NEW ISSUE—BOOK-ENTRY ONLY

Ratings: Moody's: Aa2
S&P: AA-
Fitch: AA
(See "RATINGS")

In the opinion of Bond Counsel to the State of California, interest on the Bonds is exempt from State of California personal income taxes. See "TAX MATTERS."

$1,804,055,000
STATE OF CALIFORNIA
FEDERALLY TAXABLE
VARIOUS PURPOSE
GENERAL OBLIGATION BONDS

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

The State of California (the "State") is issuing $1,804,055,000 Federally Taxable Various Purpose General Obligation 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 September 1, 2023, 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—"DTC BOOK-ENTRY SYSTEM AND GLOBAL CLEARANCE PROCEDURE." For information on minimum unit sales to purchasers outside the United States, see "INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES."

The distribution of this Official Statement and the offering, sale and delivery of the Bonds in jurisdictions outside the United States may be restricted by law. Persons in such jurisdictions who distribute, review, or otherwise possess this Official Statement and any persons otherwise involved in the offer, sale and/or delivery of Bonds in such jurisdictions are required by the State to inform themselves about and to comply with any such restrictions. For a description of certain restrictions on offers, sales and deliveries of the Bonds and on distribution of this Official Statement and other offering material relating to the Bonds in such jurisdictions, see "INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES."

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, PRICES, YIELDS, CUSIPS, ISINS AND COMMON CODES
(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 for the accounts of its participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System and Clearstream Banking, société anonyme on or about March 15, 2023.

HONORABLE FIONA MA
Treasurer of the State of California

Wells Fargo Corporate & Investment Banking
(Joint Senior Manager)

Siebert Williams Shank & Co., LLC
(Joint Senior Manager)

TD Securities
(Co-Senior Manager)

Academy Securities	**AmeriVet Securities, Inc.**	**Backstrom McCarley Berry & Co., LLC**
Barclays	**BofA Securities**	**Blaylock Van, LLC**
Cabrera Capital Markets, LLC	**Citigroup**	**Goldman Sachs & Co. LLC**
Great Pacific Securities	**Huntington Securities, Inc.**	**J.P. Morgan**
Jefferies	**Mesirow Financial, Inc.**	**Morgan Stanley**
Raymond James	**RBC Capital Markets**	**U.S. Bancorp Investments, Inc.**
	UBS	

Official Statement Dated: March 8, 2023

SUMMARY OF THE OFFERING

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES, YIELDS, CUSIPS,† ISINS† AND COMMON CODES‡

$1,804,055,000
STATE OF CALIFORNIA
FEDERALLY TAXABLE
VARIOUS PURPOSE
GENERAL OBLIGATION BONDS

Base CUSIP†: 13063D

Base ISIN†: US13063D

Maturity Date (March 1)	Principal Amount	Interest Rate	Price	Yield	CUSIP† Suffix	ISIN† Suffix	Common Code‡
2024	$ 85,000,000	5.222%	100.000	5.222%	3M8	3M82	260023845
2027	150,000,000	4.846	100.000	4.846	3N6	3N65	260024051
2029	129,970,000	5.100	100.774	4.948	3P1	3P14	260024086
2030	146,780,000	6.000	105.647	5.028	3Q9	3Q96	260024124
2033	400,000,000	6.000	108.217	4.945	3R7	3R79	260022253
2038	446,155,000	5.125	97.249	5.395	3S5	3S52	260022300
2043	446,150,000	5.200	96.659	5.477	3T3	3T36	260022393

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP and ISIN 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 and ISIN 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 and ISIN numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP and/or ISIN 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.

‡ The Common Codes are provided herein by Euroclear Bank S.A./N.V. Common Codes are provided for convenience of reference only. Neither the State nor the Underwriters are responsible for the selection or uses of these Common Codes, and no representation is made as to their correctness on the applicable Bonds or as included herein.

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, STATE OR FOREIGN SECURITIES COMMISSION OR REGULATORY AUTHORITY, AND THE FOREGOING AUTHORITIES HAVE NEITHER REVIEWED NOR CONFIRMED THE ACCURACY OF THIS DOCUMENT.

NO ACTION HAS BEEN TAKEN BY THE STATE THAT WOULD PERMIT A PUBLIC OFFERING OF THE BONDS OR POSSESSION OR DISTRIBUTION OF THE OFFICIAL STATEMENT OR ANY OTHER OFFERING MATERIAL IN ANY FOREIGN JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. ACCORDINGLY, EACH OF THE UNDERWRITERS HAS AGREED THAT ANY BONDS OFFERED OR SOLD OUTSIDE OF THE UNITED STATES OF AMERICA BY SUCH UNDERWRITER WILL BE OFFERED AND

SOLD IN COMPLIANCE WITH THE APPLICABLE LAWS, RULES AND REGULATIONS OF THE JURISDICTION IN WHICH SUCH BONDS ARE OFFERED AND SOLD AND SUCH UNDERWRITER WILL OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED BY IT FOR THE OFFER OR SALE BY IT OF THE BONDS UNDER THE LAWS, RULES AND REGULATIONS IN FORCE IN ANY FOREIGN JURISDICTION TO WHICH IT IS SUBJECT OR IN WHICH IT MAKES SUCH OFFERS OR SALES, AND THE STATE SHALL HAVE NO RESPONSIBILITY THEREFOR.

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.

INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES

REFERENCES UNDER THIS HEADING TO THE "ISSUER" MEAN THE STATE OF CALIFORNIA, REFERENCES TO "BONDS" OR "SECURITIES" MEAN THE BONDS OFFERED HEREBY, AND REFERENCES TO AN "UNDERWRITER," OR "UNDERWRITERS" MEAN THE "UNDERWRITERS" REFERENCED ELSEWHERE IN THIS OFFICIAL STATEMENT. **THE STATE OF CALIFORNIA ASSUMES NO RESPONSIBILITY FOR THIS SECTION.**

MINIMUM UNIT SALES

THE BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE BOND OF $5,000 PRINCIPAL AMOUNT). FOR ANY SALES MADE OUTSIDE THE UNITED STATES, THE MINIMUM PURCHASE AND TRADING AMOUNT IS 30 UNITS (AN AGGREGATE PRINCIPAL AMOUNT OF $150,000).

NOTICE TO PROSPECTIVE INVESTORS IN JAPAN

THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED PURSUANT TO ARTICLE 4, PARAGRAPH 1 OF THE FINANCIAL INSTRUMENTS AND EXCHANGE ACT OF JAPAN (LAW NO. 25 OF 1948, AS AMENDED ("FIEA")) AND, ACCORDINGLY, NEITHER THE BONDS NOR ANY INTEREST IN THEM MAY BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT, OF ANY RESIDENT OF JAPAN OR TO OTHERS FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO A RESIDENT OF JAPAN EXCEPT UNDER CIRCUMSTANCES WHICH WILL RESULT IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND GUIDELINES PROMULGATED BY THE RELEVANT JAPANESE GOVERNMENTAL AND REGULATORY AUTHORITIES AND IN EFFECT AT THE RELEVANT TIME. FOR THE PURPOSES OF THIS PARAGRAPH, "RESIDENT OF JAPAN" MEANS A NATURAL PERSON HAVING HIS/HER PLACE OF DOMICILE OR RESIDENCE IN JAPAN, OR A LEGAL PERSON HAVING ITS MAIN OFFICE IN JAPAN. A BRANCH, AGENCY OR OTHER OFFICE IN JAPAN OF A NON-RESIDENT, IRRESPECTIVE OF WHETHER IT IS LEGALLY AUTHORIZED TO REPRESENT ITS PRINCIPAL OR NOT, SHALL BE DEEMED TO BE A RESIDENT OF JAPAN EVEN IF ITS MAIN OFFICE IS IN ANY COUNTRY OTHER THAN JAPAN. RESIDENT OF JAPAN SHALL EXCLUDE NON-RESIDENTS OF JAPAN, AS SUCH TERM IS DEFINED IN ARTICLE 6, PARAGRAPH 1, SUB-PARAGRAPH 6 OF THE FOREIGN EXCHANGE AND TRADE ACT OF JAPAN (ACT. NO. 228 OF 1949, AS AMENDED).

