$11.1 billion in the General Fund.

Fund Classification Changes: The fund balance amounts for governmental funds have been reclassified in accordance with governmental accounting standards. These reclassifications caused increases of \$13.7 billion in the General Fund and \$27.1 billion in the Federal Fund. These increases represent the fund balances of funds that are not considered part of the General Fund or the Federal Fund for any budgetary purpose or for the Budgetary/Legal Basis Annual Report.

Other: Certain other adjustments and reclassifications are necessary to present the financial statements in accordance with GAAP. The other adjustments caused an increase of \$21.9 billion in the General Fund, an increase of \$2.1 billion in the Transportation Fund, and an increase of \$15 million in the Environmental and Natural Resources Fund.

Timing Difference

Liabilities Budgeted in Subsequent Years: On a budgetary basis, the primary government does not accrue liabilities for which there is no existing appropriation or no currently available appropriation. The adjustments made to account for these liabilities in accordance with GAAP caused decreases of \$35.9 billion in the Federal Fund, \$1.9 billion in the General Fund, \$1.5 billion in the Health Care Related Programs Fund, \$787 million in the Transportation Fund, and \$69 million in the Environmental and Natural Resources Fund. The large decrease in the Federal Fund consists of \$27.0 billion for coronavirus relief and \$8.9 billion for unemployment programs. The large decrease in the General Fund primarily consists of \$1.4 billion for medical assistance and \$384 million for workers' compensation claims. The decrease in the Health Care Related Programs Fund primarily consists of medical assistance.

Combining Financial Statements and Schedules – Nonmajor and Other Funds



Nonmajor Governmental Funds

Nonmajor governmental funds account for the State's activities that do not meet the criteria of a major governmental fund. Following are brief descriptions of nonmajor governmental funds.

Special revenue funds account for the proceeds of specific revenue sources, other than debt service or capital projects, that are restricted, committed, or assigned to expenditures for specific purposes.

The **Business and Professions Regulatory and Licensing Fund** accounts for fees and other revenues charged for regulating and licensing specific industries, professions, and vocations.

The **Financing for Local Governments and the Public Fund** accounts for taxes, fees, bond proceeds, and other revenues used to finance the construction and maintenance of parks, jails, and other public and local government programs.

The **Cigarette, Tobacco, and Cannabis Tax Fund** accounts for a surtax on cigarette and tobacco products that is used for various health programs; and cannabis excise and cultivation taxes that are used for various health, youth education, and research programs.

The **Local Revenue and Public Safety Fund** accounts for vehicle license fees and a 1.5625% state sales tax dedicated to local governments for realigning costs from the State to local governments, and a 0.5% state sales tax dedicated to local governments to fund public safety programs.

The **Trial Courts Fund** accounts for the various fees collected by the courts, maintenance-of-effort payments from the counties, transfers in from the General Fund, and trial court operating costs.

The **Golden State Tobacco Securitization Corporation Fund** is a blended component unit that accounts for the receipt of Tobacco Revenue Settlements pledged for the payment of debt service.

Other special revenue programs funds account for all other proceeds of revenue sources, other than debt service or capital projects, that are restricted or committed to expenditures for specific purposes.

Debt service funds account for and report financial resources that are restricted, committed, or assigned for the payment of principal and interest on general long-term obligations.

The **No Place Like Home Fund** accounts for bond proceeds and other revenues used to implement and administer the No Place Like Home Program to reduce homelessness and provide affordable housing for individuals with mental illness.

The **Transportation Debt Service Fund** accounts for Transportation Fund transfers used for the payment of principal and interest related to various transportation-related general obligation bonds.

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Capital projects funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The **Higher Education Construction Fund** accounts for bond proceeds used to construct state colleges and universities.

The **Hospital Construction Fund** accounts for bond proceeds used to construct hospitals.

The **Local Government Construction Fund** accounts for bond proceeds used to construct schools, libraries, and other major capital facilities for local governments.

Building authorities are blended component units created by joint-powers agreements between local governments and the State or other local governments for the purpose of financing the construction of state buildings. The funds account for bond proceeds used to finance and construct state buildings and parking facilities.

Other capital projects funds account for transactions related to resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2021

(amounts in thousands)

	Special Revenue		
	Business and Professions Regulatory and Licensing	Financing for Local Governments and the Public	Cigarette, Tobacco, and Cannabis Tax
ASSETS			
Cash and pooled investments	\$ 1,617,990	\$ 2,862,776	\$ 2,091,688
Investments	—	—	—
Receivables (net)	160,006	151,810	682,714
Due from other funds	20,444	834,427	1,479
Due from other governments	9,074	81	262
Interfund receivables	143,454	116,323	37,481
Loans receivable	135,363	2,726,636	19,442
Other assets	—	—	—
Total assets	\$ 2,086,331	\$ 6,692,053	\$ 2,833,066
LIABILITIES			
Accounts payable	\$ 114,752	\$ 268,353	\$ 208,952
Due to other funds	90,214	195	24,522
Due to component units	—	—	21,251
Due to other governments	24,860	727,195	127,595
Interfund payables	7,129	—	—
Revenues received in advance	50,901	1,056	—
Deposits	—	—	—
Other liabilities	33,686	190	—
Total liabilities	321,542	996,989	382,320
DEFERRED INFLOWS OF RESOURCES	—	—	210,246
Total liabilities and deferred inflows of resources	321,542	996,989	592,566
FUND BALANCES			
Nonspendable	—	—	—
Restricted	1,166,860	5,474,089	2,240,500
Committed	597,929	220,975	—
Assigned	—	—	—
Total fund balances	1,764,789	5,695,064	2,240,500
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,086,331	\$ 6,692,053	\$ 2,833,066

Special Revenue					
Local Revenue and Public Safety	Trial Courts	Golden State Tobacco Securitization Corporation	Other Special Revenue Programs	Total Nonmajor Special Revenue	
\$ 3,840,042	\$ 966,201	\$ 440,783	\$ 3,133,416	\$ 14,952,896	
—	396,855	92,703	—	489,558	
2,861	214,033	210,069	402,881	1,824,374	
184,846	77,334	—	545,562	1,664,092	
—	47,962	—	39,445	96,824	
71,065	49,889	—	1,001,180	1,419,392	
33,927	24,873	—	187,039	3,127,280	
—	12,976	—	—	12,976	
<u>\$ 4,132,741</u>	<u>\$ 1,790,123</u>	<u>\$ 743,555</u>	<u>\$ 5,309,523</u>	<u>\$ 23,587,392</u>	
\$ 207,475	\$ 204,110	\$ 267	\$ 407,897	\$ 1,411,806	
47,433	46,846	—	87,428	296,638	
—	—	—	7,297	28,548	
3,782,672	128,818	—	478,219	5,269,359	
—	—	—	13,071	20,200	
—	68,238	—	69,249	189,444	
—	425,220	—	83,600	508,820	
—	94,593	—	50,535	179,004	
<u>4,037,580</u>	<u>967,825</u>	<u>267</u>	<u>1,197,296</u>	<u>7,903,819</u>	
—	—	—	178,794	389,040	
<u>4,037,580</u>	<u>967,825</u>	<u>267</u>	<u>1,376,090</u>	<u>8,292,859</u>	
—	10,238	—	—	10,238	
10,157	719,297	743,288	3,575,237	13,929,428	
85,004	47,220	—	358,196	1,309,324	
—	45,543	—	—	45,543	
<u>95,161</u>	<u>822,298</u>	<u>743,288</u>	<u>3,933,433</u>	<u>15,294,533</u>	
<u>\$ 4,132,741</u>	<u>\$ 1,790,123</u>	<u>\$ 743,555</u>	<u>\$ 5,309,523</u>	<u>\$ 23,587,392</u>	

(continued)

Combining Balance Sheet (continued)

Nonmajor Governmental Funds

June 30, 2021

(amounts in thousands)

	Debt Service		
	No Place Like Home Debt Service	Transportation Debt Service	Total Nonmajor Debt Service
ASSETS			
Cash and pooled investments	\$ 67,743	\$ —	\$ 67,743
Investments	—	—	—
Receivables (net)	—	—	—
Due from other funds	89	367,315	367,404
Due from other governments	—	—	—
Interfund receivables	—	—	—
Loans receivable	—	—	—
Other assets	—	—	—
Total assets	\$ 67,832	\$ 367,315	\$ 435,147
LIABILITIES			
Accounts payable	\$ 2	\$ —	\$ 2
Due to other funds	16	367,315	367,331
Due to component units	—	—	—
Due to other governments	—	—	—
Interfund payables	—	—	—
Revenues received in advance	—	—	—
Deposits	—	—	—
Other liabilities	—	—	—
Total liabilities	18	367,315	367,333
DEFERRED INFLOWS OF RESOURCES	—	—	—
Total liabilities and deferred inflows of resources	18	367,315	367,333
FUND BALANCES			
Nonspendable	—	—	—
Restricted	67,814	—	67,814
Committed	—	—	—
Assigned	—	—	—
Total fund balances	67,814	—	67,814
Total liabilities, deferred inflows of resources, and fund balances	\$ 67,832	\$ 367,315	\$ 435,147

Capital Projects							
Higher Education Construction	Hospital Construction	Local Government Construction	Building Authorities	Other Capital Projects	Total Nonmajor Capital Projects	Total Nonmajor Governmental	
\$ 322,238	\$ 108,020	\$ 440,906	\$ 15,896	\$ 232,154	\$ 1,119,214	\$ 16,139,853	
—	—	—	—	—	—	489,558	
—	5	—	—	301	306	1,824,680	
237	2	406	12,327	6,643	19,615	2,051,111	
—	—	2,217	—	—	2,217	99,041	
—	—	—	—	4,260	4,260	1,423,652	
—	—	—	—	147,817	147,817	3,275,097	
—	—	—	—	—	—	12,976	
<u>\$ 322,475</u>	<u>\$ 108,027</u>	<u>\$ 443,529</u>	<u>\$ 28,223</u>	<u>\$ 391,175</u>	<u>\$ 1,293,429</u>	<u>\$ 25,315,968</u>	
\$ —	\$ 177	\$ —	\$ —	\$ 2,708	\$ 2,885	\$ 1,414,693	
—	—	3,103	—	3,917	7,020	670,989	
—	—	—	—	—	—	28,548	
—	1	—	—	141	142	5,269,501	
—	—	—	—	—	—	20,200	
—	—	—	—	—	—	189,444	
—	—	—	—	—	—	508,820	
—	—	—	55	6	61	179,065	
—	178	3,103	55	6,772	10,108	8,281,260	
—	—	—	—	—	—	389,040	
—	178	3,103	55	6,772	10,108	8,670,300	
—	—	—	—	—	—	10,238	
322,475	107,849	440,426	28,168	309,310	1,208,228	15,205,470	
—	—	—	—	75,093	75,093	1,384,417	
0	—	—	—	—	—	45,543	
<u>322,475</u>	<u>107,849</u>	<u>440,426</u>	<u>28,168</u>	<u>384,403</u>	<u>1,283,321</u>	<u>16,645,668</u>	
<u>\$ 322,475</u>	<u>\$ 108,027</u>	<u>\$ 443,529</u>	<u>\$ 28,223</u>	<u>\$ 391,175</u>	<u>\$ 1,293,429</u>	<u>\$ 25,315,968</u>	

(concluded)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2021

(amounts in thousands)

	Special Revenue		
	Business and Professions Regulatory and Licensing	Financing for Local Governments and the Public	Cigarette, Tobacco, and Cannabis Tax
REVENUES			
Personal income taxes	\$ —	\$ 2,580,589	\$ —
Sales and use taxes	—	—	—
Motor vehicle excise taxes	73,386	46,907	—
Other taxes	1,343	585,342	2,601,872
Intergovernmental	—	—	—
Licenses and permits	695,710	18,129	208
Charges for services	63,651	1,813	819
Fees	1,558,479	573,793	74
Penalties	20,928	216	—
Investment and interest	13,525	6,758	2,650
Escheat	—	—	—
Other	11,915	244,146	467
Total revenues	2,438,937	4,057,693	2,606,090
EXPENDITURES			
Current:			
General government	871,550	592,146	101,926
Education	25,732	7,275	122,979
Health and human services	569,045	3,005,118	1,874,193
Natural resources and environmental protection	99,059	92,413	24,515
Business, consumer services, and housing	721,167	682,185	—
Transportation	13,256	116	3,152
Corrections and rehabilitation	—	113,288	586
Capital outlay	—	—	—
Debt service:			
Bond and commercial paper retirement	—	169,930	—
Interest and fiscal charges	116	3,245	7
Total expenditures	2,299,925	4,665,716	2,127,358
Excess (deficiency) of revenues over (under) expenditures	139,012	(608,023)	478,732
OTHER FINANCING SOURCES (USES)			
General obligation bonds and commercial paper issued	—	179,265	—
Revenue bonds issued	—	449,545	—
Refunding debt issued	—	13,155	—
Payment to refund long-term debt	—	—	—
Premium on bonds issued	—	18,038	—
Transfers in	100,155	958,812	13
Transfers out	(41,355)	(242,131)	(52,049)
Total other financing sources (uses)	58,800	1,376,684	(52,036)
Net change in fund balances	197,812	768,661	426,696
Fund balances – beginning	1,566,977 *	4,926,403	1,813,804 *
Fund balances – ending	\$ 1,764,789	\$ 5,695,064	\$ 2,240,500

* Restated

	Special Revenue				Total Nonmajor Special Revenue
	Local Revenue and Public Safety	Trial Courts	Golden State Tobacco Securitization Corporation	Other Special Revenue Programs	
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,580,589
16,036,914	—	—	—	—	16,036,914
—	—	—	—	—	120,293
—	—	—	—	—	3,188,557
—	831,804	—	—	—	831,804
3,097,599	—	—	—	113,894	3,925,540
—	54,910	—	—	288,070	409,263
—	509,408	—	—	1,393,871	4,035,625
52	248,833	—	—	219,797	489,826
293,829	5,696	1,126	15,481	—	339,065
—	4,022	—	—	—	4,022
45	157,281	470,096	865,890	—	1,749,840
19,428,439	1,811,954	471,222	2,897,003		33,711,338
3,998,722	3,630,768	535	1,875,751	—	11,071,398
—	—	—	31,081	—	187,067
15,408,582	—	—	834,072	—	21,691,010
15	—	—	63,560	—	279,562
2	62	—	33,536	—	1,436,952
—	—	—	1,621	—	18,145
—	—	—	66	—	113,940
—	—	—	—	—	—
—	—	212,215	—	—	382,145
—	5	330,310	123	—	333,806
19,407,321	3,630,835	543,060	2,839,810		35,514,025
21,118	(1,818,881)	(71,838)	57,193	—	(1,802,687)
—	—	—	—	—	179,265
—	—	—	—	—	449,545
—	—	437,260	—	—	450,415
—	—	(363,445)	—	—	(363,445)
—	—	—	—	—	18,038
7	1,658,148	—	105,362	—	2,822,497
—	(9,397)	—	(47,070)	—	(392,002)
7	1,648,751	73,815	58,292		3,164,313
21,125	(170,130)	1,977	115,485	—	1,361,626
74,036	992,428	741,311	3,817,948 *		13,932,907
\$ 95,161	\$ 822,298	\$ 743,288	\$ 3,933,433		\$ 15,294,533

(continued)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)

Nonmajor Governmental Funds

Year Ended June 30, 2021

(amounts in thousands)

	Debt Service		
	No Place Like Home Debt Service	Transportation Debt Service	Total Nonmajor Debt Service
REVENUES			
Personal income taxes	\$ —	\$ —	\$ —
Sales and use taxes	—	—	—
Motor vehicle excise taxes	—	—	—
Other taxes	—	—	—
Intergovernmental	—	—	—
Licenses and permits	—	—	—
Charges for services	—	—	—
Fees	—	—	—
Penalties	—	—	—
Investment and interest	457	—	457
Escheat	—	—	—
Other	—	—	—
Total revenues	457	—	457
EXPENDITURES			
Current:			
General government	150	—	150
Education	—	—	—
Health and human services	—	—	—
Natural resources and environmental protection	—	—	—
Business, consumer services, and housing	—	—	—
Transportation	—	—	—
Corrections and rehabilitation	—	—	—
Capital outlay	—	—	—
Debt service:			
Bond and commercial paper retirement	79,495	959,623	1,039,118
Interest and fiscal charges	15,683	743,068	758,751
Total expenditures	95,328	1,702,691	1,798,019
Excess (deficiency) of revenues over (under) expenditures	(94,871)	(1,702,691)	(1,797,562)
OTHER FINANCING SOURCES (USES)			
General obligation bonds and commercial paper issued	—	—	—
Revenue bonds issued	455	—	455
Refunding debt issued	—	—	—
Payment to refund long-term debt	—	—	—
Premium on bonds issued	—	—	—
Transfers in	108,030	1,702,691	1,810,721
Transfers out	—	—	—
Total other financing sources (uses)	108,485	1,702,691	1,811,176
Net change in fund balances	13,614	—	13,614
Fund balances – beginning	54,200	—	54,200
Fund balances – ending	\$ 67,814	\$ —	\$ 67,814

* Restated

	Capital Projects						Total Nonmajor Governmental
	Higher Education Construction	Hospital Construction	Local Government Construction	Building Authorities	Other Capital Projects	Total Nonmajor Capital Projects	
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,580,589
—	—	—	—	—	—	—	16,036,914
—	—	—	—	—	—	—	120,293
—	—	—	—	—	—	—	3,188,557
—	—	—	—	—	—	—	831,804
—	—	—	—	—	2,350	2,350	3,927,890
—	—	—	—	—	—	—	409,263
—	—	—	—	—	—	—	4,035,625
—	—	—	—	—	—	—	489,826
862	19	7,704	—	206	8,791	8,791	348,313
—	—	—	—	—	—	—	4,022
—	—	—	—	8,701	8,701	8,701	1,758,541
862	19	7,704	—	11,257	19,842	19,842	33,731,637
—	64,060	—	—	—	64,060	64,060	11,135,608
—	—	1,928,425	—	—	1,928,425	1,928,425	2,115,492
—	—	—	—	—	—	—	21,691,010
—	—	—	—	2,761	2,761	2,761	282,323
—	—	—	—	—	—	—	1,436,952
—	—	—	—	—	—	—	18,145
—	—	—	—	—	—	—	113,940
134,557	584	10,263	—	111,436	256,840	256,840	256,840
27,020	39,785	2,246,890	31,580	82,940	2,428,215	2,428,215	3,849,478
644	53	21,888	2,774	136	25,495	25,495	1,118,052
162,221	104,482	4,207,466	34,354	197,273	4,705,796	4,705,796	42,017,840
(161,359)	(104,463)	(4,199,762)	(34,354)	(186,016)	(4,685,954)	(4,685,954)	(8,286,203)
261,560	187,835	2,054,280	—	163,060	2,666,735	2,666,735	2,846,000
—	—	—	—	—	—	—	450,000
8,815	620	1,237,515	—	775	1,247,725	1,247,725	1,698,140
—	—	—	—	—	—	—	(363,445)
6,329	9,043	459,375	—	871	475,618	475,618	493,656
—	—	—	25,434	92,456	117,890	117,890	4,751,108
—	—	(946)	—	—	(946)	(946)	(392,948)
276,704	197,498	3,750,224	25,434	257,162	4,507,022	4,507,022	9,482,511
115,345	93,035	(449,538)	(8,920)	71,146	(178,932)	(178,932)	1,196,308
207,130	14,814	889,964	37,088	313,257	1,462,253	1,462,253	15,449,360
\$ 322,475	\$ 107,849	\$ 440,426	\$ 28,168	\$ 384,403	\$ 1,283,321	\$ 1,283,321	\$ 16,645,668

(concluded)

Budgetary Comparison Schedule

Nonmajor Governmental Funds¹

Year Ended June 30, 2021

(amounts in thousands)

	Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Cigarette and tobacco taxes	\$ 358,378	\$ 358,378	\$ —
Vehicle license fees	2,348,889	2,348,889	—
Personal income tax	2,580,589	2,580,589	—
Retail sales and use taxes	16,037,006	16,037,006	—
Other major taxes and licenses	20,008	20,008	—
Other revenues	19,412,021	19,412,021	—
Total revenues	40,756,891	40,756,891	—
EXPENDITURES			
Business, consumer services, and housing	3,162,706	2,452,021	(710,685)
Transportation	1,715,846	1,732,591	16,745
Natural resources and environmental protection	461,853	259,935	(201,918)
Health and human services	21,626,054	32,220,990	10,594,936
Corrections and rehabilitation	10,472	10,561	89
Education	1,719,433	1,650,955	(68,478)
General government:			
Tax relief	4,342	4,342	—
Other general government	5,504,742	9,310,958	3,806,216
Total expenditures	34,205,448	47,642,353	13,436,905
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	—	37,068,197	—
Transfers to other funds	—	(34,272,590)	—
Other additions	—	3,155,778	—
Total other financing sources (uses)	—	5,951,385	—
Excess of revenues and other sources over expenditures and other uses	—	(934,077)	—
Fund balances – beginning, restated	—	11,087,112	—
Fund balances – ending	\$ —	\$ 10,153,035	\$ —

¹On a budgetary basis, the State's funds are classified as either governmental cost funds or nongovernmental cost funds. The governmental cost funds include the General Fund, most of the funds that comprise the Transportation Fund and the Environmental and Natural Resources Fund, Health Care Related Programs Fund, and many other funds that make up the nonmajor governmental funds reported in these financial statements. Governmental cost funds derive their revenue from taxes, licenses, and fees that support the general operations of the State. The appropriations of the budgetary basis governmental cost funds form the annual appropriated budget of the State. Nongovernmental cost funds consist of funds that derive their receipts from sources other than general and special taxes, licenses, fees, or state revenues and mainly represent the proprietary and fiduciary funds reported in these financial statements. Expenditures of these funds do not represent a cost of government and most of the nongovernmental cost funds are not included in the annual appropriated budget. Therefore, the expenditures of these funds are not included in this schedule. The Federal Fund is one nongovernmental cost fund that is included in the annual appropriated budget. The Budgetary Comparison Schedule for the General Fund, Federal Fund, Transportation Fund, Environmental and Natural Resources Fund, and Health Care Related Programs Fund is included in the Required Supplementary Information section; the remaining governmental cost funds are reflected in this schedule. Additional information on the budgetary basis of accounting can be found in the Management's Discussion and Analysis, Note 2 – Budgetary and Legal Compliance, notes to the Required Supplementary Information, and in the separately issued Annual Comprehensive Financial Report Supplement.