For Primary Offerings: THE OFFERING OF THE BONDS IN JAPAN ARE BEING MADE BY MEANS OF A PRIVATE PLACEMENT TO QUALIFIED INSTITUTIONAL INVESTORS (TEKIKAKU-KIKAN-TOSHIKA) (WITHIN THE MEANING OF SUCH TERM PROVIDED FOR UNDER ARTICLE 2, PARAGRAPH 3, SUB-PARAGRAPH 1 OF THE FIEA AND ARTICLE 10, PARAGRAPH 1 OF THE CABINET OFFICE ORDINANCE CONCERNING DEFINITIONS PROVIDED IN ARTICLE 2 OF THE FINANCIAL

INSTRUMENTS AND EXCHANGE ACT IN JAPAN (MINISTRY OF FINANCE ORDINANCE NO.14 OF 1993, AS AMENDED)) (“QIIS”). THE OFFERING OF THE BONDS IN JAPAN SHALL BE MADE ON THE CONDITIONS THAT THE BONDS SHALL NOT BE TRANSFERRED TO ANY PERSON OTHER THAN QIIS AND A DOCUMENT INCLUDING THE INFORMATION ON THE BONDS AND TO BE DELIVERED TO A PROSPECTIVE PURCHASER SHALL STATE THAT THE BONDS SHALL NOT BE TRANSFERRED TO ANY PERSON OTHER THAN A QIIS.

For Secondary Offerings: THE SALES OF THE BONDS IN JAPAN ARE BEING MADE BY MEANS OF A PRIVATE SECONDARY DISTRIBUTION (SHIURIDASHI) LIMITED TO QUALIFIED INSTITUTIONAL INVESTORS (TEKIKAKU-KIKAN-TOSHIKA) (WITHIN THE MEANING OF SUCH TERM PROVIDED FOR UNDER ARTICLE 2, PARAGRAPH 3, SUB-PARAGRAPH 1 OF THE FIEA AND ARTICLE 10, PARAGRAPH 1 OF THE CABINET OFFICE ORDINANCE CONCERNING DEFINITIONS PROVIDED IN ARTICLE 2 OF THE FINANCIAL INSTRUMENTS AND EXCHANGE ACT IN JAPAN (MINISTRY OF FINANCE ORDINANCE NO.14 OF 1993, AS AMENDED)) (“QIIS”). THE REGISTRATION IN ACCORDANCE WITH ARTICLE 4, PARAGRAPH 1 OF THE FIEA HAS NOT BEEN MADE IN RESPECT OF SUCH SALE, BECAUSE SUCH SALE FALLS UNDER ARTICLE 2, PARAGRAPH 4, SUB-PARAGRAPH 2 (I) OF THE FIEA. THE SALES OF THE BONDS IN JAPAN SHALL BE MADE ON THE CONDITIONS THAT THE BONDS SHALL NOT BE TRANSFERRED TO ANY PERSON OTHER THAN QIIS AND A DOCUMENT INCLUDING THE INFORMATION ON THE BONDS AND TO BE DELIVERED TO A PROSPECTIVE PURCHASER SHALL STATE THAT THE BONDS SHALL NOT BE TRANSFERRED TO ANY PERSON OTHER THAN A QIIS.

UPON ANY SUBSEQUENT OFFER FOR SALE OR SOLICITATION OF OFFERS FOR THE PURCHASE OF SUCH BONDS BY A SELLER IN JAPAN, THE PROSPECTIVE PURCHASER SHALL BE NOTIFIED IN WRITING AND IN ADVANCE OF OR SIMULTANEOUSLY WITH SUCH SOLICITATION: (I) THAT THE REGISTRATION IN ACCORDANCE WITH ARTICLE 4, PARAGRAPH 1 OF THE FIEA HAS NOT BEEN MADE IN RESPECT OF SUCH SOLICITATION, BECAUSE SUCH SOLICITATION FALLS UNDER ARTICLE 2, PARAGRAPH 4, SUB-PARAGRAPH 2 (I) OF THE FIEA; AND (II) THAT A DOCUMENT INCLUDING THE INFORMATION ON THE BONDS AND TO BE DELIVERED TO A PROSPECTIVE PURCHASER SHALL STATE THAT THE BONDS SHALL NOT BE TRANSFERRED TO ANY PERSON OTHER THAN A QIIS.

NOTICE TO PROSPECTIVE INVESTORS IN TAIWAN

THE UNDERWRITERS HAVE NOT AND WILL NOT SECURE THE REQUIRED LICENSES IN ACCORDANCE WITH TAIWAN LAW FOR THE OFFER OF THE BONDS. THE OFFER OF THE BONDS HAS NOT BEEN AND WILL NOT BE REGISTERED OR FILED WITH OR APPROVED BY THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN, THE REPUBLIC OF CHINA (“TAIWAN”) AND/OR OTHER REGULATORY AUTHORITY PURSUANT TO RELEVANT SECURITIES LAWS AND REGULATIONS OF TAIWAN AND MAY NOT BE ISSUED, OFFERED OR SOLD WITHIN TAIWAN THROUGH A PUBLIC OFFERING OR IN CIRCUMSTANCES WHICH CONSTITUTE AN OFFER WITHIN THE MEANING OF THE SECURITIES AND EXCHANGE ACT OF

TAIWAN OR RELEVANT LAWS AND REGULATIONS THAT REQUIRES A REGISTRATION, FILING OR APPROVAL OF THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN AND/OR OTHER REGULATORY AUTHORITY OF TAIWAN. NO PERSON OR ENTITY IN TAIWAN HAS BEEN AUTHORIZED TO OFFER OR SELL THE BONDS IN TAIWAN.

NOTICE TO PROSPECTIVE INVESTORS IN HONG KONG

WARNING - THE CONTENTS OF THIS DOCUMENT HAVE NOT BEEN REVIEWED BY ANY REGULATORY AUTHORITY IN HONG KONG. YOU ARE ADVISED TO EXERCISE CAUTION IN RELATION TO THE OFFER. IF YOU ARE IN ANY DOUBT ABOUT ANY OF THE CONTENTS OF THIS DOCUMENT YOU SHOULD OBTAIN INDEPENDENT PROFESSIONAL ADVICE.

BY THE SECURITIES LEGISLATION OF HONG KONG THE BONDS HAVE NOT BEEN OFFERED OR SOLD AND WILL NOT BE OFFERED OR SOLD IN HONG KONG, BY MEANS OF ANY DOCUMENT, OTHER THAN (A) TO “PROFESSIONAL INVESTORS” AS DEFINED IN THE SECURITIES AND FUTURES ORDINANCE (CAP. 571) OF HONG KONG AND ANY RULES MADE UNDER THAT ORDINANCE; OR (B) IN OTHER CIRCUMSTANCES WHICH DO NOT RESULT IN THE DOCUMENT BEING A “PROSPECTUS” AS DEFINED IN THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE (CAP. 32) OF HONG KONG OR WHICH DO NOT CONSTITUTE AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THAT ORDINANCE. NO ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE BONDS HAS BEEN OR MAY BE ISSUED, OR HAS BEEN OR MAY BE IN THE POSSESSION OF ANY PERSON FOR THE PURPOSES OF ISSUE, OR WILL BE ISSUED OR WILL BE IN THE POSSESSION OF ANY PERSON FOR THE PURPOSES OF ISSUE, WHETHER IN HONG KONG OR ELSEWHERE, WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC OF HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE SECURITIES LAWS OF HONG KONG) OTHER THAN WITH RESPECT TO THE BONDS WHICH ARE OR ARE INTENDED TO BE DISPOSED OF ONLY TO PERSONS OUTSIDE HONG KONG OR ONLY TO “PROFESSIONAL INVESTORS” AS DEFINED IN THE SECURITIES AND FUTURES ORDINANCE AND ANY RULES MADE UNDER THAT ORDINANCE.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

PROHIBITION ON SALES TO UK RETAIL INVESTORS

THE BONDS ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND WILL NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY UK RETAIL INVESTOR IN THE UNITED KINGDOM (“UK”). FOR PURPOSES OF THIS PROVISION:

(A) THE EXPRESSION “UK RETAIL INVESTOR” MEANS A PERSON WHO IS ONE (OR MORE) OF THE FOLLOWING:

(i) A RETAIL CLIENT AS DEFINED IN POINT (8) OF ARTICLE 2 OF COMMISSION DELEGATED REGULATION (EU) 2017/565, AS IT FORMS PART OF UK DOMESTIC LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 (AS AMENDED, THE "EUWA") AND AS AMENDED; OR

(ii) A CUSTOMER WITHIN THE MEANING OF THE PROVISIONS OF THE UK FINANCIAL SERVICES AND MARKETS ACT 2000 (AS AMENDED, "FSMA") AND ANY RULES OR REGULATIONS MADE UNDER FSMA (SUCH RULES AND REGULATIONS AS AMENDED) TO IMPLEMENT DIRECTIVE (EU) 2016/97, WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT, AS DEFINED IN POINT (8) OF ARTICLE 2(1) OF REGULATION (EU) NO 600/2014, AS IT FORMS PART OF UK DOMESTIC LAW BY VIRTUE OF THE EUWA AND AS AMENDED; OR

(iii) NOT A QUALIFIED INVESTOR ("UK QUALIFIED INVESTOR") AS DEFINED IN ARTICLE 2 OF REGULATION (EU) 2017/1129, AS IT FORMS PART OF UK DOMESTIC LAW BY VIRTUE OF THE EUWA AND AS AMENDED (THE "UK PROSPECTUS REGULATION"); AND

(B) THE EXPRESSION "OFFER" INCLUDES THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT INFORMATION ON THE TERMS OF THE OFFER AND THE BONDS TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE OR SUBSCRIBE FOR THE BONDS.

CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 (AS AMENDED), AS IT FORMS PART OF UK DOMESTIC LAW BY VIRTUE OF THE EUWA AND AS AMENDED (THE "UK PRIIPS REGULATION") FOR OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO UK RETAIL INVESTORS IN THE UK HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO ANY UK RETAIL INVESTOR IN THE UK MAY BE UNLAWFUL UNDER THE UK PRIIPS REGULATION.

THIS OFFICIAL STATEMENT IS NOT A PROSPECTUS FOR THE PURPOSES OF THE UK PROSPECTUS REGULATION. THIS OFFICIAL STATEMENT HAS BEEN PREPARED ON THE BASIS THAT ANY OFFER OF BONDS IN THE UK WILL ONLY BE MADE TO UK QUALIFIED INVESTORS. ACCORDINGLY ANY

PERSON MAKING OR INTENDING TO MAKE AN OFFER IN THE UK OF BONDS MAY ONLY DO SO WITH RESPECT TO UK QUALIFIED INVESTORS. NONE OF THE ISSUER OR ANY OF THE UNDERWRITERS HAVE AUTHORIZED, NOR DO THEY AUTHORIZE, THE MAKING OF ANY OFFER OF BONDS IN THE UK OTHER THAN TO UK QUALIFIED INVESTORS.

OTHER UK REGULATORY RESTRICTIONS

IN THE UK, THIS OFFICIAL STATEMENT IS BEING COMMUNICATED ONLY TO AND IS BEING DIRECTED ONLY AT, PERSONS WHO (1) HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS AND WHO FALL WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (AS AMENDED, THE "FINANCIAL PROMOTION ORDER"), (2) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(a) TO (d) ("HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS ETC.") OF THE FINANCIAL PROMOTION ORDER OR (3) ARE PERSONS TO WHOM IT MAY OTHERWISE LAWFULLY BE COMMUNICATED UNDER SECTION 21 OF FSMA (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS"). IN THE UK, THIS OFFICIAL STATEMENT MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. IN THE UK, ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFICIAL STATEMENT RELATES, INCLUDING THE BONDS, IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

NO PERSON MAY COMMUNICATE OR CAUSE TO BE COMMUNICATED ANY INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF FSMA) RECEIVED BY IT IN CONNECTION WITH THE ISSUE OR SALE OF THE BONDS OTHER THAN IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF FSMA DOES NOT APPLY.

<u>POTENTIAL INVESTORS IN THE UK ARE ADVISED THAT ALL, OR MOST, OF THE PROTECTIONS AFFORDED BY THE UK REGULATORY SYSTEM WILL NOT APPLY TO AN INVESTMENT IN THE BONDS AND THAT COMPENSATION WILL NOT BE AVAILABLE UNDER THE UK FINANCIAL SERVICES COMPENSATION SCHEME.</u>

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

PROHIBITION ON SALES TO EU RETAIL INVESTORS

THE BONDS ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND WILL NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY EU RETAIL INVESTOR IN THE EUROPEAN ECONOMIC AREA ("EEA"). FOR PURPOSES OF THIS PROVISION:

(A) THE EXPRESSION "EU RETAIL INVESTOR" MEANS A PERSON WHO IS ONE (OR MORE) OF THE FOLLOWING:

(I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU (AS AMENDED, "MIFID II"); OR

(II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE (EU) 2016/97, AS AMENDED, WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II; OR

(III) NOT A QUALIFIED INVESTOR ("EU QUALIFIED INVESTOR") AS DEFINED IN ARTICLE 2 OF REGULATION (EU) 2017/1129 (AS AMENDED, THE "EU PROSPECTUS REGULATION"); AND

(B) THE EXPRESSION "OFFER" INCLUDES THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT INFORMATION ON THE TERMS OF THE OFFER AND THE BONDS TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE OR SUBSCRIBE FOR THE BONDS.

CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 (AS AMENDED, THE "EU PRIIPS REGULATION") FOR OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO EU RETAIL INVESTORS IN THE EEA HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO ANY EU RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE EU PRIIPS REGULATION.