Internal Service Funds

Internal service funds account for state activities that provide goods and services to other state departments or agencies on a cost reimbursement basis. Following are brief descriptions of the internal service funds.

The **Public Buildings Construction Fund** accounts for rental charges from the lease of public assets and the related lease-purchase revenue bonds.

The **Architecture Revolving Fund** accounts for charges for the costs of architectural services, construction, and improvements.

The **Service Revolving Fund** accounts for charges for printing and procurement services rendered by the Department of General Services for state departments and other public entities.

The **Prison Industries Fund** accounts for charges for goods produced by inmates in state prisons that are sold to state departments and other governmental entities.

The **Financial Information Systems Fund** accounts for charges for the development and subsequent use of the State's new financial information system.

The **Technology Services Revolving Fund** accounts for charges for technology services performed for various state, federal, and local government entities by the Department of Technology.

The **Water Resources Revolving Fund** accounts for charges for administrative services related to water delivery provided by the Department of Water Resources to federal, state, and local government agencies.

Other internal service program funds account for all other goods and services provided to other agencies, departments, or governments on a cost-reimbursement basis.

Combining Statement of Net Position

Internal Service Funds

June 30, 2021

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving	Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
ASSETS									
Current assets:									
Cash and pooled investments	\$ —	\$ 837,136	\$ 205,315	\$ 350,401	\$ 7,820	\$ 92,511	\$ 38,927	\$ 295,755	\$ 1,827,865
Restricted assets:									
Cash and pooled investments	816,911	—	—	—	—	—	—	—	816,911
Net investment in direct financing leases	492,900	—	—	—	—	—	—	—	492,900
Receivables (net)	—	943	2,486	5,257	—	3,342	353	55,016	67,397
Due from other funds	252,138	117,670	94,356	5,241	—	37,203	139,100	84,036	729,744
Due from other governments	—	—	915	154	—	3,361	15	27,827	32,272
Prepaid items	—	15,044	119,776	1,043	4,483	682	7,597	2,115	150,740
Inventories	—	—	1,535	51,768	—	—	950	19,045	73,298
Total current assets	1,561,949	970,793	424,383	413,864	12,303	137,099	186,942	483,794	4,191,127
Noncurrent assets:									
Restricted assets:									
Cash and pooled investments	141,036	—	—	—	—	—	—	—	141,036
Net investment in direct financing leases	7,668,002	—	—	—	—	—	—	—	7,668,002
Interfund receivables	—	—	—	—	—	—	—	41,291	41,291
Loans receivable	—	—	—	—	—	3,726	—	13,944	17,670
Long-term prepaid charges	222	—	—	—	—	—	—	—	222
Capital assets:									
Land	—	—	—	—	—	—	—	2,080	2,080
Buildings and other depreciable property	—	271	191,734	220,584	2,977	163,428	41,503	79,157	699,654
Intangible assets – amortizable	—	—	16,373	4,475	2,764	7,727	11,196	1,882	44,417
Less: accumulated depreciation/amortization	—	(271)	(140,766)	(153,795)	(4,724)	(126,437)	(42,382)	(73,451)	(541,826)
Construction/development in progress	2,283,691	—	—	5,258	345,643	—	—	645	2,635,237
Total noncurrent assets	10,092,951	—	67,341	76,522	346,660	48,444	10,317	65,548	10,707,783
Total assets	11,654,900	970,793	491,724	490,386	358,963	185,543	197,259	549,342	14,898,910
DEFERRED OUTFLOWS OF RESOURCES	131,538	13,008	134,312	72,566	—	62,475	—	141,656	555,555
Total assets and deferred outflows of resources	\$ 11,786,438	\$ 983,801	\$ 626,036	\$ 562,952	\$ 358,963	\$ 248,018	\$ 197,259	\$ 690,998	\$ 15,454,465

(continued)

Combining Statement of Net Position (continued)

Internal Service Funds

June 30, 2021

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving	Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
LIABILITIES									
Current liabilities:									
Accounts payable	\$ 37,666	\$ 376	\$ 57,267	\$ 16,462	\$ 39	\$ 37,019	\$ 23,378	\$ 254,950	\$ 427,157
Due to other funds	102,414	59,788	51,262	11,074	296	717	725	43,080	269,356
Due to other governments	19,835	43	2,134	—	—	—	40	1,596	23,648
Revenues received in advance	5,975	907,322	19,071	2,805	—	—	264	68,107	1,003,544
Deposits	—	—	2,339	—	—	—	—	—	2,339
Contracts and notes payable	—	—	3,148	—	—	11,873	12,422	—	27,443
Interest payable	91,927	—	—	—	—	—	—	—	91,927
Current portion of long-term obligations	574,680	—	—	4,998	—	—	—	2,575	582,253
Other liabilities	10,491	13	494	606	—	—	19	—	11,623
Total current liabilities	842,988	967,542	135,715	35,945	335	49,609	36,848	370,308	2,439,290
Noncurrent liabilities:									
Interfund payables	2,553,863	3,576	49,471	3,383	37,650	7,370	162,611	—	2,817,924
Compensated absences payable	—	547	125,037	16,277	—	56,309	—	31,197	229,367
Workers' compensation benefits payable	—	284	27,899	19,019	—	772	—	999	48,973
Revenue bonds payable	8,231,049	—	—	—	—	—	—	—	8,231,049
Net other postemployment benefits liability	—	56,358	767,095	306,480	—	311,413	—	504,649	1,945,995
Net pension liability	—	56,636	446,241	75,196	—	211,542	—	533,697	1,323,312
Other noncurrent liabilities	—	—	—	—	—	15,776	14,182	—	29,958
Total noncurrent liabilities	10,784,912	117,401	1,415,743	420,355	37,650	603,182	176,793	1,070,542	14,626,578
Total liabilities	11,627,900	1,084,943	1,551,458	456,300	37,985	652,791	213,641	1,440,850	17,065,868
DEFERRED INFLOWS OF RESOURCES									
	6,050	8,242	108,923	46,835	—	48,047	—	70,888	288,985
Total liabilities and deferred inflows of resources	11,633,950	1,093,185	1,660,381	503,135	37,985	700,838	213,641	1,511,738	17,354,853
NET POSITION									
Net investment in capital assets	—	—	67,341	76,522	346,659	20,099	—	11,678	522,299
Restricted – expendable:									
Construction	152,488	—	—	—	—	—	—	—	152,488
Total expendable	152,488	—	—	—	—	—	—	—	152,488
Unrestricted	—	(109,384)	(1,101,686)	(16,705)	(25,681)	(472,919)	(16,382)	(832,418)	(2,575,175)
Total net position (deficit)	152,488	(109,384)	(1,034,345)	59,817	320,978	(452,820)	(16,382)	(820,740)	(1,900,388)
Total liabilities, deferred inflows of resources, and net position	\$ 11,786,438	\$ 983,801	\$ 626,036	\$ 562,952	\$ 358,963	\$ 248,018	\$ 197,259	\$ 690,998	\$ 15,454,465

(concluded)

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

Internal Service Funds

Year Ended June 30, 2021

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
OPERATING REVENUES		
Services and sales	\$ —	\$ 771,107
Investment and interest	6,827	—
Rent	335,567	—
Total operating revenues	342,394	771,107
OPERATING EXPENSES		
Personal services	—	—
Supplies	—	—
Services and charges	4,879	767,586
Depreciation	—	—
Interest expense	345,741	—
Amortization of long-term prepaid charges	52	—
Total operating expenses	350,672	767,586
Operating income (loss)	(8,278)	3,521
NONOPERATING REVENUES (EXPENSES)		
Investment and interest income	1,701	—
Interest expense and fiscal charges	—	—
Other	(4,931)	—
Total nonoperating revenues (expenses)	(3,230)	—
Income (loss) before transfers	(11,508)	3,521
Transfers in	—	2
Transfers out	—	—
Change in net position	(11,508)	3,523
Total net position (deficit) – beginning	163,996	(112,907) *
Total net position (deficit) – ending	\$ 152,488	\$ (109,384)

* Restated

Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
\$ 823,504	\$ 331,422	\$ —	\$ 437,312	\$ 582,540	\$ 1,066,379	\$ 4,012,264
—	—	—	—	—	—	6,827
—	—	—	—	—	—	335,567
823,504	331,422	—	437,312	582,540	1,066,379	4,354,658
312,557	113,767	—	154,736	—	186,867	767,927
—	2,776	—	—	19,057	—	21,833
416,371	191,640	1,261	296,053	566,593	694,774	2,939,157
19,992	10,280	299	18,212	4,483	1,676	54,942
—	—	—	337	—	—	346,078
—	—	—	—	—	—	52
748,920	318,463	1,560	469,338	590,133	883,317	4,129,989
74,584	12,959	(1,560)	(32,026)	(7,593)	183,062	224,669
—	86	—	398	—	764	2,949
(65)	(72)	—	(27)	—	(46)	(210)
—	(3,559)	—	(294)	—	—	(8,784)
(65)	(3,545)	—	77	—	718	(6,045)
74,519	9,414	(1,560)	(31,949)	(7,593)	183,780	218,624
15,402	—	—	14,139	—	7	29,550
(24,286)	—	—	—	—	(16,390)	(40,676)
65,635	9,414	(1,560)	(17,810)	(7,593)	167,397	207,498
(1,099,980) *	50,403	322,538	(435,010) *	(8,789)	(988,137) *	(2,107,886)
\$ (1,034,345)	\$ 59,817	\$ 320,978	\$ (452,820)	\$ (16,382)	\$ (820,740)	\$ (1,900,388)

Combining Statement of Cash Flows

Internal Service Funds

Year Ended June 30, 2021

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 12,729	\$ —
Receipts from interfund services provided	843,493	885,002
Payments to suppliers	(104)	(743,617)
Payments to employees	—	(4,219)
Payments for interfund services used	—	—
Claims paid to other than employees	—	—
Other receipts (payments)	(414,352)	(899)
Net cash provided by (used in) operating activities	441,766	136,267
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Changes in interfund receivables	—	—
Changes in interfund payables and loans payable	688,815	(262)
Interest paid	—	—
Transfers in	—	2
Transfers out	—	—
Net cash provided by (used in) noncapital financing activities	688,815	(260)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(1,256,194)	—
Proceeds from sale of capital assets	—	—
Proceeds from revenue bonds	544,068	—
Retirement of revenue bonds	(535,695)	—
Interest paid	—	—
Net cash used in capital and related financing activities	(1,247,821)	—
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on investments	1,701	—
Net cash provided by (used in) investing activities	1,701	—
Net increase (decrease) in cash and pooled investments	(115,539)	136,007
Cash and pooled investments – beginning	1,073,486	701,129
Cash and pooled investments – ending	\$ 957,947	\$ 837,136

Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 12,729
749,219	329,606	—	459,907	585,483	1,097,620	4,950,330
(350,651)	(179,052)	—	(276,074)	(31,022)	(738,560)	(2,319,080)
(323,855)	(101,918)	—	(133,901)	—	(302,867)	(866,760)
—	(17,844)	(3,760)	—	—	(127,282)	(148,886)
—	—	—	—	(566,593)	—	(566,593)
(3,336)	(97)	—	1,129	11,436	(5,858)	(411,977)
71,377	30,695	(3,760)	51,061	(696)	(76,947)	649,763
—	—	—	147	—	179,246	179,393
(11,236)	—	—	(6,457)	(91)	(2,474)	668,295
(65)	(71)	—	—	—	(38)	(174)
15,402	—	—	14,139	—	7	29,550
(24,286)	—	—	—	—	(16,390)	(40,676)
(20,185)	(71)	—	7,829	(91)	160,351	836,388
(16,283)	(6,591)	(900)	(14,562)	(8,214)	(797)	(1,303,541)
252	1,935	—	130	—	690	3,007
—	—	—	—	—	—	544,068
—	—	—	—	—	—	(535,695)
—	—	—	(27)	—	—	(27)
(16,031)	(4,656)	(900)	(14,459)	(8,214)	(107)	(1,292,188)
—	149	—	398	—	764	3,012
—	149	—	398	—	764	3,012
35,161	26,117	(4,660)	44,829	(9,001)	84,061	196,975
170,154	324,284	12,480	47,682	47,928	211,694	2,588,837
\$ 205,315	\$ 350,401	\$ 7,820	\$ 92,511	\$ 38,927	\$ 295,755	\$ 2,785,812

(continued)

Combining Statement of Cash Flows (continued)

Internal Service Funds

Year Ended June 30, 2021

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving	Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES									
Operating income (loss)	\$ (8,278)	\$ 3,521	\$ 74,584	\$ 12,959	\$ (1,560)	\$ (32,026)	\$ (7,593)	\$ 183,062	\$ 224,669
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:									
Depreciation	—	—	19,992	10,280	299	18,212	4,483	1,676	54,942
Amortization of premiums and discounts	(87,443)	—	—	—	—	—	—	—	(87,443)
Amortization of long-term prepaid charges	47	—	—	—	—	—	—	—	47
Other	13,124	—	—	(97)	—	—	—	(8)	13,019
Change in account balances:									
Receivables	—	(942)	3,793	(3,285)	—	1,628	925	17,066	19,185
Due from other funds	5,591	24,253	(14,903)	(3,369)	—	18,328	3,663	62,948	96,511
Due from other governments	—	—	161	(54)	—	(1,385)	(15)	(5,321)	(6,614)
Prepaid items	—	30,446	166	734	8	121	(1,460)	(415)	29,600
Inventories	—	—	753	171	—	—	507	(544)	887
Net investment in direct financing leases	522,017	—	—	—	—	—	—	—	522,017
Deferred outflow of resources	—	1,366	14,485	967	—	2,137	—	15,598	34,553
Accounts payable	4,100	(6,477)	64,801	(3,974)	(47)	19,858	(11,012)	(42,819)	24,430
Due to other funds	(4,261)	41,947	(6,704)	(130)	(2,460)	2,639	(1,208)	(159,176)	(129,353)
Due to other governments	—	14	(586)	—	—	—	37	(499)	(1,034)
Contracts and notes payable	—	—	(2,769)	—	—	1,891	6,771	—	5,893
Interest payable	(1,400)	—	—	—	—	—	—	—	(1,400)
Revenues received in advance	—	48,637	(56,471)	(3,235)	—	—	(437)	(16,879)	(28,385)
Other current liabilities	(1,731)	(913)	(142)	10,695	—	—	(1)	(38)	7,870
Benefits payable	—	—	—	—	—	—	—	(2)	(2)
Compensated absences payable	—	(8,281)	63,898	3,344	—	21,509	—	(15,716)	64,754
Other noncurrent liabilities	—	4,761	(58,645)	9,396	—	6,505	4,644	(85,658)	(118,997)
Deferred inflow of resources	—	(2,065)	(31,036)	(3,707)	—	(8,356)	—	(30,222)	(75,386)
Total adjustments	450,044	132,746	(3,207)	17,736	(2,200)	83,087	6,897	(260,009)	425,094
Net cash provided by (used in) operating activities	\$ 441,766	\$ 136,267	\$ 71,377	\$ 30,695	\$ (3,760)	\$ 51,061	\$ (696)	\$ (76,947)	\$ 649,763
Noncash investing, capital, and financing activities									
Miscellaneous noncash activities transactions	\$ 5,072	\$ —	\$ —	\$ 64	\$ —	\$ —	\$ —	\$ —	\$ 5,136

(concluded)

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Nonmajor Enterprise Funds

Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises, in which the costs of providing goods or services to the general public on a continuing basis are intended to be financed or recovered primarily through user charges. Following are brief descriptions of nonmajor enterprise funds.

The **State Water Pollution Control Revolving Fund** accounts for loans to finance the construction of publicly owned water pollution control facilities.

The **Safe Drinking Water State Revolving Fund** accounts for loans to finance the construction of publicly owned water systems for drinking water infrastructure projects.

The **Housing Loan Fund** accounts for financing and contracts for the sale of properties to eligible California veterans.

Other enterprise program funds account for all other goods or services provided to the general public on a continuing basis when all or most of the cost involved is to be financed by user charges, or when periodic measurement of the results of operations is appropriate for management control, accountability, capital maintenance, public policy, or other purposes.

Combining Statement of Net Position

Nonmajor Enterprise Funds

June 30, 2021

(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving
ASSETS		
Current assets:		
Cash and pooled investments	\$ 628,738	\$ 160,208
Restricted assets:		
Cash and pooled investments	238,357	39,563
Due from other governments	173,930	7,773
Receivables (net)	—	6,015
Due from other funds	608	19,161
Due from other governments	107,540	58,403
Prepaid items	—	—
Inventories	—	—
Total current assets	1,149,173	291,123
Noncurrent assets:		
Restricted assets:		
Loans receivable	1,829,935	104,754
Investments	—	—
Interfund receivables	3,584	—
Loans receivable	2,696,273	1,751,504
Capital assets:		
Land	—	—
Buildings and other depreciable property	—	—
Intangible assets – amortizable	—	—
Less: accumulated depreciation/amortization	—	—
Construction/development in progress	—	—
Other noncurrent assets	—	—
Total noncurrent assets	4,529,792	1,856,258
Total assets	5,678,965	2,147,381
DEFERRED OUTFLOWS OF RESOURCES		
Total assets and deferred outflows of resources	\$ 5,678,965	\$ 2,147,381

Housing Loan	Other Enterprise Programs	Total
\$ 228,974	\$ 243,494	\$ 1,261,414
—	—	277,920
—	—	181,703
34,652	1,079	41,746
—	2,599	22,368
—	314	166,257
—	21	21
—	4,733	4,733
263,626	252,240	1,956,162
—	—	1,934,689
20,108	—	20,108
—	17,962	21,546
862,433	66,561	5,376,771
444	829	1,273
16,260	9,882	26,142
—	1,771	1,771
(16,260)	(6,630)	(22,890)
—	106	106
5,507	—	5,507
888,492	90,481	7,365,023
1,152,118	342,721	9,321,185
3,267	9,616	12,883
\$ 1,155,385	\$ 352,337	\$ 9,334,068
(continued)		

Combining Statement of Net Position (continued)

Nonmajor Enterprise Funds

June 30, 2021

(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving
LIABILITIES		
Current liabilities:		
Accounts payable	\$ —	\$ —
Due to other funds	—	19,253
Due to other governments	—	—
Revenues received in advance	1	—
Interest payable	13,434	943
Current portion of long-term obligations	107,367	7,630
Other current liabilities	—	—
Total current liabilities	120,802	27,826
Noncurrent liabilities:		
Interfund payables	—	—
Compensated absences payable	—	—
Workers' compensation benefits payable	—	—
General obligation bonds payable	—	—
Revenue bonds payable	1,118,142	80,107
Net other postemployment benefits liability	—	—
Net pension liability	—	—
Other noncurrent liabilities	—	—
Total noncurrent liabilities	1,118,142	80,107
Total liabilities	1,238,944	107,933
DEFERRED INFLOWS OF RESOURCES	—	—
Total liabilities and deferred inflows of resources	1,238,944	107,933
NET POSITION		
Net investment in capital assets	—	—
Restricted – expendable:		
Debt service	238,357	—
Security for revenue bonds	2,003,865	—
Other purposes	—	2,039,448
Total expendable	2,242,222	2,039,448
Unrestricted	2,197,799	—
Total net position	4,440,021	2,039,448
Total liabilities, deferred inflows of resources, and net position	\$ 5,678,965	\$ 2,147,381

Housing Loan	Other Enterprise Programs	Total
\$ 318	\$ 9,159	\$ 9,477
676	1,493	21,422
(8)	240	232
—	57	58
15,374	—	29,751
175,705	11,813	302,515
—	—	—
192,065	22,762	363,455
1,134	21,720	22,854
—	17,860	17,860
—	4,477	4,477
550,804	—	550,804
265,458	—	1,463,707
9,168	31,305	40,473
13,408	25,194	38,602
1,647	9,972	11,619
841,619	110,528	2,150,396
1,033,684	133,290	2,513,851
16,163	4,728	20,891
1,049,847	138,018	2,534,742
444	2,619	3,063
—	—	238,357
—	—	2,003,865
105,094	162,204	2,306,746
105,094	162,204	4,548,968
—	49,496	2,247,295
105,538	214,319	6,799,326
\$ 1,155,385	\$ 352,337	\$ 9,334,068
(concluded)		

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

Nonmajor Enterprise Funds

Year Ended June 30, 2021

(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving
OPERATING REVENUES		
Services and sales	\$ 7,129	\$ —
Investment and interest	62,669	25,340
Other	—	—
Total operating revenues	69,798	25,340
OPERATING EXPENSES		
Personal services	—	13,179
Supplies	—	—
Services and charges	7,956	—
Depreciation	—	—
Interest expense	—	—
Other	355	8,639
Total operating expenses	8,311	21,818
Operating income (loss)	61,487	3,522
NONOPERATING REVENUES (EXPENSES)		
Donations and grants	520	59,957
Investment and interest income	3,992	1,117
Interest expense and fiscal charges	(33,155)	(1,752)
Other	—	—
Total nonoperating revenues (expenses)	(28,643)	59,322
Income (loss) before capital contributions and transfers	32,844	62,844
Transfers in	—	—
Transfers out	—	—
Change in net position	32,844	62,844
Total net position – beginning	4,407,177	1,976,604
Total net position – ending	\$ 4,440,021	\$ 2,039,448

* Restated

Housing Loan	Other Enterprise Programs	Total
\$ 1,538	\$ 106,336	\$ 115,003
47,694	251	135,954
2,721	317	3,038
51,953	106,904	253,995
5,400	41,108	59,687
—	54,939	54,939
14,635	32,691	55,282
—	1,589	1,589
34,469	—	34,469
—	—	8,994
54,504	130,327	214,960
(2,551)	(23,423)	39,035
—	—	60,477
—	1,025	6,134
—	(3)	(34,910)
(36)	—	(36)
(36)	1,022	31,665
(2,587)	(22,401)	70,700
—	2	2
(2,587)	(22,399)	70,702
108,125	236,718	* 6,728,624
\$ 105,538	\$ 214,319	\$ 6,799,326

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

Year Ended June 30, 2021

(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers/employers	\$ 56,443	\$ 25,711
Receipts from interfund services provided	523	—
Payments to suppliers	(8,311)	(10,630)
Payments to employees	—	—
Payments for interfund services used	—	—
Other receipts (payments)	71,879	(90,012)
Net cash provided by (used in) operating activities	<u>120,534</u>	<u>(74,931)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Changes in interfund receivables and loans receivable	1,628	—
Changes in interfund payables and loans payable	—	—
Proceeds from general obligation bonds	—	—
Retirement of general obligation bonds	—	—
Proceeds from revenue bonds	—	—
Retirement of revenue bonds	(82,615)	(5,410)
Interest paid	(55,908)	(3,892)
Transfers in	—	—
Grants received	3,624	53,013
Net cash provided by (used in) noncapital financing activities	<u>(133,271)</u>	<u>43,711</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	—	—
Proceeds from sale of capital assets	—	—
Net cash provided by (used in) capital and related financing activities	<u>—</u>	<u>—</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	—	—
Proceeds from maturity and sale of investments	—	—
Earnings on investments	5,970	1,669
Net cash provided by (used in) investing activities	<u>5,970</u>	<u>1,669</u>
Net increase (decrease) in cash and pooled investments	(6,767)	(29,551)
Cash and pooled investments – beginning	873,862	229,322
Cash and pooled investments – ending	<u>\$ 867,095</u>	<u>\$ 199,771</u>

Housing Loan	Other Enterprise Programs	Total
\$ 351,296	\$ 108,571	\$ 542,021
—	2,224	2,747
(14,941)	(72,577)	(106,459)
(5,400)	(28,639)	(34,039)
(1,131)	(437)	(1,568)
(186,498)	(16,762)	(221,393)
<u>143,326</u>	<u>(7,620)</u>	<u>181,309</u>
—	(11,119)	(9,491)
1,134	500	1,634
99,997	—	99,997
(280,155)	—	(280,155)
99,999	—	99,999
(79,140)	—	(167,165)
—	(3)	(59,803)
—	2	2
—	—	56,637
<u>(158,165)</u>	<u>(10,620)</u>	<u>(258,345)</u>
—	(163)	(163)
—	93	93
—	(70)	(70)
(2,600)	—	(2,600)
2,516	—	2,516
—	1,025	8,664
<u>(84)</u>	<u>1,025</u>	<u>8,580</u>
(14,923)	(17,285)	(68,526)
<u>243,897</u>	<u>260,779</u>	<u>1,607,860</u>
<u>\$ 228,974</u>	<u>\$ 243,494</u>	<u>\$ 1,539,334</u>

(continued)

Combining Statement of Cash Flows (continued)

Nonmajor Enterprise Funds

Year Ended June 30, 2021

(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	\$ 61,487	\$ 3,522
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	—	—
Provisions and allowances	—	—
Amortization of premiums and discounts	—	—
Other	(16,107)	—
Change in account balances:		
Receivables	—	—
Due from other funds	523	—
Due from other governments	554	371
Prepaid items	—	—
Inventories	—	—
Other current assets	—	—
Loans receivable	74,077	(90,013)
Deferred outflow of resources	—	—
Accounts payable	—	—
Due to other funds	—	11,189
Due to other governments	—	—
Interest payable	—	—
Revenues received in advance	—	—
Other current liabilities	—	—
Benefits payable	—	—
Compensated absences payable	—	—
Other noncurrent liabilities	—	—
Deferred inflows of resources	—	—
Total adjustments	59,047	(78,453)
Net cash provided by (used in) operating activities	\$ 120,534	\$ (74,931)
Noncash investing, capital, and financing activities		
Miscellaneous noncash activities transactions	\$ —	\$ —

Housing Loan	Other Enterprise Programs	Total
\$ (2,551)	\$ (23,423)	\$ 39,035
—	1,589	1,589
44	—	44
(1,277)	—	(1,277)
(369)	—	(16,476)
(131)	(415)	(546)
—	531	1,054
—	178	1,103
—	(1)	(1)
—	267	267
(388)	—	(388)
153,389	3,429	140,882
(3,899)	1,887	(2,012)
(57)	(2,217)	(2,274)
(2,932)	(118)	8,139
—	64	64
524	—	524
—	27	27
—	(176)	(176)
—	2,811	2,811
—	7,186	7,186
(163)	1,459	1,296
1,136	(698)	438
145,877	15,803	142,274
\$ 143,326	\$ (7,620)	\$ 181,309
		(concluded)
\$ 1,596	\$ —	\$ 1,596

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Private Purpose Trust Funds

Private purpose trust funds account for all trust arrangements, other than those properly reported in pension and other employee benefit trust funds or investment trust funds, under which both principal and income benefit individuals, private organizations, or other governments. Following are brief descriptions of private purpose trust funds.

The **Scholarshare Program Trust Fund** accounts for money received from participants to fund their beneficiaries' higher-education expenses at certain postsecondary educational institutions.

The **Unclaimed Property Fund** accounts for unclaimed money and properties held in trust by the State.

Other private purpose trust funds account for other assets held in a trustee capacity when both principal and income benefit individuals, private organizations, or other governments.

Combining Statement of Fiduciary Net Position

Private Purpose Trust Funds

June 30, 2021

(amounts in thousands)

	Scholarshare Program Trust	Unclaimed Property	Other Private Purpose Trust	Total
ASSETS				
Cash and pooled investments	\$ 4,247	\$ 20,830	\$ 26,788	\$ 51,865
Investments, at fair value:				
Equity securities	6,372,049	—	20,499	6,392,548
Debt securities	3,521,779	—	13,425	3,535,204
Real estate	322,281	—	—	322,281
Other	2,313,746	—	111,085	2,424,831
Total investments	12,529,855	—	145,009	12,674,864
Receivables (net)	1,364	6,902	145	8,411
Due from other funds	—	75,843	16	75,859
Other assets	—	307,967	21	307,988
Total assets	12,535,466	411,542	171,979	13,118,987
LIABILITIES				
Accounts payable	7,044	12,228	16,243	35,515
Due to other governments	—	—	6,194	6,194
Revenues received in advance	—	—	16,853	16,853
Deposits	—	307,967	—	307,967
Total liabilities	7,044	320,195	39,290	366,529
NET POSITION				
Restricted for individuals, organizations, or other governments	\$ 12,528,422	\$ 91,347	\$ 132,689	\$ 12,752,458

Combining Statement of Changes in Fiduciary Net Position

Private Purpose Trust Funds

Year Ended June 30, 2021

(amounts in thousands)

	Scholarshare Program Trust	Unclaimed Property	Other Private Purpose Trust	Total
ADDITIONS				
Investment income:				
Net appreciation (depreciation) in fair value of investments	\$ —	\$ —	\$ 6,754	\$ 6,754
Interest, dividends, and other investment income	2,148,122	—	504	2,148,626
Less: investment expense	(2,819)	—	(131)	(2,950)
Net investment income	2,145,303	—	7,127	2,152,430
Receipts from depositors	2,089,276	948,563	122,002	3,159,841
Total additions	4,234,579	948,563	129,129	5,312,271
DEDUCTIONS				
Administrative expenses	—	—	106	106
Payments to and for depositors	1,697,426	942,923	25,651	2,666,000
Total deductions	1,697,426	942,923	25,757	2,666,106
Change in net position	2,537,153	5,640	103,372	2,646,165
Net position – beginning	9,991,269	85,707	29,317	10,106,293
Net position – ending	\$ 12,528,422	\$ 91,347	\$ 132,689	\$ 12,752,458

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Fiduciary Funds and Similar Component Units – Pension and Other Employee Benefit Trust Funds

Pension and other employee benefit trust funds account for transactions, assets, liabilities, and net position available for pension and other employee benefits of the two public employees' retirement systems that are fiduciary component units, and for other primary government employee benefit programs. Following are brief descriptions of pension and other employee benefit trust funds.

Defined Benefit Pension Plans are pension plans that provide defined benefit pensions to employees after separation from service:

The **Public Employees' Retirement Fund** is administered by the California Public Employees' Retirement System (CalPERS) and accounts for the employee and employer contributions of the agent and cost-sharing multiple-employer retirement plans that provide pension benefits to employees of the State of California, non-teaching school employees, and employees of California public agencies.

The **State Teachers' Retirement Fund** is administered by the California State Teachers' Retirement System (CalSTRS) and accounts for the employee, employer, and primary government contributions of the cost-sharing multiple-employer retirement plan that provides pension benefits to teachers and certain other employees of the California public school system.

The **Judges' Retirement Fund** is administered by CalPERS and accounts for the employee and employer contributions of the single-employer retirement plan that provides pension benefits to judges of the California Supreme Court, courts of appeal, and superior courts who were appointed or elected prior to November 9, 1994.

The **Judges' Retirement Fund II** is administered by CalPERS and accounts for the employee and employer contributions of the single-employer retirement plan that provides pension benefits to judges of the California Supreme Court, courts of appeal, and superior courts who were appointed or elected on or subsequent to November 9, 1994.

The **Legislators' Retirement Fund** is administered by CalPERS and accounts for the employee and employer contributions of the single-employer retirement plan that provides pension benefits to members of the Legislature serving prior to November 7, 1990, constitutional officers, and legislative statutory officers who elect to participate in the plan.

(continued)

(continued)

The **Defined Benefit Other Postemployment Benefits (OPEB) Plan** provides defined benefit OPEB, other than pensions, to employees after separation from service:

The **Annuitants' Health Care Coverage Fund** is administered by CalPERS as the California Employers' Retiree Benefit Trust Fund (CERBTf), an agent multiple-employer plan for employers to prefund health, dental, and other nonpension postemployment benefits for state and local government annuitants, and to pay related administrative costs.

The **Deferred Compensation Fund** accounts for monies withheld from the salaries of participants per Internal Revenue Code sections 401(k), 457, and 403(b). The monies are invested until the employee retires or resigns, at which time all money withdrawn, including investment income, is subject to income taxes.

Other pension and other employee benefit trust funds account for funds contributed to smaller retirement plans and programs that are not defined benefit pension plans including the Teachers' Health Benefits Fund, Supplemental Contributions Program Fund, Boxers' Pension Fund, and Flexelect Benefit Fund.

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Combining Statement of Fiduciary Net Position

Fiduciary Funds and Similar Component Units – Pension and Other Employee Benefit Trust Funds

June 30, 2021

(amounts in thousands)

	Defined Benefit		
	Public Employees' Retirement	State Teachers' Retirement	Judges' Retirement
ASSETS			
Cash and pooled investments	\$ 3,464,475	\$ 174,750	\$ 5,019
Investments, at fair value:			
Short-term	21,919,776	15,113,783	63,531
Equity securities	238,939,352	148,575,845	—
Debt securities	129,929,381	43,420,038	—
Real estate	47,207,101	39,025,390	—
Securities lending collateral	3,350,881	23,905,401	—
Other	44,830,728	69,188,168	—
Total investments	486,177,219	339,228,625	63,531
Receivables (net)	3,817,380	7,447,412	1,879
Due from other funds	747,157	—	14
Loans receivable	—	3,694,436	—
Other assets	259,711	474,571	—
Total assets	494,465,942	351,019,794	70,443
DEFERRED OUTFLOWS OF RESOURCES	109,917	43,445	457
Total assets and deferred outflows of resources	494,575,859	351,063,239	70,900
LIABILITIES			
Accounts payable	8,174	9,703,697	187
Due to other governments	—	3	—
Benefits payable	2,314,516	1,707,677	—
Securities lending obligations	3,351,059	23,782,637	—
Loans payable	—	3,702,696	—
Other liabilities	11,500,705	1,576,403	8,712
Total liabilities	17,174,454	40,473,113	8,899
DEFERRED INFLOWS OF RESOURCES	78,656	296,673	361
Total liabilities and deferred inflows of resources	17,253,110	40,769,786	9,260
NET POSITION			
Restricted:			
Pension and other postemployment benefits	477,322,749	310,293,453	61,640
Deferred compensation participants	—	—	—
Individuals, organizations, or other governments	—	—	—
Total net position	\$ 477,322,749	\$ 310,293,453	\$ 61,640

Pension Plans		Defined Benefit OPEB Plan		Other Pension and Other Employee Benefit Trust		Total
Judges' Retirement II	Legislators' Retirement	Annuityants' Health Care Coverage	Deferred Compensation			
\$ 2,430	\$ 1,887	\$ 26,863	\$ 17,694	\$ 12,495	\$	3,705,613
157	11	44,864	2,889,755	23,899		40,055,776
1,530,490	44,149	10,450,927	14,440,552	91,479		414,072,794
864,106	78,054	5,162,461	2,569,640	73,503		182,097,183
—	—	—	—	—		86,232,491
—	—	—	—	—		27,256,282
—	—	—	4,299,503	—		118,318,399
2,394,753	122,214	15,658,252	24,199,450	188,881		868,032,925
7,274	56	53,459	32,527	3,483		11,363,470
5	—	9	16	11		747,212
—	—	—	6,895	—		3,701,331
—	—	—	—	—		734,282
2,404,462	124,157	15,738,583	24,256,582	204,870		888,284,833
580	166	913	678	153		156,309
2,405,042	124,323	15,739,496	24,257,260	205,023		888,441,142
219	54	726	3,221	3,602		9,719,880
—	—	—	—	—		3
—	567	89,276	1,314	647		4,113,997
—	—	—	—	—		27,133,696
—	—	—	—	5		3,702,701
6,390	1,562	10,098	13,937	3,066		13,120,873
6,609	2,183	100,100	18,472	7,320		57,791,150
404	92	839	2,225	1,083		380,333
7,013	2,275	100,939	20,697	8,403		58,171,483
2,398,029	122,048	15,638,557	—	188,852		806,025,328
—	—	—	24,236,563	—		24,236,563
—	—	—	—	7,768		7,768
\$ 2,398,029	\$ 122,048	\$ 15,638,557	\$ 24,236,563	\$ 196,620	\$	830,269,659

Combining Statement of Changes in Fiduciary Net Position

Fiduciary Funds and Similar Component Units – Pension and Other Employee Benefit Trust Funds

Year Ended June 30, 2021

(amounts in thousands)

	Defined Benefit		
	Public Employees' Retirement	State Teachers' Retirement	Judges' Retirement
ADDITIONS			
Contributions:			
Employer	\$ 20,034,757	\$ 5,758,216	\$ 225,824
Plan member	4,757,000	3,742,508	2,146
Non-employer	—	3,730,902	—
Total contributions	24,791,757	13,231,626	227,970
Investment income:			
Net appreciation (depreciation) in fair value of investments	81,440,759	62,010,642	—
Interest, dividends, and other investment income	7,751,240	5,511,210	170
Less: investment expense	(1,026,334)	(483,232)	(7)
Net investment income (loss)	88,165,665	67,038,620	163
Other	7,655	90,454	2,462
Total additions	112,965,077	80,360,700	230,595
DEDUCTIONS			
Distributions to beneficiaries	27,415,194	16,606,579	210,951
Refunds of contributions	287,556	101,549	—
Administrative expense	392,119	253,259	1,731
Interest expense	—	89,604	—
Payments to and for depositors	—	—	—
Total deductions	28,094,869	17,050,991	212,682
Change in net position	84,870,208	63,309,709	17,913
Net position – beginning	392,452,541	246,983,744	43,727
Net position – ending	\$ 477,322,749	\$ 310,293,453	\$ 61,640

* Restated

Pension Plans		Defined Benefit OPEB Plan		Other Pension and Other Employee Benefit Trust		Total
Judges' Retirement II	Legislators' Retirement	Annuitants' Health Care Coverage	Deferred Compensation			
\$ 84,147	\$ 92	\$ 4,079,904	\$ 1,283	\$ 72,752	\$	30,256,975
34,094	21	—	992,162	40,688		9,568,619
—	—	—	—	—		3,730,902
118,241	113	4,079,904	993,445	113,440		43,556,496
464,056	15,133	3,097,145	5,171,437	25,741		152,224,913
247	13	96	29,161	23		13,292,160
(825)	(48)	(5,430)	(683)	(50)		(1,516,609)
463,478	15,098	3,091,811	5,199,915	25,714		164,000,464
—	—	11,704	21,912	140		134,327
581,719	15,211	7,183,419	6,215,272	139,294		207,691,287
61,613	6,761	3,242,939	82,895	68,729		47,695,661
381	—	—	6,613	—		396,099
1,703	450	4,544	273,291	1,068		928,165
—	—	—	—	—		89,604
—	—	1,318	373,653	7,191		382,162
63,697	7,211	3,248,801	736,452	76,988		49,491,691
518,022	8,000	3,934,618	5,478,820	62,306		158,199,596
1,880,007	114,048	11,703,939	18,757,743	134,314	*	672,070,063
\$ 2,398,029	\$ 122,048	\$ 15,638,557	\$ 24,236,563	\$ 196,620		\$ 830,269,659

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Nonmajor Component Units

Nonmajor component units are legally separate entities that are discretely presented in the State's financial statements in accordance with Generally Accepted Accounting Principles (GAAP). The inclusion of component units in the State's financial statements reflects the State's financial accountability for or relationships with these organizations such that exclusion would cause the State's financial statements to be misleading. Following are brief descriptions of the nonmajor consolidated component unit segments.