THIS OFFICIAL STATEMENT IS NOT A PROSPECTUS FOR THE PURPOSES OF THE EU PROSPECTUS REGULATION. THIS OFFICIAL STATEMENT HAS BEEN PREPARED ON THE BASIS THAT ANY OFFER OF BONDS IN THE EEA WILL ONLY BE MADE TO EU QUALIFIED INVESTORS. ACCORDINGLY ANY PERSON MAKING OR INTENDING TO MAKE AN OFFER IN THE EEA OF BONDS MAY ONLY DO SO WITH RESPECT TO EU QUALIFIED INVESTORS. NONE OF THE ISSUER OR ANY OF THE UNDERWRITERS HAVE AUTHORIZED, NOR DO THEY AUTHORIZE, THE MAKING OF ANY OFFER OF BONDS IN THE EEA OTHER THAN TO EU QUALIFIED INVESTORS.

NOTICE TO PROSPECTIVE INVESTORS IN SWITZERLAND

PROHIBITION OF SALES TO SWISS RETAIL INVESTORS

THE BONDS ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN

SWITZERLAND. FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS A RETAIL CLIENT AS DEFINED IN ARTICLE 4 OF THE SWISS FINANCIAL SERVICES ACT ("FINSA").

NO KEY INFORMATION DOCUMENT ACCORDING TO FINSA OR ANY EQUIVALENT DOCUMENT UNDER FINSA HAS BEEN PREPARED IN RELATION TO THE BONDS, AND, THEREFORE, THE BONDS MAY NOT BE OFFERED OR RECOMMENDED TO RETAIL CLIENTS WITHIN THE MEANING OF FINSA IN SWITZERLAND.

EXEMPTION TO PREPARE A FINSA-COMPLIANT PROSPECTUS

THE OFFERING OF THE BONDS IN SWITZERLAND IS EXEMPT FROM THE REQUIREMENT TO PREPARE AND PUBLISH A PROSPECTUS UNDER FINSA BECAUSE SUCH OFFERING IS MADE TO PROFESSIONAL CLIENTS AND INSTITUTIONAL CLIENTS WITHIN THE MEANING OF FINSA ONLY. THIS DOCUMENT DOES NOT CONSTITUTE A PROSPECTUS PURSUANT TO FINSA, AND NO SUCH PROSPECTUS HAS BEEN OR WILL BE PREPARED FOR OR IN CONNECTION WITH THE OFFERING OF THE BONDS.

NOTICE TO PROSPECTIVE INVESTORS IN CANADA

NO PROSPECTUS HAS BEEN FILED WITH ANY SECURITIES COMMISSION OR SIMILAR REGULATORY AUTHORITY IN CANADA IN CONNECTION WITH THE OFFERING OF THE BONDS. NO SECURITIES COMMISSION OR SIMILAR REGULATORY AUTHORITY IN CANADA HAS REVIEWED OR IN ANY WAY PASSED UPON THIS OFFICIAL STATEMENT OR THE MERITS OF THE BONDS AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE. THIS OFFICIAL STATEMENT IS NOT, AND UNDER NO CIRCUMSTANCES IS TO BE CONSTRUED AS, AN ADVERTISEMENT OR A PUBLIC OFFERING OF THE BONDS IN CANADA.

THE BONDS MAY BE SOLD IN CANADA ONLY TO PURCHASERS PURCHASING, OR DEEMED TO BE PURCHASING, AS PRINCIPAL THAT ARE ACCREDITED INVESTORS, AS DEFINED IN NATIONAL INSTRUMENT 45-106 PROSPECTUS EXEMPTIONS OR SUBSECTION 73.3(1) OF THE SECURITIES ACT (ONTARIO), AND ARE PERMITTED CLIENTS, AS DEFINED IN NATIONAL INSTRUMENT 31-103 REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS. ANY RESALE OF THE BONDS MUST BE MADE IN ACCORDANCE WITH AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE PROSPECTUS REQUIREMENTS OF APPLICABLE SECURITIES LAWS.

SECURITIES LEGISLATION IN CERTAIN PROVINCES OR TERRITORIES OF CANADA MAY PROVIDE A PURCHASER WITH REMEDIES FOR RESCISSION OR DAMAGES IF THIS OFFICIAL STATEMENT (INCLUDING ANY AMENDMENT THERETO) CONTAINS A MISREPRESENTATION, PROVIDED THAT THE REMEDIES

FOR RESCISSION OR DAMAGES ARE EXERCISED BY THE PURCHASER WITHIN THE TIME LIMIT PRESCRIBED BY THE SECURITIES LEGISLATION OF THE PURCHASER'S PROVINCE OR TERRITORY. THE PURCHASER SHOULD REFER TO ANY APPLICABLE PROVISIONS OF THE SECURITIES LEGISLATION OF THE PURCHASER'S PROVINCE OR TERRITORY FOR PARTICULARS OF THESE RIGHTS OR CONSULT WITH A LEGAL ADVISOR.

PURSUANT TO SECTION 3A.3 OF NATIONAL INSTRUMENT 33-105 UNDERWRITING CONFLICTS (NI 33-105), THE UNDERWRITERS ARE NOT REQUIRED TO COMPLY WITH THE DISCLOSURE REQUIREMENTS OF NI 33-105 REGARDING UNDERWRITER CONFLICTS OF INTEREST IN CONNECTION WITH THIS OFFERING.

TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

OFFICIAL STATEMENT

$1,804,055,000
STATE OF CALIFORNIA
FEDERALLY TAXABLE
VARIOUS PURPOSE
GENERAL OBLIGATION 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 $1,804,055,000 aggregate principal amount of federally taxable various purpose general obligation bonds to be issued by the State (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—"DTC BOOK-ENTRY SYSTEM AND GLOBAL CLEARANCE PROCEDURE." Beneficial interests in the Bonds may be held through DTC, Clearstream Banking, S.A. ("Clearstream Banking") or Euroclear Bank S.A./N.V. ("Euroclear") as operator of the Euroclear System, directly as a participant or indirectly through organizations that are participants in such system. For information on minimum unit sales for purchasers outside the United States, see "INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES."

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 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, (iii) pay capitalized interest from the date of issuance through December 31, 2025 on certain of the Bonds as noted in Exhibit 1, and (iv) pay certain costs of issuance of the Bonds.

Upcoming General Obligation Bond Sales

In addition to the Bonds described in this Official Statement, the State currently expects to issue tax-exempt general obligation bonds before May 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*."

Certain proceeds of the Bonds are being set aside to pay capitalized interest from the date of issuance through December 31, 2025 on certain of the Bonds as noted in EXHIBIT 1—"BOND ACTS, PURPOSES AND SERIES."

Redemption of Bonds

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—"DTC BOOK-ENTRY SYSTEM AND GLOBAL CLEARANCE PROCEDURE" regarding DTC, Clearstream Banking, or Euroclear as operator of the Euroclear System and their systems and procedures has been furnished by sources that the State believes to be reliable, but 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.

The distribution of this Official Statement and the offering, sale and delivery of the Bonds in jurisdictions outside the United States may be restricted by law. Persons in such jurisdictions who distribute, review, or otherwise possess this Official Statement and any persons otherwise involved in the offer, sale and/or delivery of Bonds in such jurisdictions, are required by the State to inform themselves about, and to comply with, any such restrictions. For a description of certain restrictions on offers, sales and deliveries of the Bonds and on distribution of this Official Statement and other offering material relating to the Bonds in such jurisdictions, see "INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES."