Financing authorities provide financing for transportation, business development and public improvements, and coastal and inland urban waterfront restoration projects. These agencies include the California Alternative Energy and Advanced Transportation Financing Authority, the California Infrastructure and Economic Development Bank, and the California Urban Waterfront Area Restoration Financing Authority.

California State University Auxiliary Organizations provide services primarily to university students through foundations, associated student organizations, student unions, food service entities, book stores, and similar organizations.

District agricultural associations were created to exhibit all of the industries, industrial enterprises, resources, and products of the State. The financial information presented is as of and for the year ended December 31, 2020.

Other component units provide legal education programs, financial assistance to businesses, and health benefits for state employees and annuitants. These entities include the University of California Hastings College of the Law; the State Assistance Fund for Enterprise, Business and Industrial Development Corporation; and the Public Employees' Contingency Reserve.

Combining Statement of Net Position

Nonmajor Component Units

June 30, 2021

(amounts in thousands)

	Financing Authorities	California State University Auxiliary Organizations
ASSETS		
Current assets:		
Cash and pooled investments	\$ 8,120	\$ 667,654
Investments	—	726,620
Restricted assets:		
Cash and pooled investments	290,968	—
Investments	30,641	—
Receivables (net)	25,634	423,985
Prepaid items	—	—
Other current assets	—	32,503
Total current assets	355,363	1,850,762
Noncurrent assets:		
Restricted assets:		
Cash and pooled investments	—	66,630
Investments	141,161	—
Investments	—	2,847,294
Receivables (net)	—	327,476
Loans receivable	411,023	—
Long-term prepaid charges	—	—
Capital assets:		
Land	—	144,045
Collections – nondepreciable	—	12,230
Buildings and other depreciable property	9	1,331,319
Intangible assets – amortizable	—	7,475
Less: accumulated depreciation/amortization	(9)	(699,362)
Construction/development in progress	—	27,472
Intangible assets – nonamortizable	—	5,098
Other noncurrent assets	—	63,040
Total noncurrent assets	552,184	4,132,717
Total assets	907,547	5,983,479
DEFERRED OUTFLOWS OF RESOURCES	18,550	42,022
Total assets and deferred outflows of resources	\$ 926,097	\$ 6,025,501

District Agricultural Associations	Other Component Units	Total
\$ 79,501	\$ 735,291	\$ 1,490,566
—	—	726,620
20,604	1,425	312,997
12	—	30,653
12,783	32,725	495,127
629	1,548	2,177
2,802	—	35,305
116,331	770,989	3,093,445
—	—	66,630
3,297	—	144,458
—	415,556	3,262,850
—	1,665	329,141
—	41	411,064
—	119	119
22,246	5,089	171,380
—	421	12,651
798,448	191,668	2,321,444
—	1,483	8,958
(542,327)	(49,247)	(1,290,945)
38,424	53,198	119,094
—	116	5,214
—	14,398	77,438
320,088	634,507	5,639,496
436,419	1,405,496	8,732,941
31,211	24,394	116,177
\$ 467,630	\$ 1,429,890	\$ 8,849,118

(continued)

Combining Statement of Net Position (continued)

Nonmajor Component Units

June 30, 2021

(amounts in thousands)

	Financing Authorities	California State University Auxiliary Organizations
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 3,329	\$ 108,051
Revenues received in advance	1,024	103,446
Deposits	—	—
Contracts and notes payable	—	11,480
Interest payable	1,293	—
Current portion of long-term obligations	19,526	131,454
Other current liabilities	48,827	105,118
Total current liabilities	73,999	459,549
Noncurrent liabilities:		
Compensated absences payable	675	7,028
Workers' compensation benefits payable	—	10,902
Loans payable	558	—
Commercial paper and other borrowings	—	710
Capital lease obligations	—	226,136
Revenue bonds payable	304,885	50,143
Net other postemployment benefits liability	10,947	98,367
Net pension liability	9,177	99,948
Revenues received in advance	—	—
Other noncurrent liabilities	4,776	539,607
Total noncurrent liabilities	331,018	1,032,841
Total liabilities	405,017	1,492,390
DEFERRED INFLOWS OF RESOURCES	2,385	81,232
Total liabilities and deferred inflows of resources	407,402	1,573,622
NET POSITION		
Net investment in capital assets	—	303,403
Restricted:		
Nonexpendable – endowments	—	1,667,753
Expendable:		
Endowments and gifts	—	—
Education	—	1,473,417
Statute	519,143	—
Other purposes	47	—
Total expendable	519,190	1,473,417
Unrestricted	(495)	1,007,306
Total net position	518,695	4,451,879
Total liabilities, deferred inflows of resources, and net position	\$ 926,097	\$ 6,025,501

District Agricultural Associations	Other Component Units	Total
\$ 11,747	\$ 768,079	\$ 891,206
7,553	1,277	113,300
6,837	278	7,115
—	—	11,480
479	—	1,772
2,652	4,065	157,697
1,620	3,744	159,309
30,888	777,443	1,341,879
6,640	—	14,343
66	—	10,968
11,383	—	11,941
—	—	710
—	—	226,136
39,051	434,460	828,539
27,855	79,630	216,799
113,035	47,381	269,541
7,703	—	7,703
35,798	11,645	591,826
241,531	573,116	2,178,506
272,419	1,350,559	3,520,385
15,289	48,085	146,991
287,708	1,398,644	3,667,376
238,464	77,270	619,137
—	28,805	1,696,558
—	21,184	21,184
—	(1,847)	1,471,570
—	—	519,143
18,500	—	18,547
18,500	19,337	2,030,444
(77,042)	(94,166)	835,603
179,922	31,246	5,181,742
\$ 467,630	\$ 1,429,890	\$ 8,849,118

(concluded)

Combining Statement of Activities

Nonmajor Component Units

Year Ended June 30, 2021

(amounts in thousands)

	Financing Authorities	California State University Auxiliary Organizations
OPERATING EXPENSES		
Personal services	\$ 11,618	\$ 350,963
Scholarships and fellowships	—	83,609
Supplies	—	—
Services and charges	4,629	995,829
Depreciation	1	56,800
Interest expense and fiscal charges	5,901	23,971
Other	—	92,048
Total operating expenses	22,149	1,603,220
PROGRAM REVENUES		
Charges for services	3,349	253,036
Operating grants and contributions	88,361	712,983
Capital grants and contributions	—	23,185
Total program revenues	91,710	989,204
Net revenues (expenses)	69,561	(614,016)
GENERAL REVENUES		
Investment and interest income	14,826	623,256
Other	3,179	854,164
Total general revenues	18,005	1,477,420
Change in net position	87,566	863,404
Net position – beginning	431,129	3,588,475 *
Net position – ending	\$ 518,695	\$ 4,451,879

* Restated

District Agricultural Associations	Other Component Units	Total
\$ 110,943	\$ 38,975	\$ 512,499
—	6,264	89,873
—	19,858	19,858
23,158	29,250	1,052,866
20,343	4,140	81,284
1,708	16,316	47,896
432	8,436	100,916
156,584	123,239	1,905,192
91,553	56,634	404,572
—	23,699	825,043
—	894	24,079
91,553	81,227	1,253,694
(65,031)	(42,012)	(651,498)
58	29,950	668,090
16,298	18,837	892,478
16,356	48,787	1,560,568
(48,675)	6,775	909,070
228,597	24,471	4,272,672
\$ 179,922	\$ 31,246	\$ 5,181,742

Statistical Section



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Financial Trends

Financial trend schedules contain trend information to help the reader understand how the State’s financial performance and well-being have changed over time. This section includes the following financial trend schedules.

- Schedule of Net Position by Component
- Schedule of Changes in Net Position
- Schedule of Fund Balances – Governmental Funds
- Schedule of Changes in Fund Balances – Governmental Funds

Source: The information in the following schedules is derived from the State’s Annual Comprehensive Financial Reports.

Schedule of Net Position by Component

For the Past Ten Fiscal Years

(accrual basis of accounting, amounts in thousands)

	2012	2013	2014 ²	2015 ³
Governmental activities				
Net investment in capital assets	\$ 80,768,527	\$ 84,931,030	\$ 94,001,659	\$ 100,694,652
Restricted – Expendable	24,871,510	24,315,913	24,950,740	26,632,502
Unrestricted ¹	(123,897,753)	(117,383,903)	(116,948,128)	(169,744,967)
Total governmental activities net position (deficit)	\$ (18,257,716)	\$ (8,136,960)	\$ 2,004,271	\$ (42,417,813)

Business-type activities				
Net investment in capital assets	\$ 1,561,258	\$ 1,718,648	\$ 2,065,550	\$ 2,278,252
Restricted – Nonexpendable	21,584	20,627	16,219	13,448
Restricted – Expendable	4,571,036	5,151,915	4,897,314	4,523,496
Unrestricted	(3,346,849)	(2,824,738)	(1,661,692)	(5,360,817)
Total business-type activities net position (deficit)	\$ 2,807,029	\$ 4,066,452	\$ 5,317,391	\$ 1,454,379

Primary government				
Net investment in capital assets	\$ 82,329,785	\$ 86,649,678	\$ 96,067,209	\$ 102,972,904
Restricted – Nonexpendable	21,584	20,627	16,219	13,448
Restricted – Expendable	29,442,546	29,467,828	29,848,054	31,155,998
Unrestricted	(127,244,602)	(120,208,641)	(118,609,820)	(175,105,784)
Total primary government net position (deficit)	\$ (15,450,687)	\$ (4,070,508)	\$ 7,321,662	\$ (40,963,434)

¹ Governmental activities' unrestricted net position reflects a negative balance because of outstanding bonded debt issued to build capital assets for school districts and other local governmental entities and unfunded employee-related obligations—net pension liability, net other postemployment benefits (OPEB) liability and compensated absences.

² In fiscal year 2014, the net position of governmental activities and business-type activities changed primarily as a result of the reclassification of the \$380 million beginning net position of the Public Buildings Construction Fund from an enterprise fund to an internal service fund.

³ In fiscal year 2015, the net position of governmental activities and business-type activities significantly decreased as a result of implementing GASB Statements No. 68 and No. 71 requiring the recognition of net pension liability and related pension expense and deferred outflows and inflows of resources.

⁴ In fiscal year 2018, the net position of governmental activities and business-type activities significantly decreased as a result of implementing GASB Statement No. 75 requiring the recognition of net OPEB liability and related OPEB expense and deferred outflows and inflows of resources.

2016	2017	2018 ⁴	2019	2020	2021
\$ 104,596,917	\$ 107,042,274	\$ 109,614,321	\$ 112,279,950	\$ 116,773,259	\$ 120,745,220
29,060,971	33,832,232	35,053,202	41,371,805	46,670,678	46,362,528
(168,542,861)	(169,499,683)	(213,316,033)	(208,377,265)	(207,968,523)	(174,427,918)
\$ (34,884,973)	\$ (28,625,177)	\$ (68,648,510)	\$ (54,725,510)	\$ (44,524,586)	\$ (7,320,170)

\$ 2,520,621	\$ 2,295,270	\$ 2,469,723	\$ 2,534,257	\$ 2,907,066	\$ 2,677,917
8,653	1,746	1,708	1,693	1,677	1,663
5,750,634	6,307,218	12,083,737	12,945,567	7,722,116	7,651,874
(3,707,406)	(1,321,132)	(16,464,573)	(16,718,860)	(20,948,611)	(52,668,204)
\$ 4,572,502	\$ 7,283,102	\$ (1,909,405)	\$ (1,237,343)	\$ (10,317,752)	\$ (42,336,750)

\$ 107,117,538	\$ 109,337,544	\$ 112,084,044	\$ 114,814,207	\$ 119,680,325	\$ 123,423,137
8,653	1,746	1,708	1,693	1,677	1,663
34,811,605	40,139,450	47,136,939	54,317,372	54,392,794	54,014,402
(172,250,267)	(170,820,815)	(229,780,606)	(225,096,125)	(228,917,134)	(227,096,122)
\$ (30,312,471)	\$ (21,342,075)	\$ (70,557,915)	\$ (55,962,853)	\$ (54,842,338)	\$ (49,656,920)

Schedule of Changes in Net Position

For the Past Ten Fiscal Years

(accrual basis of accounting, amounts in thousands)

	2012	2013	2014 ⁴	2015
Governmental activities				
Expenses				
General government	\$ 14,411,737	\$ 15,390,100	\$ 14,292,179	\$ 15,804,281
Education	51,288,647	50,586,387	54,719,677	59,521,018
Health and human services	89,939,730	94,069,749	105,037,102	122,063,805
Natural resources and environmental protection	5,950,635	5,670,922	5,854,685	6,419,591
Business, consumer services, and housing	1,241,269	1,475,486	589,715	903,782
Transportation	13,719,927	12,836,192	13,427,229	12,897,591
Corrections and rehabilitation	10,343,574	10,081,736	11,234,705	11,483,573
Interest on long-term debt	4,365,181	4,349,632	4,699,265	4,880,625
Total expenses	191,260,700	194,460,204	209,854,557	233,974,266
Program revenues				
Charges for services:				
General government	6,841,334	6,196,586	5,994,608	6,502,363
Education	81,212	64,480	67,165	53,498
Health and human services	4,940,650	8,761,781	7,961,897	8,259,696
Natural resources and environmental protection	2,866,232	3,269,315	3,403,524	4,546,413
Business, consumer services, and housing	724,222	682,503	586,055	626,960
Transportation	4,342,668	4,082,616	4,247,258	4,382,901
Corrections and rehabilitation	16,757	45,153	13,645	18,557
Operating grants/contributions	58,777,006	60,943,536	69,861,130	84,896,237
Capital grants/contributions	2,193,189	1,669,021	1,515,890	1,319,430
Total program revenues	80,783,270	85,714,991	93,651,172	110,606,055
Total governmental activities net program expenses	(110,477,430)	(108,745,213)	(116,203,385)	(123,368,211)
General revenues and other changes in net position				
General revenues:				
Personal income taxes	54,368,347	67,502,738	68,793,292	78,098,865
Sales and use taxes	31,216,438	33,839,065	36,477,724	38,224,080
Corporation taxes	8,629,935	7,289,910	9,102,128	10,720,647
Motor vehicle excise taxes ¹	5,263,435	5,219,605	5,777,167	5,393,994
Insurance taxes	2,408,473	2,295,579	3,359,043	3,926,319
Managed care organization enrollment tax ²	—	—	—	—
Other taxes ¹	2,368,748	2,498,248	2,302,231	2,235,498
Investment and interest	72,237	57,285	80,969	58,016
Escheat	372,215	551,580	487,937	400,807
Gain (loss) on early extinguishment of debt ³	—	—	(54,537)	—
Transfers	(2,031,032)	(1,997,759)	(2,296,010)	(2,554,970)
Total general revenues and other changes in net position	102,668,796	117,256,251	124,029,944	136,503,256
Total governmental activities change in net position	\$ (7,808,634)	\$ 8,511,038	\$ 7,826,559	\$ 13,135,045

	2016	2017	2018 ⁵	2019	2020	2021
Expenses						
General government	\$ 16,686,037	\$ 17,400,482	\$ 18,378,216	\$ 17,900,629	\$ 23,489,012	\$ 30,604,918
Education	65,467,497	67,377,805	70,280,444	75,643,779	75,803,990	101,569,505
Health and human services	127,543,288	135,090,171	137,828,737	144,936,676	192,576,208	311,925,505
Natural resources and environmental protection	6,988,442	7,342,079	8,304,162	9,774,290	10,110,777	9,923,185
Business, consumer services, and housing	814,676	1,163,511	1,258,104	2,133,480	2,603,823	2,946,561
Transportation	12,120,820	12,947,296	14,259,461	17,022,071	18,424,746	18,119,697
Corrections and rehabilitation	11,875,294	13,086,499	14,921,295	15,153,502	16,861,994	14,185,645
Interest on long-term debt	4,231,581	4,191,283	4,154,485	3,995,597	3,841,351	3,505,827
Total expenses	245,727,635	258,599,126	269,384,904	286,560,024	343,711,901	492,780,843
Program revenues						
Charges for services:						
General government	6,525,736	5,825,533	5,726,900	5,755,165	5,847,276	6,583,975
Education	66,298	74,548	37,147	78,445	49,780	69,727
Health and human services	10,630,859	11,638,503	12,968,379	13,874,296	13,836,881	12,664,071
Natural resources and environmental protection	4,823,861	3,998,751	6,319,879	6,644,917	5,551,029	6,592,526
Business, consumer services, and housing	823,189	844,445	957,885	1,206,126	1,378,181	1,697,687
Transportation	4,532,300	4,611,244	6,053,140	7,093,122	7,244,317	7,731,094
Corrections and rehabilitation	19,411	17,988	39,887	10,993	14,753	15,776
Operating grants/contributions	86,628,827	89,497,290	87,812,627	94,501,862	143,670,642	268,258,265
Capital grants/contributions	1,480,351	3,027,780	1,882,595	1,561,483	2,107,963	1,847,263
Total program revenues	115,530,832	119,536,082	121,798,439	130,726,409	179,700,822	305,460,384
Total governmental activities net program expenses	(130,196,803)	(139,063,044)	(147,586,465)	(155,833,615)	(164,011,079)	(187,320,459)
General revenues and other changes in net position						
General revenues:						
Personal income taxes	80,303,076	85,712,013	94,460,551	100,657,551	108,308,455	132,042,516
Sales and use taxes	39,121,061	38,726,332	39,784,494	41,006,121	40,703,239	45,905,984
Corporation taxes	9,213,173	11,128,198	12,608,756	14,625,724	13,180,402	32,108,028
Motor vehicle excise taxes ¹	5,028,589	4,878,953	6,680,858	7,632,365	7,876,545	7,942,519
Insurance taxes	4,203,885	2,719,489	2,754,056	2,734,068	3,161,634	3,156,992
Managed care organization enrollment tax ²	—	2,282,313	2,397,531	2,562,919	1,031,357	2,318,011
Other taxes ¹	2,158,874	2,574,456	3,573,848	3,790,987	3,789,610	3,827,360
Investment and interest	131,615	149,135	297,782	706,637	690,169	140,329
Escheat	304,960	325,755	378,180	447,401	614,394	640,226
Gain (loss) on early extinguishment of debt ³	40,516	30,986	—	—	—	—
Transfers	(2,800,101)	(3,083,437)	(4,339,995)	(3,930,906)	(5,963,068)	(3,851,666)
Total general revenues and other changes in net position	137,705,648	145,444,193	158,596,061	170,232,867	173,392,737	224,230,299
Total governmental activities change in net position	\$ 7,508,845	\$ 6,381,149	\$ 11,009,596	\$ 14,399,252	\$ 9,381,658	\$ 36,909,840

(continued)

¹ Motor vehicle excise taxes, reported separately in fiscal year 2012 due to material increases, were included with "other taxes" in prior years.² In fiscal year 2017, the State restructured its managed care organization enrollment tax to conform to federal Medicaid requirements. This tax revenue was included with "insurance taxes" in prior years.³ In fiscal year 2014, a component unit assumed debt on behalf of the primary government. In fiscal year 2016, the California State University, an enterprise fund, assumed debt on behalf of the Public Buildings Construction Fund, an internal service fund. In fiscal year 2017, the Golden State Tobacco Securitization Corporation, a nonmajor special revenue fund, recognized a gain from using existing resources to defease a portion of its capital appreciation bonds.⁴ In fiscal year 2014, the Public Buildings Construction Fund was reclassified from an enterprise fund to an internal service fund.⁵ In fiscal year 2018, the Safe Drinking Water State Revolving Fund was reclassified from a governmental fund to an enterprise fund.