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.

Certain series of the Bonds, which constitute a substantial portion of the Bonds (collectively, the "High-Speed Rail Bonds"), are being issued pursuant to the Safe, Reliable, High-Speed Passenger Train Bond Act for the 21st Century (the "High-Speed Passenger Train Bond Act"). Each such series of the High-Speed Rail Bonds is authorized by a resolution of the High-Speed Passenger Train Finance Committee 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 (which bonds include the High-Speed Rail Bonds), when executed and delivered pursuant to such resolutions, 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 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—"DTC BOOK-ENTRY SYSTEM AND GLOBAL CLEARANCE PROCEDURE."

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. For information on minimum unit sales for purchasers outside the United States, see "INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES."

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 September 1, 2023, 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—"DTC BOOK-ENTRY SYSTEM AND GLOBAL CLEARANCE PROCEDURE."

The information in APPENDIX B—"DTC BOOK-ENTRY SYSTEM AND GLOBAL CLEARANCE PROCEDURE" has been furnished by sources that the State believes to be reliable, but 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

The 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, (iii) pay capitalized interest from the date of issuance through December 31, 2025 on certain of the Bonds as noted in Exhibit 1, and (iv) pay certain costs of issuance of the Bonds. The CP Notes to be repaid with the proceeds of the Bonds will be repaid within 90 days after the issuance of the Bonds. The 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 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.

Redemption

Optional Redemption at Par. The Bonds maturing on or after March 1, 2038 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 March 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.

Optional Redemption at Make Whole Price. The Bonds maturing on or after March 1, 2038 are subject to optional redemption at par as described above. In addition, the Bonds will be subject to optional redemption prior to their respective stated maturity dates, at the option of the State Treasurer, in whole or in part, on any date prior to March 1, 2033, in such order of maturity as may be designated by the State Treasurer and by lot within any maturity, at a redemption price equal to the greater of:

(1) the Minimum Make Whole Redemption Price (described below), expressed as a percentage of the principal amount of the Bonds to be redeemed; or

(2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Bonds are to be redeemed, discounted to the date on which the Bonds are to be redeemed on a semiannual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (described below), plus the Applicable Spread (described below); plus accrued interest on the Bonds to be redeemed to the redemption date.

"Minimum Make Whole Redemption Price" means, with respect to a particular Bond maturity, the greater of (i) the original issue price as set forth in the "SUMMARY OF THE OFFERING," or (ii) 100%.

"Treasury Rate" is defined to mean, with respect to any redemption date for a particular Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available on a date selected by the State Treasurer that is at least two Business Days, but not more than 45 calendar days, prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

"Applicable Spread" means, with respect to a particular Bond maturity, the spread listed in the following table based on its maturity:

Maturity (March 1)	Spread (basis points)
2024	+5
2027	+10
2029	+15
2030	+15
2033	+15
2038	+25
2043	+25

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—DTC BOOK-ENTRY SYSTEM AND GLOBAL CLEARANCE PROCEDURE" 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 curing any ambiguity or curing, correcting or supplementing any defective provision contained in a Resolution; 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 of the State Treasury established pursuant to Section 16784 of the California Government Code (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, which is a portion of the State's Pooled Money Investment Account, described in APPENDIX A—"THE STATE OF CALIFORNIA—INVESTMENT OF STATE FUNDS."

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

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

Fiscal Year Ended June 30	Principal	Interest[1]	Fiscal Year Total Debt Service
2024	$ 85,000,000	$ 93,427,894.33	$ 178,427,894.33
2025	–	92,769,513.76	92,769,513.76
2026	–	92,769,513.76	92,769,513.76
2027	150,000,000	92,769,513.76	242,769,513.76
2028	–	85,500,513.76	85,500,513.76
2029	129,970,000	85,500,513.76	215,470,513.76
2030	146,780,000	78,872,043.76	225,652,043.76
2031	–	70,065,243.76	70,065,243.76
2032	–	70,065,243.76	70,065,243.76
2033	400,000,000	70,065,243.76	470,065,243.76
2034	–	46,065,243.76	46,065,243.76
2035	–	46,065,243.76	46,065,243.76
2036	–	46,065,243.76	46,065,243.76
2037	–	46,065,243.76	46,065,243.76
2038	446,155,000	46,065,243.76	492,220,243.76
2039	–	23,199,800.00	23,199,800.00
2040	–	23,199,800.00	23,199,800.00
2041	–	23,199,800.00	23,199,800.00
2042	–	23,199,800.00	23,199,800.00
2043	446,150,000	23,199,800.00	469,349,800.00
Total	$1,804,055,000	$1,178,130,456.97	$2,982,185,456.97

[1] Interest on certain Bonds will be capitalized from the date of issuance through December 31, 2025, as noted on Exhibit I.

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, respectively, undertake no responsibility for the accuracy, completeness or fairness of this Official Statement.

TAX MATTERS

In the opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income taxes. Bond Counsel observes that interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). 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."

The following discussion summarizes certain U.S. federal income tax considerations generally applicable to U.S. Holders (as defined below) of the Bonds that acquire their Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the IRS with respect to any of the U.S. federal income tax considerations discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Bonds as part of a hedge, straddle or an integrated or conversion transaction, investors whose "functional currency" is not the U.S. dollar, or certain taxpayers that are required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Code, or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their Bonds pursuant to this offering for the issue price that is applicable to such Bonds (i.e., the price at which a substantial amount of the Bonds are sold to the public) and who will hold their Bonds as "capital assets" within the meaning of Section 1221 of the Code. The following discussion does not address tax considerations applicable to any investors in the Bonds other than investors that are U.S. Holders.

As used herein, "U.S. Holder" means a beneficial owner of a Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). If a partnership holds Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Bonds (including their status as U.S. Holders). Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the Bonds in light of their particular circumstances.

Interest. Interest on the Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

To the extent that 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) by more than a de minimis amount, the difference may constitute original issue discount ("OID"). U.S. Holders of Bonds will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

Bonds purchased for an amount in excess of the principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as issued at a premium. A U.S. Holder of a Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Bond.

Sale or Other Taxable Disposition of the Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the State) or other disposition of a Bond, will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Bond, which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the Bond (generally, the purchase price paid by the U.S. Holder for the Bond, decreased by any amortized premium and increased by the amount of any OID previously included in income by such U.S. Holder with respect to such Bond). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Information Reporting and Backup Withholding. 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 U.S. Holder of the Bonds may be subject to backup withholding at the current rate of 24% 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 the U.S. Holder’s federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder’s failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

Foreign Account Tax Compliance Act (“FATCA”) Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Under current guidance, failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest on the Bonds. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and, under current guidance, will apply to certain “passthru” payments no earlier than the date that is two years after publication of final U.S. Treasury Regulations defining the term “foreign passthru payments.” Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of Bonds in light of the holder’s particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Bonds, including the application and effect of state, local, non-U.S., and other tax laws.