Schedule of Changes in Net Position (continued)

For the Past Ten Fiscal Years

(accrual basis of accounting, amounts in thousands)

	2012	2013	2014	2015
Business-type activities				
Expenses				
Electric Power	\$ 915,000	\$ 488,000	\$ 835,000	\$ 799,000
Water Resources	1,047,574	1,127,195	983,048	1,019,378
Public Buildings Construction ⁴	403,853	410,404	—	—
State Lottery	4,431,709	4,499,451	5,078,935	5,560,299
Unemployment Programs	21,111,658	17,599,219	13,673,403	11,390,227
California State University ³	6,181,397	6,196,541	6,544,936	6,847,789
High Technology Education	7,778	6,568	847	—
State University Dormitory Building Maintenance and Equipment	—	—	—	—
State Water Pollution Control Revolving	8,780	3,698	5,072	9,082
Safe Drinking Water State Revolving ⁵	—	—	—	—
Housing Loan	89,570	70,356	57,206	58,280
Other enterprise programs	78,601	58,578	79,641	77,475
Total expenses	34,275,920	30,460,010	27,258,088	25,761,530
Program revenues				
Charges for services:				
Electric Power	915,000	488,000	835,000	799,000
Water Resources	1,047,574	1,127,195	983,048	1,019,378
Public Buildings Construction ⁴	428,260	616,041	—	—
State Lottery	4,484,291	4,445,921	5,077,976	5,553,418
Unemployment Programs	21,947,781	18,597,962	15,167,258	13,402,902
California State University ³	2,915,123	2,891,432	3,014,030	3,113,988
High Technology Education	8,452	5,585	424	—
State University Dormitory Building Maintenance and Equipment	—	—	—	—
State Water Pollution Control Revolving	57,540	60,173	62,985	65,959
Safe Drinking Water State Revolving ⁵	—	—	—	—
Housing Loan	84,830	66,050	65,247	57,742
Other enterprise programs	74,693	80,540	77,671	78,625
Operating grants/contributions	1,249,995	1,323,345	1,491,559	1,666,292
Capital grants/contributions	106,057	142,304	80,903	107,746
Total program revenues	33,319,596	29,844,548	26,856,101	25,865,050
Total business-type activities net program revenues (expenses)	(956,324)	(615,462)	(401,987)	103,520
Other changes in net position				
Gain (loss) on early extinguishment of debt ²	—	—	(26,913)	—
Transfers	2,031,032	1,997,759	2,296,010	2,554,970
Total business-type activities change in net position	1,074,708	1,382,297	1,867,110	2,658,490
Total primary government change in net position	\$ (6,733,926)	\$ 9,893,335	\$ 9,693,669	\$ 15,793,535

	2016	2017	2018 ⁵	2019	2020	2021
Expenses						
Electric Power	\$ 728,000	\$ 945,000	\$ 952,000	\$ 913,000	\$ 905,115	\$ 290,411
Water Resources	1,086,650	1,223,340	1,221,866	1,199,823	1,184,458	1,157,325
Public Buildings Construction ⁴	—	—	—	—	—	—
State Lottery	6,315,957	6,271,875	7,006,591	7,435,755	6,665,062	8,452,743
Unemployment Programs	11,458,966	11,907,623	12,133,531	13,229,332	23,622,023	55,737,215
California State University ³	7,199,277	8,001,396	9,806,114	9,779,084	10,592,814	10,391,177
High Technology Education	—	—	—	—	—	—
State University Dormitory Building Maintenance and Equipment	—	—	—	—	—	—
State Water Pollution Control Revolving	11,814	17,112	32,335	49,860	45,288	41,466
Safe Drinking Water State Revolving ⁵	—	—	21,994	19,371	25,007	23,570
Housing Loan	55,627	62,885	57,088	54,402	53,656	54,540
Other enterprise programs	84,188	75,397	96,078	109,113	148,450	88,903
Total expenses	26,940,479	28,504,628	31,327,597	32,789,740	43,241,873	76,237,350
Program revenues						
Charges for services:						
Electric Power	728,000	945,000	952,000	913,000	903,000	406,588
Water Resources	1,086,650	1,223,340	1,221,866	1,172,134	1,155,001	1,125,002
Public Buildings Construction ⁴	—	—	—	—	—	—
State Lottery	6,367,902	6,213,074	6,975,168	7,473,452	6,735,321	8,395,767
Unemployment Programs	13,866,028	14,437,094	15,594,045	14,039,030	12,564,665	23,903,289
California State University ³	3,172,154	3,224,919	3,387,420	3,529,083	3,323,307	3,236,482
High Technology Education	—	—	—	—	—	—
State University Dormitory Building Maintenance and Equipment	—	—	—	—	—	—
State Water Pollution Control Revolving	70,245	75,912	86,789	95,703	87,110	73,790
Safe Drinking Water State Revolving ⁵	—	—	22,675	25,762	29,717	26,457
Housing Loan	53,617	52,842	52,735	60,002	61,990	51,953
Other enterprise programs	82,029	93,177	86,911	106,687	105,874	107,929
Operating grants/contributions	1,764,962	1,805,406	2,132,665	2,125,362	2,593,383	3,103,175
Capital grants/contributions	66,914	61,027	—	—	—	—
Total program revenues	27,258,501	28,131,791	30,512,274	29,540,215	27,559,368	40,430,432
Total business-type activities net program revenues (expenses)	318,022	(372,837)	(815,323)	(3,249,525)	(15,682,505)	(35,806,918)
Other changes in net position						
Gain (loss) on early extinguishment of debt ²	—	—	—	—	—	—
Transfers	2,800,101	3,083,437	4,339,995	3,930,906	5,963,068	3,851,666
Total business-type activities change in net position	3,118,123	2,710,600	3,524,672	681,381	(9,719,437)	(31,955,252)
Total primary government change in net position	\$ 10,626,968	\$ 9,091,749	\$ 14,534,268	\$ 15,080,633	\$ (337,779)	\$ 4,954,588

(concluded)

Schedule of Fund Balances – Governmental Funds

For the Past Ten Fiscal Years

(modified accrual basis of accounting, amounts in thousands)

	2012	2013	2014	2015
General Fund				
Reserved	\$ —	\$ —	\$ —	\$ —
Unreserved	—	—	—	—
Nonspendable	7,614	140,107	128,609	53,431
Restricted	80,849	178,643	394,246	2,266,635
Committed	19,600	22,879	125,120	102,793
Assigned	—	—	—	—
Unassigned	(23,069,351)	(14,596,085)	(8,092,571)	(4,651,491)
Total General Fund	\$ (22,961,288)	\$ (14,254,456)	\$ (7,444,596)	\$ (2,228,632)

All other governmental funds				
Reserved	\$ —	\$ —	\$ —	\$ —
Unreserved, reported in:				
Special revenue funds	—	—	—	—
Capital projects funds	—	—	—	—
Nonspendable	—	15,022	27,260	5,620
Restricted	24,790,661	24,137,270	24,269,093	24,224,167
Committed	2,109,089	2,318,035	2,914,747	4,090,563
Assigned	3	209,171	18,857	16,767
Unassigned	(103,177)	(176,066)	(20,145)	(6,456)
Total all other governmental funds	\$ 26,796,576	\$ 26,503,432	\$ 27,209,812	\$ 28,330,661

	2016	2017	2018	2019	2020	2021
	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
	75,939	103,903	559,644	1,180,575	2,129,227	2,878,611
	4,044,911	7,429,825	9,807,729	14,834,597	16,709,782	12,928,039
	68,102	180,755	171,020	1,787,142	2,965,662	668,351
	—	—	—	—	3,080,372	4,938,117
	(3,827,224)	(1,904,097)	1,648,511	765,568	3,616,557	52,731,990
	\$ 361,728	\$ 5,810,386	\$ 12,186,904	\$ 18,567,882	\$ 28,501,600	\$ 74,145,108
	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
	—	—	—	—	—	—
	11,188	20,172	69,868	12,760	13,702	10,238
	24,885,166	26,233,389	25,051,548	26,329,109	29,796,900	33,282,001
	5,652,478	5,847,879	7,897,362	9,994,978	10,066,141	10,160,675
	14,622	12,033	26,346	19,247	49,868	45,543
	(1,037)	(15,152)	—	—	(2,474,960)	(8,822,239)
	\$ 30,562,417	\$ 32,098,321	\$ 33,045,124	\$ 36,356,094	\$ 37,451,651	\$ 34,676,218

Schedule of Changes in Fund Balances - Governmental Funds

For the Past Ten Fiscal Years

(modified accrual basis of accounting, amounts in thousands)

	2012	2013	2014	2015
Revenues				
Personal income taxes	\$ 54,442,733	\$ 67,424,576	\$ 68,771,667	\$ 78,245,616
Sales and use taxes	31,205,183	33,869,961	36,409,311	38,389,972
Corporation taxes	8,609,935	7,261,910	9,242,454	10,780,647
Motor vehicle excise taxes ¹	5,263,435	5,219,605	5,777,167	5,393,994
Insurance taxes	2,408,473	2,295,579	3,359,043	3,926,319
Managed care organization enrollment tax ²	—	—	—	—
Other taxes ¹	2,306,717	2,425,184	2,297,025	2,312,875
Intergovernmental	62,235,671	64,418,808	73,000,600	87,740,667
Licenses and permits	6,600,001	6,659,078	6,957,117	7,270,994
Charges for services	728,980	741,201	769,302	849,895
Fees and penalties	8,315,452	10,673,104	9,757,476	10,510,727
Investment and interest	175,898	135,928	137,754	119,690
Escheat	372,215	551,580	488,945	406,899
Other	2,542,505	3,227,347	2,903,335	3,975,144
Total revenues	185,207,198	204,903,861	219,871,196	249,923,439
Expenditures				
General government	13,484,305	15,748,069	14,778,214	16,202,395
Education	50,362,337	49,692,763	53,309,436	62,952,621
Health and human services	89,473,391	94,621,630	104,781,494	122,259,036
Natural resources and environmental protection	5,358,575	5,318,332	5,508,860	6,006,446
Business, consumer services, and housing	1,219,499	1,259,392	621,037	670,774
Transportation	15,684,611	15,008,671	15,721,532	15,137,217
Corrections and rehabilitation	9,805,846	9,681,086	10,395,234	11,182,926
Capital outlay	1,296,413	1,222,342	1,909,010	1,019,335
Debt service:				
Bond and commercial paper retirement	4,435,992	5,189,150	7,002,941	8,482,380
Interest and fiscal charges	4,453,643	4,363,260	4,321,040	4,473,799
Total expenditures	195,574,612	202,104,695	218,348,798	248,386,929
Excess (deficiency) of revenues over (under) expenditures	(10,367,414)	2,799,166	1,522,398	1,536,510
Other financing sources (uses)				
General obligation bonds and commercial paper issued	4,165,515	4,038,095	5,082,305	4,343,165
Revenue bonds issued	—	—	—	—
Refunding/remarketing debt issued	4,300,555	4,634,365	2,077,330	5,086,100
Payment to refund/remarket long-term debt	(4,508,834)	(3,174,613)	(328,024)	(3,865,093)
Premium on bonds issued	667,931	964,211	505,026	1,116,811
Proceeds from loans	—	—	—	—
Capital leases	528,804	710,440	1,486,204	625,282
Transfers in	5,523,644	2,957,762	4,041,250	5,344,134
Transfers out	(7,499,131)	(4,898,754)	(6,304,047)	(7,934,754)
Total other financing sources	3,178,484	5,231,506	6,560,044	4,715,645
Total change in fund balance	\$ (7,188,930)	\$ 8,030,672	\$ 8,082,442	\$ 6,252,155
Debt service as a percentage of noncapital expenditures	4.7 %	4.8 %	5.3 %	5.3 %

¹ Motor vehicle excise taxes, reported separately in fiscal year 2012 due to material increases, were included with "other taxes" in prior years.² In fiscal year 2017, the State restructured its managed care organization enrollment tax to conform to federal Medicaid requirements. This tax revenue was included with "insurance taxes" in prior years.

	2016	2017	2018	2019	2020	2021
	\$ 79,934,285	\$ 85,737,905	\$ 94,484,443	\$ 96,801,076	\$ 111,831,167	\$ 132,095,124
	39,136,040	38,741,715	39,777,069	41,085,626	40,709,462	45,906,755
	9,214,173	11,125,198	12,597,928	14,038,348	13,722,735	32,122,361
	5,028,589	4,878,953	6,680,858	7,632,365	7,876,545	7,942,519
	4,203,885	2,719,489	2,754,056	2,734,068	3,161,634	3,156,993
	—	2,282,313	2,397,531	2,562,919	1,031,357	2,318,011
	2,185,690	2,565,928	3,548,182	3,688,531	3,862,045	4,007,125
	91,069,753	95,709,784	92,904,469	99,867,750	148,951,650	272,691,880
	7,612,551	8,113,542	8,761,620	9,186,945	9,256,454	9,999,107
	870,142	860,241	975,314	956,032	972,805	1,025,167
	11,882,699	11,571,934	13,548,471	14,187,698	14,322,983	15,062,529
	232,285	318,502	607,418	1,321,143	1,328,956	626,478
	305,394	327,614	382,793	448,756	615,720	644,248
	4,049,789	2,934,157	5,318,739	5,594,587	4,595,386	6,802,576
	255,725,275	267,887,275	284,738,891	300,105,844	362,238,899	534,400,873
	16,715,892	17,250,720	18,978,389	19,263,146	27,393,107	29,908,484
	65,213,542	67,224,796	69,902,627	75,071,188	76,347,719	99,964,095
	127,201,314	134,372,094	138,018,275	144,543,589	191,819,998	311,093,756
	6,278,363	6,712,838	7,987,878	9,069,777	9,244,813	8,862,649
	1,130,213	1,103,694	1,189,365	2,013,409	2,457,248	2,824,462
	14,814,829	15,007,639	17,169,040	17,893,338	20,025,848	19,623,756
	11,450,980	12,276,391	14,665,524	14,055,766	14,680,705	12,598,851
	1,492,442	1,238,700	612,769	287,487	401,066	886,020
	6,929,866	9,364,550	8,598,856	10,444,825	10,276,581	9,594,575
	4,057,907	3,986,270	3,961,704	3,971,353	3,856,390	3,650,153
	255,285,348	268,537,692	281,084,427	296,613,878	356,503,475	499,006,801
	439,927	(650,417)	3,654,464	3,491,966	5,735,424	35,394,072
	4,074,980	4,325,075	5,283,365	3,626,765	5,085,590	5,051,305
	—	—	—	—	500,000	450,000
	5,220,320	7,074,225	6,681,855	5,683,865	4,384,895	3,657,445
	(4,378,328)	(3,038,281)	(3,726,204)	(411,340)	—	(428,395)
	1,037,920	1,309,254	1,036,320	1,003,337	1,217,615	1,218,766
	—	—	—	—	—	—
	1,148,774	988,680	405,930	50,506	24,082	439,180
	4,385,123	4,586,199	4,266,596	4,414,250	5,776,094	6,408,853
	(7,130,142)	(7,551,627)	(8,555,594)	(8,298,095)	(11,731,486)	(10,249,393)
	4,358,647	7,693,525	5,392,268	6,069,288	5,256,790	6,547,761
	\$ 4,798,574	\$ 7,043,108	\$ 9,046,732	\$ 9,561,254	\$ 10,992,214	\$ 41,941,833
	4.4 %	5.1 %	4.6 %	5.0 %	4.0 %	2.7 %

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Revenue Capacity

Revenue capacity schedules contain information to help the reader assess the State’s capacity to raise revenue and the sources of that revenue. This section includes the following revenue capacity schedules.

- Schedule of Revenue Base
- Schedule of Revenue Payers by Income Level/Industry
- Schedule of Personal Income Tax Rates

Schedule of Revenue Base

For the Past Ten Calendar Years

(amounts in thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Personal Income by Industry										
(items restated as footnoted) ¹										
Farm earnings	\$ 15,225,224	\$ 17,370,269	\$ 20,065,604	\$ 22,120,102	\$ 21,167,800	\$ 18,505,401	\$ 20,128,705	\$ 15,769,512	\$ 15,471,150	\$ 21,484,467
Forestry, fishing, and other natural resources	6,693,485	7,504,590	7,928,931	8,378,306	9,301,786	9,978,077	10,258,145	10,805,749	11,303,417	12,561,256
Mining	5,251,493	6,041,129	6,522,865	6,770,753	5,047,379	3,790,985	3,244,946	3,759,907	3,447,420	2,886,920
Construction and utilities	62,972,017	67,862,415	75,578,567	81,241,524	89,577,593	94,793,881	104,090,065	113,283,697	120,119,066	122,773,582
Manufacturing	119,852,946	124,666,659	126,302,825	133,278,056	139,589,740	145,623,798	153,736,632	159,188,215	161,984,322	173,002,033
Wholesale trade	56,488,847	59,067,338	61,598,279	65,993,637	70,438,231	70,415,188	73,901,211	71,968,702	72,883,700	73,361,224
Retail trade	72,732,632	77,323,055	79,202,104	82,432,879	86,320,236	86,358,659	88,764,567	91,574,683	92,940,939	94,726,635
Transportation and warehousing	36,376,555	36,376,555	37,949,820	39,849,739	42,802,161	46,649,498	50,014,894	54,573,656	60,830,516	70,961,853
Information, finance, and insurance	135,321,324	144,204,507	157,149,112	160,266,822	174,885,957	191,562,790	207,434,209	219,034,273	230,231,833	248,039,894
Real estate and rental and leasing	47,395,981	55,245,202	52,971,172	50,460,373	52,970,654	55,433,239	56,804,836	62,278,385	70,531,168	70,971,943
Services	442,617,294	480,655,115	486,287,908	522,346,969	557,370,039	579,380,039	609,087,352	644,892,737	681,598,357	681,442,515
Federal, civilian	26,083,443	26,157,961	25,771,225	26,450,856	27,477,720	28,337,175	29,219,827	30,496,403	31,202,039	33,050,053
Military	16,062,725	15,933,633	15,353,761	15,071,057	14,953,968	15,213,222	15,097,583	14,091,072	14,419,848	15,330,270
State and local government	181,063,132	179,834,589	190,303,808	200,322,926	212,523,491	223,590,331	230,893,310	237,454,744	246,243,502	251,257,036
Other ²	466,369,928	501,440,487	483,049,247	531,664,857	584,109,789	611,061,719	625,850,953	655,136,889	681,818,734	850,849,873
Total personal income	\$ 1,690,507,026	\$ 1,799,683,504	\$ 1,826,035,228	\$ 1,946,648,856	\$ 2,088,536,544	\$ 2,180,694,002	\$ 2,278,527,235	\$ 2,384,308,624	\$ 2,495,026,011	\$ 2,722,699,554
Average effective rate ³	5.3 %	5.0 %	6.1 %	5.6 %	6.1 %	6.0 %	5.9 %	6.1 %	6.0 %	6.0 %

(continued)

Source: Bureau of Economic Analysis, U.S. Department of Commerce

¹ Prior years were updated based on more current information.² Other personal income includes dividends, interest, rental income, residence adjustment, government transfers for individuals, and deductions for social insurance.³ The total direct rate for personal income is not available. The average effective rate equals personal income tax revenue divided by adjusted gross income.

Schedule of Revenue Base (continued)

For the Past Ten Calendar Years

(amounts in thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019 ⁵	2020
Taxable Sales by Industry										
Retail and Food Services:										
Motor vehicle and parts dealers	\$ 53,303,501	\$ 61,547,848	\$ 67,986,436	\$ 73,232,242	\$ 80,346,595	\$ 84,225,652	\$ 86,983,280	\$ 89,696,669	\$ 88,526,876	\$ 87,847,344
Furniture and home furnishings stores	9,280,688	9,937,187	10,645,523	11,408,837	12,169,888	12,790,041	13,035,340	13,578,685	13,427,029	13,626,241
Electronics and appliance stores	14,297,402	14,744,723	14,765,485	15,148,893	16,349,542	17,120,030	17,170,671	17,520,474	16,999,111	16,926,013
Building materials, garden equipment, and supplies	26,064,428	27,438,083	29,680,053	31,299,110	33,601,538	35,238,333	37,504,347	39,469,798	40,313,948	45,966,216
Food and beverage	23,606,132	24,511,714	25,289,203	26,298,414	27,134,034	27,678,056	28,799,044	29,697,424	30,216,432	32,042,780
Health and personal care stores	10,309,491	10,787,801	11,294,049	11,640,870	12,364,559	13,163,569	13,669,415	14,384,602	15,160,891	15,622,747
Gasoline stations	55,210,076	58,006,168	56,860,585	55,733,384	48,203,175	43,273,182	47,434,923	54,302,232	54,141,178	38,345,721
Clothing and clothing accessories stores	29,600,057	32,357,516	34,918,036	36,822,241	38,438,074	39,698,156	40,206,581	42,233,560	43,130,842	32,500,749
Sporting goods, hobby, book, and music stores	10,602,711	10,751,814	11,113,831	11,056,024	11,341,328	11,441,556	10,900,749	10,467,200	10,407,608	10,110,131
General merchandise stores	48,219,018	49,996,451	51,431,094	52,013,855	53,119,200	53,032,357	54,684,182	56,416,293	58,066,003	57,003,022
Miscellaneous store retailers	17,187,402	17,880,765	18,382,224	19,024,905	19,852,685	19,617,820	19,719,301	20,503,078	20,952,870	20,863,193
Nonstore retailers	3,081,188	4,375,432	7,296,839	8,292,788	9,531,606	11,717,407	13,599,808	15,663,789	20,276,518	53,383,005
Food services and drinking places	54,755,944	59,037,320	62,776,360	67,864,614	73,889,708	78,494,623	82,355,474	85,226,197	89,403,960	63,665,386
All other outlets	165,050,017	177,014,427	184,399,899	195,985,698	202,290,022	206,365,477	211,760,378	217,675,199	231,733,635	218,853,973
Total taxable sales	\$ 520,568,055	\$ 558,387,249	\$ 586,839,617	\$ 615,821,875	\$ 638,631,954	\$ 653,856,259	\$ 677,823,493	\$ 706,835,200	\$ 732,756,901	\$ 706,756,521
Direct sales tax rate ¹	6.25 % ²	6.25 %	6.50 % ³	6.50 %	6.50 %	6.50 %	6.00 % ⁴	6.00 %	6.00 %	6.00 %

(concluded)

Source: California Department of Tax and Fee Administration (CDTFA)

¹ The direct sales tax rate used is the state tax rate that provides revenue to the State's General Fund. It does not include the local tax rate that is allocated to cities and counties.

² Rate change was effective on July 1, 2011.

³ Rate change was effective on January 1, 2013.

⁴ Rate change was effective on January 1, 2017.

⁵ Prior year was updated based on more current information.

Schedule of Revenue Payers by Income Level/Industry

For Calendar Years 2012 and 2020

Personal Income Tax Filers and Liability by Income Level ¹

		2012			
		Number of Filers	Percent of Total	Tax Liability ²	Percent of Total
Under \$ 50,000	.....	9,432,382	62.0 %	\$ 1,371,911	2.3 %
50,000 to 99,999	.....	3,188,832	21.0	5,488,062	9.2
100,000 to 149,999	.....	1,240,521	8.2	5,921,133	9.9
150,000 to 199,999	.....	546,310	3.6	4,740,023	7.9
200,000 to 299,999	.....	417,128	2.7	5,973,354	10.0
300,000 to 399,999	.....	143,131	0.9	3,340,318	5.6
400,000 to 499,999	.....	69,689	0.5	2,291,560	3.8
500,000 to 599,999	.....	39,751	0.3	1,684,940	2.8
600,000 to 699,999	.....	26,316	0.2	1,383,802	2.3
700,000 to 799,999	.....	16,997	0.1	1,081,526	1.8
800,000 to 899,999	.....	12,342	0.1	911,081	1.5
900,000 to 999,999	.....	9,499	0.1	808,222	1.3
1,000,000 to 1,999,999	.....	34,022	0.2	4,581,655	7.7
2,000,000 to 2,999,999	.....	9,202	0.1	2,423,751	4.0
3,000,000 to 3,999,999	.....	4,121	0.0	1,610,777	2.7
4,000,000 to 4,999,999	.....	2,340	0.0	1,212,280	2.0
\$ 5,000,000 and over	.....	7,154	0.0	15,090,712	25.2
Total	.....	15,199,737	100.0 %	\$ 59,915,107	100.0 %

		2020			
		Number of Filers	Percent of Total	Tax Liability ²	Percent of Total
Under \$ 50,000	.....	10,530,316	57.3 %	\$ 1,447,836	1.4 %
50,000 to 99,999	.....	3,865,707	21.1	6,493,674	6.3
100,000 to 149,999	.....	1,657,427	9.0	7,780,186	7.5
150,000 to 199,999	.....	831,125	4.5	7,078,857	6.8
200,000 to 299,999	.....	705,592	3.8	10,122,599	9.8
300,000 to 399,999	.....	290,166	1.6	6,767,544	6.5
400,000 to 499,999	.....	147,325	0.8	4,822,776	4.7
500,000 to 599,999	.....	87,769	0.5	3,729,089	3.6
600,000 to 699,999	.....	57,212	0.3	2,988,582	2.9
700,000 to 799,999	.....	38,148	0.2	2,387,877	2.3
800,000 to 899,999	.....	27,478	0.1	2,019,569	2.0
900,000 to 999,999	.....	20,611	0.1	1,747,113	1.7
1,000,000 to 1,999,999	.....	71,932	0.4	9,575,403	9.2
2,000,000 to 2,999,999	.....	17,575	0.1	4,668,497	4.5
3,000,000 to 3,999,999	.....	7,641	0.1	3,007,713	2.9
4,000,000 to 4,999,999	.....	4,374	0.0	2,276,631	2.2
\$ 5,000,000 and over	.....	13,333	0.1	26,654,509	25.7
Total	.....	18,373,731	100.0 %	\$ 103,568,455	100.0 %

Source: California Franchise Tax Board

¹ For California resident tax returns. Calendar year 2020 is the most applicable year for which data is available.

² Amounts are in thousands.

For Calendar Years 2011 and 2020

Sales Tax Permits and Tax Liability by Industry

		2011			
		Number of Permits	Percent of Total	Tax Liability ¹	Percent of Total
Retail and Food Services:					
Motor vehicle and parts dealers	.....	33,173	3.4 %	\$ 3,331,469	10.2 %
Furniture and home furnishings stores	.....	18,297	1.9	580,043	1.8
Electronics and appliance stores	.....	22,654	2.3	893,588	2.8
Building materials, garden equipment, and supplies	.....	17,350	1.8	1,629,027	5.0
Food and beverage	.....	30,924	3.2	1,475,383	4.5
Health and personal care stores	.....	23,092	2.4	644,343	2.0
Gasoline stations	.....	9,958	1.0	3,450,630	10.6
Clothing and clothing accessories stores	.....	67,112	6.9	1,850,004	5.7
Sporting goods, hobby, book, and music stores	.....	28,660	3.0	662,669	2.0
General merchandise stores	.....	15,964	1.6	3,013,689	9.3
Miscellaneous store retailers	.....	115,879	12.0	1,074,213	3.3
Nonstore retailers	.....	169,422	17.5	192,574	0.6
Food services and drinking places	.....	92,843	9.6	3,422,247	10.5
All other outlets	.....	324,315	33.4	10,315,626	31.7
Total	.....	969,643	100.0 %	\$ 32,535,505	100.0 %

		2020			
		Number of Permits	Percent of Total	Tax Liability ¹	Percent of Total
Retail and Food Services:					
Motor vehicle and parts dealers	.....	47,182	3.3 %	\$ 5,270,841	12.4 %
Furniture and home furnishings stores	.....	21,477	1.5	817,574	1.9
Electronics and appliance stores	.....	26,975	1.9	1,015,561	2.4
Building materials, garden equipment, and supplies	.....	18,464	1.3	2,757,973	6.5
Food and beverage	.....	39,028	2.8	1,922,567	4.5
Health and personal care stores	.....	55,151	3.9	937,365	2.2
Gasoline stations	.....	10,680	0.8	2,300,743	5.4
Clothing and clothing accessories stores	.....	135,099	9.6	1,950,045	4.6
Sporting goods, hobby, book, and music stores	.....	36,135	2.6	606,608	1.4
General merchandise stores	.....	29,482	2.1	3,420,181	8.1
Miscellaneous store retailers	.....	182,441	12.9	1,251,792	3.0
Nonstore retailers	.....	87,946	6.2	3,202,980	7.6
Food services and drinking places	.....	123,386	8.7	3,819,923	9.0
All other outlets	.....	599,051	42.4	13,131,238	31.0
Total	.....	1,412,497	100.0 %	\$ 42,405,391	100.0 %

Source: California Department of Tax and Fee Administration (CDTFA)

¹ Calculated by multiplying the taxable sales by industry shown on pages 318 and 319 by the direct sales tax rate. Amounts are in thousands.

Schedule of Personal Income Tax Rates

For Calendar Years 2011-2020

Married Filing Jointly and Surviving Spouse				
	2011	2012	2013	2014
Tax Rate ¹	Income Level	Income Level	Income Level	Income Level
1.0	Up to \$14,632	Up to \$14,910	Up to \$15,164	Up to \$15,498
2.0	14,633 – 34,692	14,911 – 35,352	15,165 – 35,952	15,499 – 36,742
4.0	34,693 – 54,754	35,353 – 55,794	35,953 – 56,742	36,743 – 57,990
6.0	54,755 – 76,008	55,795 – 77,452	56,743 – 78,768	57,991 – 80,500
8.0	76,009 – 96,058	77,453 – 97,884	78,769 – 99,548	80,501 – 101,738
9.3	96,059 – 1,000,000	97,885 – 500,000	99,549 – 508,500	101,739 – 519,688
10.3	\$1,000,001 and over	500,001 – 600,000	508,501 – 610,200	519,689 – 623,624
11.3	—	600,001 – 1,000,000	610,201 – 1,000,000	623,625 – 1,000,000
12.3	—	—	1,000,001 – 1,017,000	1,000,001 – 1,039,374
13.3	—	\$1,000,001 and over	\$1,017,001 and over	\$1,039,375 and over
Single and Married Filing Separately				
	2011	2012	2013	2014
Tax Rate ¹	Income Level	Income Level	Income Level	Income Level
1.0	Up to \$7,316	Up to \$7,455	Up to \$7,582	Up to \$7,749
2.0	7,317 – 17,346	7,456 – 17,676	7,583 – 17,976	7,750 – 18,371
4.0	17,347 – 27,377	17,677 – 27,897	17,977 – 28,371	18,372 – 28,999
6.0	27,378 – 38,004	27,898 – 38,726	28,372 – 39,384	28,996 – 40,250
8.0	38,005 – 48,029	38,727 – 48,942	39,385 – 49,774	40,251 – 50,869
9.3	48,030 – 1,000,000	48,943 – 250,000	49,775 – 254,250	50,870 – 259,844
10.3	\$1,000,001 and over	250,001 – 300,000	254,251 – 305,100	259,845 – 311,812
11.3	—	300,001 – 500,000	305,101 – 508,500	311,813 – 519,687
12.3	—	500,001 – 1,000,000	508,501 – 1,000,000	519,688 – 1,000,000
13.3	—	\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over
Head of Household				
	2011	2012	2013	2014
Tax Rate ¹	Income Level	Income Level	Income Level	Income Level
1.0	Up to \$14,642	Up to \$14,920	Up to \$15,174	Up to \$15,508
2.0	14,643 – 34,692	14,921 – 35,351	15,175 – 35,952	15,509 – 36,743
4.0	34,693 – 44,721	35,352 – 45,571	35,953 – 46,346	36,744 – 47,366
6.0	44,722 – 55,348	45,572 – 56,400	46,347 – 57,359	47,367 – 58,621
8.0	55,349 – 65,376	56,401 – 66,618	57,360 – 67,751	58,622 – 69,242
9.3	65,377 – 1,000,000	66,619 – 340,000	67,752 – 345,780	69,243 – 353,387
10.3	\$1,000,001 and over	340,001 – 408,000	345,781 – 414,936	353,388 – 424,065
11.3	—	408,001 – 680,000	414,937 – 691,560	424,066 – 706,774
12.3	—	680,001 – 1,000,000	691,561 – 1,000,000	706,775 – 1,000,000
13.3	—	\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over

Source: California Franchise Tax Board (FTB)

¹ FTB tax brackets are indexed to the California Consumer Price Index and are adjusted accordingly on a yearly basis.

Average Effective Rate

(amounts in thousands)

	2011	2012	2013	2014
Personal income tax revenue ¹	\$ 51,691,153	\$ 54,442,733	\$ 66,220,132	\$ 67,584,256
Adjusted gross income ²	\$ 980,167,100	\$ 1,087,823,400	\$ 1,091,080,300	\$ 1,216,002,700
Average effective rate ³	5.3 %	5.0 %	6.1 %	5.6 %

¹ Personal income tax revenue is reported on a fiscal year basis.² Source: California Franchise Tax Board. Fiscal year 2020 information reflects returns processed as of December 2021.³ The average effective rate equals personal income tax revenue divided by adjusted gross income.

Married Filing Jointly and Surviving Spouse						
2015	2016	2017	2018	2019	2020	
Income Level	Income Level	Income Level	Income Level	Income Level	Income Level	
Up to \$15,700	Up to \$16,030	Up to \$16,446	Up to \$17,088	Up to \$17,618	Up to \$17,864	
15,701 – 37,220	16,031 – 38,002	16,447 – 38,990	17,089 – 40,510	17,619 – 41,766	17,865 – 42,350	
37,221 – 58,744	38,003 – 59,978	38,991 – 61,538	40,511 – 63,938	41,767 – 65,920	42,351 – 66,842	
58,745 – 81,546	59,979 – 83,258	61,539 – 85,422	63,939 – 88,754	65,921 – 91,506	66,843 – 92,788	
81,547 – 103,060	83,259 – 105,224	85,423 – 107,960	88,755 – 112,170	91,507 – 115,648	92,789 – 117,268	
103,061 – 526,444	105,225 – 537,500	107,961 – 551,476	112,171 – 572,984	115,649 – 590,746	117,269 – 599,016	
526,445 – 631,732	537,501 – 644,998	551,477 – 661,768	572,985 – 687,576	590,747 – 708,890	599,017 – 718,814	
631,733 – 1,000,000	644,999 – 1,000,000	661,769 – 1,000,000	687,577 – 1,000,000	708,891 – 1,000,000	718,815 – 1,000,000	
1,000,001 – 1,052,886	1,000,001 – 1,074,996	1,000,001 – 1,102,946	1,000,001 – 1,145,960	1,000,001 – 1,181,484	1,000,001 – 1,198,024	
\$1,052,887 and over	\$1,074,997 and over	\$1,102,947 and over	\$1,145,961 and over	\$1,181,485 and over	\$1,198,025 and over	
Single and Married Filing Separately						
2015	2016	2017	2018	2019	2020	
Income Level	Income Level	Income Level	Income Level	Income Level	Income Level	
Up to \$7,850	Up to \$8,015	Up to \$8,223	Up to \$8,544	Up to \$8,809	Up to \$8,932	
7,851 – 18,610	8,016 – 19,001	8,224 – 19,495	8,545 – 20,255	8,810 – 20,883	8,933 – 21,175	
18,611 – 29,372	19,002 – 29,989	19,496 – 30,769	20,256 – 31,969	20,884 – 32,960	21,176 – 33,421	
29,373 – 40,773	29,990 – 41,629	30,770 – 42,711	31,970 – 44,377	32,961 – 45,753	33,422 – 46,394	
40,774 – 51,530	41,630 – 52,612	42,712 – 53,980	44,378 – 56,085	45,754 – 57,824	46,395 – 58,634	
51,531 – 263,222	52,613 – 268,750	53,981 – 275,738	56,086 – 286,492	57,825 – 295,373	58,635 – 295,508	
263,223 – 315,866	268,751 – 322,499	275,739 – 330,884	286,493 – 343,788	295,374 – 354,445	295,509 – 359,407	
315,867 – 526,444	322,500 – 537,498	330,885 – 551,473	343,789 – 572,980	354,446 – 590,742	359,408 – 599,012	
526,444 – 1,000,000	537,499 – 1,000,000	551,474 – 1,000,000	572,981 – 1,000,000	590,743 – 1,000,000	599,013 – 1,000,000	
\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over	
Head of Household						
2015	2016	2017	2018	2019	2020	
Income Level	Income Level	Income Level	Income Level	Income Level	Income Level	
Up to \$15,710	Up to \$16,040	Up to \$16,457	Up to \$16,457	Up to \$17,629	Up to \$17,876	
15,711 – 37,221	16,041 – 38,003	16,458 – 38,991	16,458 – 38,991	17,630 – 41,768	17,877 – 42,353	
37,222 – 47,982	38,004 – 48,990	38,992 – 50,264	38,992 – 50,264	41,769 – 53,843	42,354 – 54,597	
47,983 – 59,383	48,991 – 60,630	50,265 – 62,206	50,265 – 62,206	53,844 – 66,636	54,598 – 67,569	
59,384 – 70,142	60,631 – 71,615	62,207 – 73,477	62,207 – 73,477	66,637 – 78,710	67,570 – 79,812	
70,143 – 357,981	71,616 – 365,499	73,478 – 375,002	73,478 – 375,002	78,711 – 401,705	79,813 – 407,329	
357,982 – 429,578	365,500 – 438,599	375,003 – 450,003	375,003 – 450,003	401,706 – 482,047	407,330 – 488,796	
429,579 – 715,962	438,600 – 730,997	450,004 – 750,003	450,004 – 750,003	482,048 – 803,410	488,797 – 814,658	
715,963 – 1,000,000	730,998 – 1,000,000	750,004 – 1,000,000	750,004 – 1,000,000	803,411 – 1,000,000	814,659 – 1,000,000	
\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over	

	2015	2016	2017	2018	2019	2020
\$ 76,879,115	\$ 78,510,777	\$ 84,253,851	\$ 92,808,996	\$ 95,026,913	\$ 101,352,220	\$ 101,352,220
\$ 1,265,341,200	\$ 1,318,362,700	\$ 1,430,332,000	\$ 1,531,670,000	\$ 1,596,322,000	\$ 1,693,751,000	\$ 1,693,751,000
6.1 %	6.0 %	5.9 %	6.1 %	6.0 %	6.0 %	6.0 %

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Debt Capacity

Debt capacity schedules contain information to help the reader understand the State’s outstanding debt, the capacity to repay that debt, and the ability to issue additional debt in the future. This section includes the following debt capacity schedules.