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

Certain series of the Bonds, which constitute a substantial portion of the Bonds, will be issued under Resolution IX and Resolution X, both adopted by the High-Speed Passenger Train Finance Committee on March 18, 2013, pursuant to the High-Speed Passenger Train Bond Act. The State brought a validation action in the Superior Court of Sacramento County pursuant to Section 860 et seq. of the California Code of Civil Procedure seeking judicial validation of the issuance and sale of all bonds under such resolutions (the "High-Speed Passenger Train Bonds") and related matters (High-Speed Rail Authority and High-Speed Passenger Train Finance Committee, for the State of California v. All Persons Interested, etc., Case No. 34-2013-00140689). On January 15, 2015, following a decision in the California Court of Appeal, Third Appellate District (California High-Speed Rail Authority v. Superior Court (2014) 228 Cal. App. 4th 676), and denial of review by the California Supreme Court, judgment was entered by the Superior Court in favor of the State that, among other things, the High-Speed Passenger Train Bonds (which bonds include the High-Speed Rail Bonds), when executed and delivered, will constitute valid and binding general obligations of the State (this judgment is referred to herein as the "Validation Judgment"). Under California law, the Validation Judgment is binding and conclusive. The opinions of Bond Counsel and the Attorney General concerning the validity of the Bonds expressly rely on the Validation Judgment with respect to the High-Speed Rail Bonds. 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"). Wells Fargo Bank, N.A. and Siebert Williams Shank & Co., 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 $1,814,940,924.72 (representing the principal amount of the Bonds of $1,804,055,000.00, plus net original issue premium of $14,983,038.85, less an Underwriters' discount of $4,097,114.13). 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, 2020 (the "2020 Annual Comprehensive Financial Report") is included as Appendix F to this Official Statement. The 2020 Annual Comprehensive Financial Report has been examined by the State Auditor to the extent indicated in the Independent Auditor's Report contained therein. As set forth in more detail in the 2020 Annual Comprehensive Financial Report, the State Auditor issued an unmodified opinion on 11 components of the Basic Financial Statements, including the General Fund, but issued a modified opinion on each of the three remaining components of the Basic 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 (the State's historical target for release of financial statements). However, the audited financial statements for the fiscal years ended June 30, 2018, 2019, and 2020, were released on June 5, 2019, October 30, 2020, and February 2, 2022, respectively. For additional detail on the delayed release of such audited financial statements, see APPENDIX A—"THE STATE OF CALIFORNIA—FINANCIAL STATEMENTS."

According to the previous State Controller, Controller Betty Yee, as a result of the causes and cumulative impact of the delays in the completion of prior years' audited financial statements, the State's audited financial statements for the fiscal year ending June 30, 2021 (the "2021 Annual Comprehensive Financial Report") was also delayed. The State Auditor currently estimates that the 2021 Annual Comprehensive Financial Report will be issued in March 2023. However, the State Auditor has not yet completed its field work on the 2021 Annual Comprehensive Financial Report and, accordingly, a possibility exists that it may be issued later than March 2023. The causes of the delay in producing such financial statements will result in a significant delay in the issuance of the State of California Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022 beyond March 31, 2023, and are expected to continue to impact the ability of the State to provide financial statements by March 31 for one or more subsequent fiscal years. 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, 2020 through June 30, 2021, July 1, 2021 through June 30, 2022, and July 1, 2022 through February 28, 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, 2023, containing fiscal year 2021-22 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 and June 30, 2021, 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 and March 22, 2022, respectively. The State's audited financial statements for the fiscal years ended June 30, 2019, and June 30, 2020 were filed on the EMMA website promptly after they were released. Neither unaudited nor audited Basic Financial Statements of the State for the fiscal year ended June 30, 2022, are expected to be released in time to be included in the Annual Report for such fiscal year due no later than April 1, 2023. The State Treasurer will agree in the Continuing Disclosure Certificate delivered concurrently with the issuance of the Bonds to promptly file audited financial statements for the fiscal year ended June 30, 2021 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.

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, 915 Capitol Mall, Room 110, Sacramento, California 95814, telephone (800) 900-3873.

STATE OF CALIFORNIA
FIONA MA
Treasurer of the State of California

EXHIBIT 1

BOND ACTS, PURPOSES AND SERIES

The Bonds will be issued in the amounts and series, and under the Bond Acts as set forth below. Proceeds of the 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	CT	1,100,000
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	S	14,240,000
California Stem Cell Research and Cures Bond Act of 2004	California Stem Cell Research and Cures Finance Committee	Stem Cell Research	AH	6,865,000
California Stem Cell Research, Treatments, and Cures Bond Act of 2020[1]	California Stem Cell Research and Cures Finance Committee	Stem Cell Research	C	146,780,000
Children's Hospital Bond Act of 2008	Children's Hospital Bond Act Finance Committee	Children's Hospital	AE	105,000
Disaster Preparedness and Flood Prevention Bond Act of 2006	Disaster Preparedness and Flood Prevention Bond Finance Committee	Disaster Preparedness and Flood Prevention	BB	12,815,000
Housing and Emergency Shelter Trust Fund Act of 2002	Housing Finance Committee	Housing and Emergency Shelter	AS	2,120,000
Housing and Emergency Shelter Trust Fund Act of 2006	Housing Finance Committee	Housing and Emergency Shelter	AR	3,510,000

[1] Certain proceeds of the Bonds are being set aside to pay capitalized interest from the date of issuance through December 31, 2025 on the Bonds identified.

Bond Act	Finance Committee	Public Purpose of the Bond Act	Series Designation	Amount ($)
Kindergarten Through Community College Public Education Facilities Bond Act of 2016	State School Building Finance Committee	K-12 Public Education Facilities	AQ	1,395,000
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	BE	3,385,000
Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century	High-Speed Passenger Train Finance Committee	High Speed Rail	AN	1,100,000,000
Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century	High-Speed Passenger Train Finance Committee	High Speed Rail	AP	427,305,000
Veterans and Affordable Housing Bond Act of 2018	Housing Finance Committee	Veterans Housing	G	45,255,000
Veterans Housing and Homeless Prevention Bond Act of 2014	Housing for Veterans Finance Committee	Veterans Housing	S	16,175,000
Water Quality, Supply, and Infrastructure Improvement Act of 2014	Water Quality, Supply, and Infrastructure Improvement Finance Committee	Water Quality, Supply, and Infrastructure Improvement	AF	21,265,000
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	CQ	1,740,000

APPENDIX A

THE STATE OF CALIFORNIA

March 8, 2023

NOTE: Since the date of the Preliminary Official Statement, certain information in Appendix A has been updated, shown in italics on pages A-5, A-6, A-34, A-35, A-37 and A-71.

TABLE OF CONTENTS

TABLE OF CONTENTS

TABLE OF CONTENTS

Page

TABLE OF CONTENTS

Page

TABLE OF CONTENTS

Page

TABLES

TABLE OF CONTENTS

Page

TABLES

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 2022 Budget Act and the 2023-24 Governor's Budget, 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 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 <u>not</u> 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 39.0 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 continue to grow over the long term, although more slowly than in the past, and to reach 43.5 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 2021. 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 "GOVERNOR'S PROPOSED BUDGET FOR FISCAL YEAR 2023-24—Economic Assumptions Underlying the 2023-24 Governor's Budget" and "ECONOMY AND POPULATION."

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

The state's budget resilience remains strong in spite of a softening in the state's revenue projections due to a slowdown in economic activity stemming from various factors, including persistently elevated inflation, global instabilities, the impacts of the COVID-19 pandemic, and the Federal Reserve's efforts to address rising inflation by raising the target federal funds rate (its benchmark interest rate). The 2023-24 Governor's Budget continues modestly building reserves and reducing retirement liabilities, and projects that the balance in the state's rainy day fund, the Budget Stabilization Account ("BSA"), will reach its constitutional maximum mandatory deposit limit in fiscal year 2023-24. The $35.6 billion in total budgetary reserves projected in the 2023-24 Governor's Budget is comprised of:

- $22.4 billion in the Budget Stabilization Account;
- $8.5 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 external and internal 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 January 1, 2023, the state had approximately $76.3 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 January 1, 2023, there were approximately $29.0 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 $5.8 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.

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. Of the entire $7.41 billion ($7.31 billion General Fund) of discretionary pension payments appropriated, $7.38 billion has been paid as of June 30, 2022.

The 2022 Budget Act included Proposition 2 debt-repayment funding in fiscal year 2022-23 to reduce the state's unfunded liabilities for CalPERS in the amount of $2.9 billion. The 2023-24 Governor's Budget proposes an additional $1.2 billion for this purpose. These payments are in addition to the actuarially determined and statutorily required state pension contribution to CalPERS for each of the respective fiscal years. 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, 2021, 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 $99.53 billion as of June 30, 2021 as compared to a TOL of $97.88 billion estimated as of June 30, 2020. 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, 2020 (the "2020 Annual Comprehensive Financial Report"), is included as an appendix to this Official Statement and incorporated into APPENDIX A. The 2020 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 Year Ended June 30, 2020 (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 2020 Annual Comprehensive Financial Report, the State Auditor issued an unmodified opinion on 11 components of the Basic Financial Statements, including the General Fund, but issued a modified opinion on each of the three remaining components of the Basic 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, 2020 through June 30, 2021, July 1, 2021 through June 30, 2022 and July 1, 2022 through *February 28*, 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, 2020 through June 30, 2021, July 1, 2021 through June 30, 2022, and July 1, 2022 through *February 28*, 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.

"2021 Budget Act" means the Budget Act for fiscal year 2021-22, enacted on June 28, 2021, as amended July 9, 2021.

"2021-22 Budget" means the 2021 Budget Act plus related legislation to implement the budget.

"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.

"2023-24 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 2023-24 Governor's Budget

On January 10, 2023, the Governor's budget proposal for fiscal year 2023-24 was released. See "GOVERNOR'S PROPOSED BUDGET FOR FISCAL YEAR 2023-24."

Recent Cash Receipts

Preliminary General Fund agency cash receipts for the first seven months of the 2022-23 fiscal year were $3.322 billion below the 2023-24 Governor's Budget forecast of $105.011 billion. This is due to a $2.002-billion shortfall in January 2023 cash receipts, a $1.327-billion shortfall in December 2022 cash receipts, and minor revisions to receipts in prior months. Fiscal year-to-date shortfalls were mainly due to lower personal income tax revenues as well as corporate tax receipts that exclude Pass-Through Entity ("PTE") Elective Tax payments. The shortfalls in personal income tax withholding and corporate estimated payments, which totaled $2.18 billion, indicate genuine weakness relative to the forecast. In contrast, the higher-than-expected personal income tax refunds and shortfall in December 2022 personal income estimated payments, which led to a cumulative revenue shortfall of $1.871 billion, were likely due to timing issues associated with the impact of higher PTE Elective Tax credit usage for tax year 2021, higher PTE Elective Tax payments of $1.276 billion in December 2022 and January 2023, and an early start of the Internal Revenue Service filing season that resulted in accelerated processing of refunds in January 2023.

Franchise Tax Board Filing and Payment Deadline Extensions

In January 2023, the Franchise Tax Board ("FTB") extended various filing and payment deadlines for individuals and businesses in California residing in counties impacted by storms to May 15, 2023, in line with tax relief announced by the Internal Revenue Service ("IRS"). On March 2, 2023, the FTB extended these deadlines again to October 16, 2023, after the IRS announced another deadline extension on February 24, 2023. The extension is in place for 51 counties comprising approximately 97 percent of Californians and is expected to significantly alter the timing of state revenue collections as various payments and returns originally due in January through September are now due on October 16, 2023. The extended deadline to May 15, 2023 was assumed to shift $20.9 billion in personal income tax and corporation tax revenues from January through April to May, with $19.3 billion attributed to personal income tax revenues. Projected shifts are based on actual cash receipts through the first three weeks of January 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 $35 billion in personal income tax and corporation tax revenues is preliminarily projected to shift from earlier months to October, which includes the $20.9 billion previously projected to shift to May. 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 will closely monitor this issue and update its projections for the May Revision.

The Department of Finance's monthly cashflow currently reflects the expected impact of delayed payment and filing deadlines to May 15, 2023. This impacted 2022 fourth quarter personal income tax estimated payments that were initially due in January 2023, adding significant uncertainty to interpreting January 2023 estimated payments cash results. The Department of Finance will continue to assess the impact of the October 16, 2023 extension, but the state has significant borrowable resources so does not expect the extension to substantially effect cash flow.

GOVERNOR'S PROPOSED BUDGET FOR FISCAL YEAR 2023-24

The 2023-24 Governor's Budget, released on January 10, 2023, employs a variety of measures built into the 2022 Budget Act and other solutions to close a projected $22.5 billion deficit in General Fund revenues in fiscal year 2023-24. These deficit solutions include funding delays across the multi-year forecast period ($7.4 billion), fund shifts from the General Fund to other funds ($4.3 billion), expenditure reductions ($5.7 billion), 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 ($3.9 billion), and limited special fund borrowing and renewal of the Managed Care Organization Tax ($1.2 billion). The 2023-24 Governor's Budget does not propose to withdraw any funds from the Budget Stabilization Fund to address the deficit. In addition, the 2023-24 Governor's Budget sustains key investments from previous budgets in education, healthcare, climate crisis mitigation, housing, and infrastructure.

General Fund revenues and transfers for fiscal year 2023-24 are projected to be $210.2 billion, an increase of $1.3 billion over the revised estimate of $208.9 billion for fiscal year 2022-23. These estimates include revenue transfers into the BSA of $1.6 billion and $0.9 billion in fiscal years 2022-23 and 2023-24, respectively. These revenue transfers into the BSA have the effect of decreasing the amounts of reported revenues and transfers for those years. See "STATE FINANCES—REVENUES, EXPENDITURES, AND RESERVES—Sources of Tax Revenue."

General Fund expenditures for fiscal year 2023-24 are projected to be $223.6 billion, a decrease of $16.5 billion, or 6.9 percent, from the revised estimate of $240.1 billion for fiscal year 2022-23. See "STATE FINANCES—REVENUES, EXPENDITURES, AND RESERVES—State Expenditures." The 2023-24 Governor's Budget includes the following major components:

<u>K-12 Education under Proposition 98</u> — $95.8 billion total funding, of which $70.4 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.*"

<u>Higher Education</u> — total funding of $27.7 billion for all major segments of higher education, including $22.8 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.*"

<u>Health and Human Services</u> — total funding of $230.5 billion, of which $71.5 billion is from the General Fund. See "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—State Expenditures—*Health and Human Services*."

<u>Public Safety</u> — total funding of $14.5 billion, of which $14.1 billion is from the General Fund for the Department of Corrections and Rehabilitation. See "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES— State Expenditures—*Public Safety*."