- Schedule of Ratios of Outstanding Debt by Type
- Schedule of Ratios of General Bonded Debt Outstanding
- Schedule of General Obligation Bonds Outstanding
- Schedule of Pledged Revenue Coverage

Sources: Unless otherwise noted, the information in the following schedules is derived from the State’s Annual Comprehensive Financial Reports.

Schedule of Ratios of Outstanding Debt by Type

For the Past Ten Fiscal Years

(amounts in thousands, except per capita)

	2012	2013	2014	2015
Governmental activities				
General obligation bonds ¹	\$ 81,060,111	\$ 82,346,211	\$ 83,276,347	\$ 80,509,802
Revenue bonds ²	7,421,198	7,735,053	18,917,443	18,409,971
Certificates of participation and commercial paper ³	46,098	538,593	598,094	493,770
Capital lease obligations ⁴	5,176,341	5,319,487	260,088	274,760
Total governmental activities	93,703,748	95,939,344	103,051,972	99,688,303
Business-type activities				
General obligation bonds ¹	1,118,634	887,053	674,394	650,133
Revenue bonds ²	24,790,918	25,558,129	12,991,827	12,670,619
Commercial paper	67,325	77,560	204,647	237,186
Capital lease obligations	817,687	909,871	1,250,274	1,210,409
Total business-type activities	26,794,564	27,432,613	15,121,142	14,768,347
Total primary government	\$ 120,498,312	\$ 123,371,957	\$ 118,173,114	\$ 114,456,650
Debt as a percentage of personal income ⁵	6.9%	6.7%	6.3%	5.7%
Amount of debt per capita ⁶	\$ 3,202	\$ 3,251	\$ 3,089	\$ 2,965

2016	2017	2018	2019	2020	2021
\$ 79,043,295	\$ 79,503,871	\$ 79,663,028	\$ 78,772,850	\$ 78,883,746	\$ 78,481,408
17,210,499	16,879,900	16,364,255	15,711,660	15,905,264	15,998,239
771,215	1,158,080	859,695	1,032,760	1,108,720	1,176,235
370,182	416,468	481,261	434,876	393,089	359,812
97,395,191	97,958,319	97,368,239	95,952,146	96,290,819	96,015,694
794,369	703,754	694,100	850,762	788,052	598,384
13,928,374	14,955,858	14,319,372	14,521,460	14,277,362	14,806,645
47,416	147,765	749,877	799,643	1,049,226	401,219
389,385	353,453	309,928	315,322	357,072	336,081
15,159,544	16,160,830	16,073,277	16,487,187	16,471,712	16,142,329
\$ 112,554,735	\$ 114,119,149	\$ 113,441,516	\$ 112,439,333	\$ 112,762,531	\$ 112,158,023
5.2%	5.0%	4.8%	4.5%	4.3%	4.1%
\$ 2,892	\$ 2,914	\$ 2,882	\$ 2,849	\$ 2,859	\$ 2,839

Note: Details regarding the State's outstanding debt can be found in Notes 9, 12, 13, 15, and 16 of the financial statements.

¹ Beginning in fiscal year 2013, refunding gains/losses are no longer included in bonds payable, but are shown as deferred inflows and deferred outflows of resources.

² Prior to fiscal year 2014, the Public Buildings Construction Fund was included in business-type activities.

³ All certificates of participation were retired in fiscal year 2016.

⁴ Prior to fiscal year 2014, governmental activities reported a capital lease obligation to the Public Buildings Construction Fund. In fiscal year 2014, the fund was reclassified from an enterprise fund to an internal service fund and the governmental activities' obligation and the fund's net investment in direct financing leases were netted against each other within governmental activities.

⁵ Ratio calculated using personal income data shown on pages 336 and 337 for the prior calendar year.

⁶ Amount calculated using population data shown on pages 336 and 337 for the prior calendar year.

Schedule of Ratios of General Bonded Debt Outstanding

For the Past Ten Fiscal Years

(amounts in thousands, except per capita)

	2012	2013	2014	2015
Net general bonded debt				
General obligation bonds ¹	\$ 75,791,795	\$ 78,001,049	\$ 79,368,794	\$ 80,215,650
Economic Recovery bonds	6,386,950	5,232,215	4,581,745	944,285
Less: restricted debt service fund	330,297	278,425	318,171	818,321
Net Economic Recovery bonds ²	<u>6,056,653</u>	<u>4,953,790</u>	<u>4,263,574</u>	<u>125,964</u>
Net general bonded debt	<u>\$ 81,848,448</u>	<u>\$ 82,954,839</u>	<u>\$ 83,632,368</u>	<u>\$ 80,341,614</u>
Net general bonded debt as a percentage of personal income ³	4.7%	4.5%	4.4%	4.0%
Amount of net general bonded debt per capita ⁴	\$ 2,175	\$ 2,186	\$ 2,186	\$ 2,082

Note: Details regarding the State's general bonded debt outstanding can be found in Note 15 of the financial statements.

¹ Beginning in fiscal year 2013, refunding gains/losses are no longer included in bonds payable, but are shown as deferred inflows and deferred outflows of resources.

² In fiscal year 2016, the outstanding balance of the Economic Recovery bonds was defeased and the balance in the restricted debt service fund was transferred out.

³ Ratio calculated using personal income data shown on pages 336 and 337 for the prior calendar year.

⁴ Amount calculated using population data shown on pages 336 and 337 for the prior calendar year.

	2016		2017		2018		2019		2020		2021
\$	79,837,664	\$	79,503,871	\$	80,357,128	\$	79,623,612	\$	79,671,798	\$	79,079,792
	—		—		—		—		—		—
	—		—		—		—		—		—
	—		—		—		—		—		—
\$	79,837,664	\$	79,503,871	\$	80,357,128	\$	79,623,612	\$	79,671,798	\$	79,079,792
	3.7%		3.5%		3.4%		3.2%		3.0%		2.9%
\$	2,051	\$	2,030	\$	2,042	\$	2,018	\$	2,020	\$	2,002

Schedule of General Obligation Bonds Outstanding

June 30, 2021

(amounts in thousands)

Governmental activity

California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection	\$	1,699,205
California Drought, Water, Parks, Climate, Coastal Protection, and Out Door Access For All		107,575
California Library Construction and Renovation		203,255
California Park and Recreational Facilities		4,595
California Parklands		790
California Safe Drinking Water		26,165
California Stem Cell Research and Cures		1,186,305
California Wildlife, Coastal, and Park Land Conservation		47,330
Children's Hospital		1,304,765
Class-Size Reduction Public Education Facilities		3,934,110
Clean Air and Transportation Improvement		345,195
Clean Water		2,780
Clean Water and Water Conservation		1,940
Clean Water and Water Reclamation		8,245
Community Parklands		755
County Correctional Facility Capital Expenditure		3,945
County Correctional Facility Capital Expenditure and Youth Facility		23,355
Disaster Preparedness and Flood Prevention		2,727,440
Earthquake Safety and Public Buildings Rehabilitation		14,630
Fish and Wildlife Habitat Enhancement		2,995
Higher Education Facilities		148,180
Highway Safety, Traffic Reduction, Air Quality, and Port Security		14,779,400
Housing and Emergency Shelter		967,740
Housing and Homeless		610
Kindergarten Through Community College Public Education Facilities		28,450,660
New Prison Construction		3,870
Passenger Rail and Clean Air		1,825
Public Education Facilities		824,815
Safe, Clean, Reliable Water Supply		364,325
Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection		1,059,365
Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection		3,262,445
Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection		1,069,040
Safe, Reliable High-Speed Passenger Train		3,001,425
School Building and Earthquake		6,650
School Facilities		379,950
Seismic Retrofit		756,525
State, Urban, and Coastal Park		1,655
Veterans and Affordable Housing		154,515
Veterans Homes		30,635
Veterans Housing and Homeless Prevention		127,720
Voting Modernization		41,250
Water Conservation		9,005
Water Conservation and Water Quality		11,545
Water Quality, Supply, and Infrastructure Improvement		1,475,880
Water Security, Clean Drinking Water, Coastal and Beach Protection		2,263,050
Total governmental activity		70,837,455
Business-type activity		
California Water Resources Development		2,090
Veterans' Farm and Home Building		584,760
Total business-type activity		586,850
Total outstanding general obligation bonds		71,424,305
Unamortized bond premiums/discounts		7,655,487
Total general obligation bonds payable	\$	79,079,792

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Source: California State Treasurer's Office

Schedule of Pledged Revenue Coverage

For the Past Ten Fiscal Years

(amounts in thousands)

	June 30	Gross Revenue ¹	Operating Expenses ²	Net Revenue Available for Debt Service	Debt Service Requirements ³			
					Principal	Interest	Total	Coverage
Housing Loans	2012	\$ 84,830	\$ 20,322	\$ 64,508	\$ 88,105	\$ 24,914	\$ 113,019	0.57
	2013	66,050	18,369	47,681	51,554	16,271	67,825	0.70
	2014	65,247	19,452	45,795	47,620	14,926	62,546	0.73
	2015	57,742	24,413	33,329	12,960	14,095	27,055	1.23
	2016	53,428	21,916	31,512	381,175	21,525	402,700	0.08
	2017	52,117	30,926	21,191	131,010	11,368	142,378	0.15
	2018	52,480	25,943	26,537	14,000	10,380	24,380	1.09
	2019	59,743	20,248	39,495	6,435	11,401	17,836	2.21
	2020	61,588	15,463	46,125	17,980	11,392	29,372	1.57
	2021	51,953	20,035	31,918	79,140	11,296	90,436	0.35
Water Resources	2012	\$ 1,045,812	\$ 852,404	\$ 193,408	\$ 116,150	\$ 121,804	\$ 237,954	0.81
	2013	1,127,195	822,637	304,558	174,660	145,660	320,320	0.95
	2014	973,508	798,653	174,855	150,911	107,727	258,638	0.68
	2015	1,019,378	607,407	411,971	203,481	200,563	404,044	1.02
	2016	1,086,650	796,591	290,059	171,455	84,099	255,554	1.14
	2017	1,223,340	941,984	281,356	134,185	34,408	168,593	1.67
	2018	1,221,866	820,163	401,703	138,570	75,670	214,240	1.88
	2019	1,172,134	784,173	387,961	129,400	86,809	216,209	1.79
	2020	1,155,001	720,577	434,424	147,035	139,197	286,232	1.52
	2021	1,125,002	856,011	268,991	172,815	87,404	260,219	1.03
Water Pollution Control	2012	\$ 50,183	\$ 2,849	\$ 47,334	\$ 24,285	\$ 4,984	\$ 29,269	1.62
	2013	51,642	1,055	50,587	45,755	533	46,288	1.09
	2014	54,968	1,739	53,229	13,000	355	13,355	3.99
	2015	56,350	1,092	55,258	13,000	293	13,293	4.16
	2016	59,034	321	58,713	13,000	2,199	15,199	3.86
	2017	65,635	350	65,285	12,940	12,458	25,398	2.57
	2018	77,135	183	76,952	27,350	28,748	56,098	1.37
	2019	86,828	435	86,393	58,845	37,384	96,229	0.90
	2020	80,627	353	80,274	77,170	35,174	112,344	0.71
	2021	66,662	355	66,307	82,615	33,155	115,770	0.57

Source: California State Controller's Office

¹ Total gross revenue includes non-operating interest revenue. Building authorities' revenue includes operating transfers in. The nature of the revenue pledged for each type of debt is as follows: investment and interest earnings for Housing Loans bonds and Water Pollution Control bonds; charges for services and sales for Water Resources bonds; power sales revenue for Electric Power bonds; rental revenue for Public Buildings Construction bonds, High Technology Education bonds, CSU Channel Island Financing Authority bonds, and building authorities bonds; residence fees for California State University bonds; tobacco settlements and investment earnings for the Golden State Tobacco Securitization Corporation bonds; and federal transportation funds for Grant Anticipation Revenue Vehicles.

² Total operating expenses are exclusive of depreciation, interest expense, and amortization (recovery) of long-term prepaid charges and refunding gains/losses.

³ Debt service requirements include principal and interest of revenue bonds.

⁴ All revenue bonds have been redeemed.

⁵ Federal transportation funds are the only source of state revenue to pay these bonds, and the state obligation to pay debt service on these bonds is limited to and dependent on receipt of the federal funds.

For the Past Ten Fiscal Years

(amounts in thousands)

	June 30	Gross Revenue ¹	Operating Expenses ²	Net Revenue Available for Debt Service	Debt Service Requirements ³			
					Principal	Interest	Total	Coverage
Electric Power	2012	\$ 915,000	\$ 29,000	\$ 886,000	\$ 556,000	\$ 354,000	\$ 910,000	0.97
	2013	488,000	(408,000)	896,000	574,000	341,000	915,000	0.98
	2014	835,000	(46,000)	881,000	611,000	312,000	923,000	0.95
	2015	799,000	(132,000)	931,000	618,000	268,000	886,000	1.05
	2016	728,000	(182,000)	910,000	669,000	253,000	922,000	0.99
	2017	945,000	(29,000)	974,000	690,000	215,000	905,000	1.08
	2018	952,000	—	952,000	719,000	175,000	894,000	1.06
	2019	923,000	(5,000)	928,000	753,000	139,000	892,000	1.04
	2020	925,000	(11,000)	936,000	970,000	109,000	1,079,000	0.87
	2021	299,000	(7,000)	306,000	735,000	48,000	783,000	0.39
Public Buildings Construction	2012	\$ 426,960	\$ 13,211	\$ 413,749	\$ 405,585	\$ 384,400	\$ 789,985	0.52
	2013	616,041	13,479	602,562	554,985	395,073	950,058	0.63
	2014	431,890	14,403	417,487	412,085	439,888	851,973	0.49
	2015	462,703	3,646	459,057	782,975	492,868	1,275,843	0.36
	2016	413,807	6,455	407,352	1,192,065	452,796	1,644,861	0.25
	2017	447,238	6,899	440,339	481,680	402,201	883,881	0.50
	2018	440,902	4,023	436,879	709,805	415,551	1,125,356	0.39
	2019	442,022	1,945	440,077	518,640	363,983	882,623	0.50
	2020	422,614	4,430	418,184	635,985	353,371	989,356	0.42
	2021	344,095	4,879	339,216	535,695	345,741	881,436	0.38
High Technology Education ⁴	2012	\$ 8,452	\$ —	\$ 8,452	\$ 21,105	\$ 7,754	\$ 28,859	0.29
	2013	5,585	—	5,585	22,275	6,568	28,843	0.19
	2014	424	—	424	24,771	847	25,618	0.02
California State University	2012	\$ 4,165,118	\$ 5,770,880	\$ (1,605,762)	\$ 138,535	\$ 174,914	\$ 313,449	(5.12)
	2013	4,215,258	5,754,800	(1,539,542)	126,395	181,969	308,364	(4.99)
	2014	4,505,589	6,376,502	(1,870,913)	257,964	173,424	431,388	(4.34)
	2015	4,780,280	6,363,534	(1,583,254)	400,412	177,642	578,054	(2.74)
	2016	4,937,116	6,672,956	(1,735,840)	114,585	166,964	281,549	(6.17)
	2017	5,030,325	7,479,645	(2,449,320)	120,570	200,678	321,248	(7.62)
	2018	5,393,953	9,225,942	(3,831,989)	296,516	255,133	551,649	(6.95)
	2019	5,573,812	9,139,677	(3,565,865)	237,971	297,486	535,457	(6.66)
	2020	5,695,853	9,908,839	(4,212,986)	299,162	342,642	641,804	(6.56)
	2021	6,279,180	9,685,352	(3,406,172)	245,384	364,037	609,421	(5.59)

(continued)

Schedule of Pledged Revenue Coverage (continued)

For the Past Ten Fiscal Years

(amounts in thousands)

	June 30	Gross Revenue ¹	Operating Expenses ²	Net Revenue Available for Debt Service	Debt Service Requirements ³			
					Principal	Interest	Total	Coverage
Building Authorities	2012	\$ 57,386	\$ —	\$ 57,386	\$ 36,473	\$ 22,889	\$ 59,362	0.97
	2013	53,441	—	53,441	38,400	18,390	56,790	0.94
	2014	53,157	—	53,157	39,895	29,882	69,777	0.76
	2015	54,090	—	54,090	38,800	19,701	58,501	0.92
	2016	48,722	—	48,722	19,815	14,502	34,317	1.42
	2017	40,718	—	40,718	27,420	10,096	37,516	1.09
	2018	38,251	—	38,251	30,180	7,441	37,621	1.02
	2019	38,327	—	38,327	31,605	6,012	37,617	1.02
	2020	35,546	—	35,546	33,215	4,383	37,598	0.95
	2021	25,434	—	25,434	31,580	2,774	34,354	0.74
Golden State Tobacco Securitization Corporation	2012	\$ 368,853	\$ —	\$ 368,853	\$ 65,765	\$ 312,815	\$ 378,580	0.97
	2013	555,392	—	555,392	623,510	308,056	931,566	0.60
	2014	355,918	—	355,918	50,910	325,884	376,794	0.94
	2015	414,992	394	414,598	133,900	292,173	426,073	0.97
	2016	365,300	586	364,714	70,535	299,935	370,470	0.98
	2017	370,612	462	370,150	745,888	308,638	1,054,526	0.35
	2018	433,836	518	433,318	2,044,750	319,550	2,364,300	0.18
	2019	446,462	653	445,809	878,094	288,841	1,166,935	0.38
	2020	423,369	530	422,839	154,190	265,519	419,709	1.01
	2021	471,222	535	470,687	212,215	323,920	536,135	0.88
Grant Anticipation Revenue Vehicles ^{4,5}	2012	\$ 84,290	\$ —	\$ 84,290	\$ 67,730	\$ 16,560	\$ 84,290	1.00
	2013	84,296	—	84,296	70,990	13,306	84,296	1.00
	2014	84,289	—	84,289	74,400	9,889	84,289	1.00
	2015	84,289	—	84,289	78,090	6,199	84,289	1.00
	2016	11,393	—	11,393	8,970	2,423	11,393	1.00
	2017	11,390	—	11,390	9,360	2,030	11,390	1.00
	2018	11,393	—	11,393	9,830	1,563	11,393	1.00
	2019	11,390	—	11,390	10,320	1,070	11,390	1.00
	2020	11,390	—	11,390	10,835	555	11,390	1.00
								(concluded)

Demographic and Economic Information

The *demographic and economic* schedules contain trend information to help the reader understand the environment in which the State's financial activities occur. This section includes the following demographic and economic schedules.

Schedule of Demographic and Economic Indicators

Schedule of Employment by Industry

Schedule of Demographic and Economic Indicators

For the Past Ten Calendar Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Population (in thousands) ¹										
California	37,651	37,970	38,291	38,636	38,966	39,223	39,424	39,536	39,548	39,500
% Change	0.9%	0.8%	0.8%	0.9%	0.9%	0.7%	0.5%	0.3%	0.0%	-0.1%
United States	311,842	314,344	316,735	319,270	321,829	324,368	326,623	328,542	330,233	331,501
% Change	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.7%	0.6%	0.5%	0.4%
Total personal income (in millions) ¹										
California	\$ 1,715,227	\$ 1,827,167	\$ 1,857,201	\$ 1,980,737	\$ 2,125,430	\$ 2,218,458	\$ 2,318,644	\$ 2,431,822	\$ 2,544,235	\$ 2,763,312
% Change	6.3%	6.5%	1.6%	6.7%	7.3%	4.4%	4.5%	4.9%	4.6%	8.6%
United States	\$ 13,330,436	\$ 14,003,346	\$ 14,189,228	\$ 14,969,527	\$ 15,681,233	\$ 16,092,713	\$ 16,845,028	\$ 17,681,159	\$ 18,402,004	\$ 19,607,447
% Change	5.9%	5.0%	1.3%	5.5%	4.8%	2.6%	4.7%	5.0%	4.1%	6.6%
Per capita personal income ^{1, 2}										
California	\$ 45,557	\$ 48,121	\$ 48,502	\$ 51,266	\$ 54,546	\$ 56,560	\$ 58,813	\$ 61,509	\$ 64,333	\$ 69,958
% Change	5.3%	5.6%	0.8%	5.7%	6.4%	3.7%	4.0%	4.6%	4.6%	8.7%
United States	\$ 42,747	\$ 44,548	\$ 44,798	\$ 46,887	\$ 48,725	\$ 49,613	\$ 51,573	\$ 53,817	\$ 55,724	\$ 59,147
% Change	5.1%	4.2%	0.6%	4.7%	3.9%	1.8%	4.0%	4.4%	3.5%	6.1%
Labor force and employment (in thousands)										
California										
Civilian labor force	18,385	18,511	18,573	18,941	18,996	19,099	19,319	19,534	18,743	18,920
Employed	16,227	16,740	17,044	17,600	17,894	18,141	18,515	18,740	16,104	17,367
Unemployed	2,158	1,771	1,530	1,341	1,102	957	804	794	2,640	1,553
Unemployment rate	11.7%	9.6%	8.2%	7.1%	5.8%	5.0%	4.2%	4.1%	14.1%	8.2%
United States employment rate	8.9%	8.1%	7.4%	6.2%	5.3%	4.9%	4.4%	3.9%	3.7%	8.1%

Sources: Economic Research Unit, California Department of Finance; Bureau of Economic Analysis, U.S. Department of Commerce; Labor Market Information Division, California Employment Development Department; and Bureau of Labor Statistics, U.S. Department of Labor.

Note: This schedule presents data available as of July 2022.

¹ Some prior years were updated based on more current information.

² Calculated by dividing total personal income by population.

Schedule of Employment by Industry

For Calendar Years 2011 and 2020

	2011		2020	
	Employees	Percent of Total State Employment	Employees	Percent of Total State Employment
Industry				
Services	6,331,900	42.7 %	7,298,700	44.0 %
Government				
Federal	193,100	1.3	195,100	1.2
Military	62,200	0.4	64,800	0.4
State and Local	2,149,700	14.5	2,233,300	13.5
Retail trade	1,545,400	10.4	1,527,300	9.2
Manufacturing	1,254,400	8.5	1,264,400	7.5
Information, finance, and insurance	946,000	6.4	1,071,500	6.5
Construction and utilities	620,000	4.2	914,200	5.5
Wholesale trade	641,700	4.3	642,600	3.9
Transportation and warehousing	416,100	2.8	674,200	4.0
Farming	389,800	2.6	406,600	2.5
Real estate	247,200	1.7	281,900	1.7
Natural resources and mining	26,700	0.2	20,000	0.1
Total	14,824,200	100.0 %	16,594,600	100.0 %

Source: Labor Market Information Division, California Employment Development Department

Operating Information

The *operating information* schedules assist the reader in evaluating the size, efficiency, and effectiveness of the State's government. This section includes the following operating information schedules.

Schedule of Full-time Equivalent State Employees by Function

Schedule of Operating Indicators by Function

Schedule of Capital Asset Statistics by Function

Schedule of Full-time Equivalent State Employees by Function

For the Past Ten Fiscal Years

	General Government	Education	Health and Human Services	Natural Resources and Environmental Protection	State and Consumer Services	Business, Transportation, and Housing	Corrections and Rehabilitation	Total
Fiscal Year								
2012	44,673	131,039	46,431	24,199	6,236	41,758	62,472	356,808
2013	43,241	132,492	43,431	23,796	5,395	39,222	58,742	346,319

	General Government ¹	Education	Health and Human Services	Natural Resources and Environmental Protection	Business, Consumer Services, and Housing ¹	Transportation ¹	Corrections and Rehabilitation	Total
Fiscal Year								
2014	43,858	136,244	44,343	24,156	5,409	39,015	60,871	353,896
2015	45,383	139,958	44,589	24,996	5,552	39,636	60,745	360,859
2016	42,904	146,552	40,943	22,804	5,083	39,050	53,344	350,680
2017	44,844	154,479	41,350	23,880	5,153	38,375	53,662	361,743
2018	44,041	161,842	40,399	21,785	5,327	38,488	56,638	368,520
2019	44,989	164,337	40,761	24,447	5,644	39,670	57,140	376,988
2020	45,028	166,059	41,965	25,410	5,876	40,316	57,812	382,466
2021	45,300	166,799	48,596	26,187	6,008	40,454	57,350	390,694

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Source: Annual Governor's Budget Summary, California Department of Finance

Note: The number of full-time equivalent employees is calculated by counting each person who works full time as one full-time equivalent and those who work part time as fractional equivalents based on time worked.

¹ Effective July 1, 2013, under the Governor's 2012 Reorganization Plan No. 2, a significant reorganization took place that impacted previously reported functions. The Government Operations Agency, including but not limited to Franchise Tax Board, Department of General Services, and the Public Employees' Retirement System, was created and added to the General Government function. Also, the business and housing components under the previously reported Business, Transportation, and Housing function merged with the State and Consumer Services function and the remaining transportation components now comprise the Transportation Agency. Information reported under the new functions are not comparable to that of prior years.

Schedule of Operating Indicators by Function

For the Past Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Government										
State Lottery										
Total revenue ¹	\$ 4,371	\$ 4,446	\$ 5,035	\$ 5,525	\$ 6,276	\$ 6,233	\$ 6,966	\$ 7,388	\$ 6,622	\$ 8,418
Allocation to Education Fund ¹	\$ 1,300	\$ 1,262	\$ 1,328	\$ 1,364	\$ 1,563	\$ 1,499	\$ 1,665	\$ 1,825	\$ 1,437	\$ 1,863
Judicial Council of California										
Supreme Court ^{2,9}										
Cases filed	9,232	8,029	7,907	7,860	8,081	7,317	6,812	6,917	6,470	N/A
Cases disposed	9,720	8,492	7,774	7,549	7,951	6,992	6,759	6,816	6,417	N/A
Courts of Appeal ⁹										
Notices of appeal filed ³										
Civil	6,505	6,052	5,983	6,062	5,935	5,975	6,002	5,697	5,144	N/A
Criminal	6,387	6,004	6,373	7,113	6,714	5,593	5,221	5,577	6,286	N/A
Juvenile	2,830	2,713	2,857	3,036	3,025	3,029	3,068	3,332	2,818	N/A
Trial Courts ⁹										
Total civil cases ⁴										
Filings	1,458,898	1,358,481	1,264,983	1,145,892	1,148,205	1,198,076	1,235,568	1,289,311	1,108,779	N/A
Dispositions	1,436,658	1,327,078	1,216,185	1,118,443	1,031,105	1,039,092	985,039	1,108,732	989,026	N/A
Department of Food and Agriculture										
Milk production (million lbs.) ^{5,9}	41,801	41,256	42,339	40,897	40,469	39,798	40,404	40,595	41,311	41,864
Farm land (thousand acres) ⁵	25,600	25,300	25,200	24,900	24,800	24,500	24,300	24,300	24,300	24,200
Education										
Public Colleges and Universities										
Fall enrollment ⁹										
Community Colleges	1,668,219	1,664,430	1,664,174	1,674,652	1,674,798	1,681,195	1,681,514	1,659,399	1,459,860	1,354,880
California State University	436,560	446,530	460,200	474,571	478,638	484,297	481,210	481,929	485,550	477,466
University of California	238,617	244,126	252,263	257,438	270,112	278,996	286,271	285,216	285,862	294,662
K-12 Schools										
Fall enrollment ⁹										
Public	6,220,993	6,226,989	6,236,672	6,235,520	6,226,737	6,228,235	6,220,413	6,186,278	6,163,001	6,002,523
Private	497,019	516,119	511,286	503,295	500,543	490,966	488,854	495,693	488,984	471,653

(continued)

Sources: California State Lottery; Judicial Council of California; U.S. Department of Agriculture, National Agricultural Statistics Service; California Departments of the California Highway Patrol, Finance, Fish and Wildlife, Education, Public Health, Motor Vehicles, Transportation, and Corrections and Rehabilitation; Employment Development Department; California Energy Commission; Franchise Tax Board; California Community Colleges Chancellor's office; The California State University, and California Department of Education.

Note: This schedule presents data available as of June 2021.

¹ Dollars in millions.

² Includes death penalty cases, habeas corpus related to automatic appeals, petitions for review, original proceedings, and State Bar matters.

³ Includes only one notice of appeal per case.

⁴ Includes personal injury, property damage, wrongful death, small claims, family law, probate, and other cases.

⁵ Data based on calendar year.

⁶ Total nonfarm and farm.

⁷ Data compiled from a 10% sample of California licensed drivers.

⁸ A center-line mile is measured by the yellow dividing strip that runs down the middle of the road, regardless of the number of lanes on each side.

⁹ Some prior years were updated based on more current information.

¹⁰ The amount for fiscal year 2021 is projected.

N/A = Not Available

Schedule of Operating Indicators by Function (continued)

For the Past Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Health and Human Services										
Department of Public Health										
Vital statistics										
Live births ^{5, 10}	503,788	494,392	502,973	491,789	488,925	471,806	454,244	446,548	448,758	436,883
Department of Social Services										
CalFresh programs households (avg. per month)	1,757,387	1,898,283	2,004,016	2,102,031	2,130,583	2,032,818	1,979,526	1,782,500	2,249,323	2,446,529
Employment Development Department										
Number of employed ^{5, 6, 9}	15,161,400	15,563,600	15,992,500	16,474,600	16,906,000	17,249,700	17,594,400	17,853,100	16,547,900	17,115,600
Resources										
Department of Fish and Wildlife										
Sport fishing licenses sold ^{5, 9}	2,581,840	2,540,439	2,491,578	2,485,400	2,508,490	2,502,863	2,498,077	2,371,800	2,780,352	2,713,546
Hunting licenses sold ^{5, 9}	1,989,196	2,033,573	1,980,655	2,131,655	2,143,146	2,143,026	2,113,888	2,043,323	2,404,425	2,387,932
California Energy Commission										
Electrical energy generation plus net imports (gigawatt hours) ⁹	302,184	296,280	296,147	295,878	290,790	292,076	285,757	277,964	273,169	277,205
Business, Consumer Services, and Housing										
Franchise Tax Board										
Personal Income Tax ^{5, 9}										
Number of tax returns filed	15,152,800	15,487,100	15,877,000	16,257,600	16,547,100	16,868,000	17,074,000	17,524	18,315	N/A
Taxable income ¹	\$ 948,523	\$ 949,655	\$ 1,064,347	\$ 1,107,474	\$ 1,154,906	\$ 1,254,483	\$ 1,352,592	\$ 1,406,487	\$ 1,509,060	N/A
Total tax liability ¹	\$ 58,652	\$ 55,679	\$ 66,583	\$ 68,498	\$ 71,348	\$ 79,927	\$ 86,902	\$ 89,690	\$ 103,082	N/A
Corporation Tax ^{5, 9}										
Number of tax returns filed	784,086	801,045	828,080	865,593	900,358	936,211	974,652	1,003,389	N/A	N/A
Income reported for taxation ¹	\$ 96,772	\$ 101,913	\$ 122,976	\$ 140,534	\$ 129,452	\$ 127,290	\$ 172,954	\$ 191,621	N/A	N/A
Total tax liability ¹	\$ 6,921	\$ 7,166	\$ 8,593	\$ 9,235	\$ 9,276	\$ 8,822	\$ 11,625	\$ 13,861	N/A	N/A
Transportation										
California Highway Patrol										
Total number of DUI arrests ⁵	79,993	76,860	73,425	65,016	60,202	58,195	60,336	65,765	55,478	59,752
Department of Motor Vehicles										
Motor vehicle registration ^{5, 9}	31,946,422	32,903,847	33,550,486	34,346,325	35,310,563	35,391,347	35,707,821	35,805,757	35,191,744	N/A
License issued by age ^{5, 7, 9}										
Under age 18	224,809	221,385	223,024	221,250	225,569	219,572	213,402	215,084	182,187	N/A
Between 18-80	23,462,971	23,824,697	24,195,705	25,089,910	25,639,270	26,078,773	26,275,559	26,439,138	26,063,084	N/A
Over age 80	602,508	597,350	595,739	603,691	619,807	659,530	647,831	650,998	624,254	N/A
Department of Transportation										
Highway center-line miles – rural ^{5, 8, 9}	10,784	10,315	10,312	10,407	10,259	10,259	10,259	10,510	10,458	N/A
Highway center-line miles – urban ^{5, 8, 9}	4,363	4,789	4,787	4,685	4,833	4,833	4,833	4,547	4,564	N/A
Correctional Programs										
Department of Corrections and Rehabilitation										
Division of Adult Institutions										
Institution population at December 31 each year	132,768	134,333	134,431	127,815	129,415	130,263	127,709	124,027	95,432	99,729
Division of Juvenile Justice										
Institution population at June 30 each year	922	712	675	681	690	638	629	720	782	677

(concluded)

Schedule of Capital Asset Statistics by Function

For the Past Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Government										
Department of Food and Agriculture										
Vehicles and mobile equipment	804	792	747	747	752	677	823	633	780	752
Square footage of structures (in thousands)	466	455	455	455	455	462	384	384	384	394
Department of Justice										
Vehicles and mobile equipment	531	527	520	520	484	511	509	495	485	549
Department of Military										
Vehicles and mobile equipment	233	211	211	211	217	218	261	221	241	212
Square footage of structures (in thousands)	3,511	3,623	4,019	3,977	3,965	3,954	3,770	3,268	3,254	3,253
Department of Veterans Affairs										
Veterans homes	6	8	8	8	8	8	8	8	8	8
Vehicles and mobile equipment	143	267	285	285	235	280	292	247	276	279
Square footage of structures (in thousands)	2,086	2,488	2,543	2,541	2,541	2,552	2,552	2,536	2,541	2,541
Education										
California State University										
Vehicles and mobile equipment	4,326	4,467	4,555	4,619	4,945	4,838	5,216	5,246	5,397	5,447
Campuses	23	23	23	23	23	23	23	23	23	23
Square footage of structures (in thousands)	73,785	73,866	73,316	73,988	75,292	75,786	76,227	76,969	78,447	79,572
Health and Human Services										
Department of Developmental Services										
Vehicles and mobile equipment	789	632	424	571	640	559	616	600	490	418
Developmental centers	5	4	4	3	3	3	3	2	2	2
Square footage of structures (in thousands)	5,294	5,279	5,308	4,699	3,664	3,664	3,595	3,578	2,321	2,321
Department of State Hospitals¹										
Vehicles and mobile equipment	718	699	886	752	678	674	728	820	969	900
State hospitals	5	7	7	7	8	5	5	5	5	5
Square footage of structures (in thousands)	6,336	6,457	6,460	6,445	6,445	5,944	5,944	6,425	6,433	6,478

(continued)

Source: California Department of General Services (DGS)

Note: This schedule presents data available as of June 2022.

¹ In fiscal year 2012, portions of the Department of Mental Health became the Department of State Hospitals.

Schedule of Capital Asset Statistics by Function (continued)

For the Past Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Resources										
Department of Fish and Wildlife										
Vehicles and mobile equipment	3,012	2,896	2,954	2,954	3,104	3,126	2,970	3,266	3,334	3,392
Square footage of structures (in thousands)	1,317	1,317	1,311	1,311	1,297	1,322	1,322	1,333	1,333	1,334
Department of Forestry and Fire Protection										
Vehicles and mobile equipment	2,810	2,845	2,748	2,748	3,151	3,073	3,115	3,144	3,090	3,681
Square footage of structures (in thousands)	3,935	3,641	3,632	3,664	3,666	3,677	3,640	3,626	3,654	3,765
Department of Parks and Recreation										
Vehicles and mobile equipment	4,200	3,311	3,489	3,489	3,538	3,542	3,804	3,571	3,794	3,835
State Parks	280	280	279	280	280	280	280	280	280	279
Acres of state park land (in thousands)	1,333	1,590	1,590	1,605	1,605	1,617	1,619	1,618	1,641	1,360
Square footage of structures (in thousands)	6,623	6,598	6,751	6,761	6,790	7,363	7,360	7,544	7,554	7,558
State Lands Commission										
Vehicles and mobile equipment	42	42	41	41	41	43	48	42	43	44
Acres of land (in thousands)	4,491	4,489	4,489	4,482	4,480	4,480	4,480	4,480	4,480	4,480
Business, Consumer Services, and Housing										
Department of Consumer Affairs										
Vehicles and mobile equipment	574	518	554	554	588	596	600	622	671	614
Department of General Services										
Vehicles and mobile equipment	4,991	5,226	5,053	5,053	4,697	4,476	4,465	4,552	4,664	4,838
Square footage of structures (in thousands)	19,180	19,098	19,367	19,448	19,311	19,487	19,565	19,490	20,267	20,285
Transportation										
California Highway Patrol										
Vehicles and mobile equipment	5,013	5,341	5,170	5,170	5,167	5,336	4,912	4,946	4,807	5,656
Square footage of structures (in thousands)	1,149	1,149	1,166	1,169	1,211	1,191	1,182	1,199	1,301	1,302
Department of Motor Vehicles										
Vehicles and mobile equipment	366	294	295	295	287	276	283	266	314	308
Square footage of structures (in thousands)	1,842	1,842	1,845	1,786	1,780	1,777	1,785	1,785	1,785	1,785
Department of Transportation										
Vehicles and mobile equipment	12,690	11,767	11,596	11,596	11,776	11,585	11,494	11,483	11,449	11,416
Square footage of structures (in thousands)	8,131	8,170	7,960	7,965	7,968	7,960	7,933	8,074	8,096	8,365
Correctional Programs										
Department of Corrections and Rehabilitation										
Vehicles and mobile equipment	5,952	5,156	5,137	5,968	5,291	8,079	7,571	7,139	7,312	7,632
Prisons and juvenile facilities	39	37	37	39	39	40	39	39	39	38
Square footage of structures (in thousands)	41,399	40,606	40,726	40,590	40,485	42,198	42,209	42,605	42,936	42,932

(concluded)

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