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The following table summarizes the General Fund budget estimate as of the 2022 Budget Act (July 2022) as compared to the 2023-24 Governor's Budget projection (January 2023):

TABLE 1
GENERAL FUND BUDGET SUMMARY
(Dollars in Millions)

	As of 2022 Budget Act	As of 2023-24 Governor's Budget	
Fiscal Year:	**2022-23**	**2022-23**	**2023-24**
Prior Year Balance	$ 22,450	$ 52,713	$ 21,521
Revenues and Transfers	219,707	208,883	210,174
Total Resources Available	$ 242,157	$ 261,597	$ 231,695
Non-Proposition 98 Expenditures	152,054	160,973	144,001
Proposition 98 Expenditures	83,312	79,103	79,613
Total Expenditures	$ 234,366	$ 240,076	$ 223,614
Fund Balance	$ 7,791	$ 21,521	$ 8,081
Reserve for Liquidation of Encumbrances	4,276	4,276	4,276
Special Fund for Economic Uncertainties	3,514	17,245	3,805
Public School System Stabilization Account	$ 9,514	$ 8,108	$ 8,473
Safety Net Reserve Fund	$ 900	$ 900	$ 900
Budget Stabilization Account/"Rainy Day Fund"	$ 23,288	$ 21,487	$ 22,398

Source: State of California, Department of Finance.

Note: Numbers may not add due to rounding.

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

This section contains economic information compiled in connection with the preparation of the 2023-24 Governor's Budget 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 April 2023 for use in the preparation of the May Revision for fiscal year 2023-24 (the "2023-24 May Revision").

Development of the forecast for the major General Fund revenues 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, makes adjustments to the national forecast based on the Department of Finance's economic outlook. 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 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 1.3 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.

Tax return data through 2020, which became available in April 2022 and was revised in July 2022, does not reflect any obvious pattern of significant out-migration of high-income taxpayers due to the impact of the federal Tax Cuts and Jobs Act ("TCJA") enacted in December 2017 or otherwise. For example, the number of 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, and 115,000 in 2020. Such data is not inconsistent with an out-migration of high-income taxpayers, but neither does it suggest such an out-migration. The Pass-Through Entity ("PTE") Elective Tax ("PTE Elective Tax") was enacted in the 2021-22 Budget in response to the $10,000 state and local taxes ("SALT") deduction limitation on personal income taxes imposed under the TCJA. 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 2023-24 Governor's Budget economic forecast incorporates, to the extent possible, developments and authorized policies through November 2022, including monetary policy responses to persistently high inflation, ongoing supply chain issues, and international instabilities. The May Revision forecast (to be issued in May 2023) for fiscal year 2023-24 will be updated to include any developments between November 2022 and April 2023.

National Economy. The U.S. experienced relatively strong nonfarm job growth of 2.4 percent in the first ten months of 2022 and, as of August 2022, the U.S. recovered all its COVID-19 pandemic-induced job losses. Further, the unemployment rate fell to 3.5 percent in September 2022, its lowest rate since 1969. However, while the labor market thrived, U.S. inflation remained elevated near its 40-year high. Initially concentrated in energy and transportation in 2021, inflation became more broad-based in 2022, spreading to other components including food and shelter. Inflation reached a 40-year high of 8.5 percent by March 2022, leading the Federal Reserve to start raising the target federal funds rate in efforts to cool the overheated economy. Between March and November 2022, the Federal Reserve raised rates six times to a target range of 3.75 percent to 4 percent and has indicated that it will maintain high target rates until inflation slows to the Federal Reserve's target threshold of around 2 percent. (After the development of the revenue estimates, the Federal Reserve raised the target rate two more times. The current target range is 4.50 percent to 4.75 percent.) The 2023-24 Governor's Budget forecast projects economic growth to continue, albeit at a slower pace through 2024 as high interest rates decrease interest-sensitive consumption. As a result, U.S. real Gross Domestic Product ("GDP") growth is expected to be around 1 percent in 2023 and 2024. Due to the projected slowing of the economy, U.S. nonfarm jobs are expected to contract (by 0.5 percent) in 2024 and have no growth in 2025 as the U.S. unemployment rate peaks at 4.7 percent. Nevertheless, nonfarm jobs are expected to remain above pre-pandemic levels throughout the forecast period, growing by 0.4 percent by 2026. However, U.S. labor force growth is projected to slow through 2026 and U.S. labor force participation rate is expected to decrease to 61.5 percent in 2026.

The 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 May Revision economic forecast will incorporate additional economic developments arising between November 2022 and April 2023. See "Economic Assumptions Underlying the 2023-24 Governor's Budget."

California Economy. California remained the fifth largest economy in the world in 2021, with a GDP of $3.4 trillion in current dollars. The state's strong labor market recovery continued into 2022, recovering the last of the nearly 2.8 million jobs lost as a result of the COVID-19 pandemic. California added nearly 600,000 nonfarm jobs through the first ten months of 2022, a slower pace than in 2021 when the state added more than 900,000 jobs over the same months, but faster than the pre-pandemic average of nearly 300,000 jobs (for the same period between 2015 and 2019). Nevertheless, California's job gains in the first ten months of 2022 accounted for 14.5 percent of the 4 million U.S. jobs added through October, higher than its historical share of U.S. employment of around 12 percent. The state's nonfarm job growth is expected to begin slowing in 2023 in line with slower projected U.S. real GDP growth. The state's slowing job growth reflects moderation following the strongest economic recovery since 1960 as well as weakening demand. Nonfarm jobs are then projected to increase across most sectors in California in the second quarter of 2024 in connection with projected easing of monetary policies. By 2026, the state's nonfarm employment growth is projected to increase to around 1 percent.

Unlike the rapid nonfarm jobs recovery as of October 2022, the state's labor force had only recovered 71 percent of the nearly 1 million people who left the labor force at the height of the COVID-19 pandemic despite strong annual labor force growth of 1.7 percent—a rate not seen since the 2000s. As the state's labor force and employment recovery continued through 2022, the unemployment rate fell to a record-low 3.8 percent in September 2022. California's labor force is projected to grow by 1.4 percent in 2023 and approach its pre-pandemic level even as the labor market weakens due to the economic slowdown. The state's labor force growth is projected to moderate thereafter, averaging 0.7 percent growth between 2024 and 2026. Similar to the nation, the state's unemployment rate is projected to peak in 2025 at 5.2 percent before falling slightly to 5 percent in 2026. California's unemployment rate—historically one or two percentage points higher than the national rate—is projected to stay about one-half point above the national rate over the forecast period.

California headline inflation in 2021 was driven mainly by strong demand for gasoline, air travel, and hotels (previously suppressed during the onset of the COVID-19 pandemic) and supply chain disruptions (the global semi-conductor chip shortage reduced inventory for new cars, causing elevated inflation for new and used vehicles, and various shortages have driven up the prices of durable goods). As with the nation, inflation in the state became more broad-based in 2022, spreading to other components including food and shelter. California's inflation peaked at 8.3 percent in June and dropped slightly to 7.5 percent by August, the latest available data when finalizing the Governor's Budget economic forecast. Inflation remains 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. Additionally, while port and trucking congestion continue to ease, the ongoing shortage of microchips for vehicles continues to hamper production and keep new vehicle prices elevated. Moreover, food and fuel prices rose sharply after the Russian invasion of Ukraine and remained higher at the time the forecast was finalized despite some general decreases throughout the year.

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 May Revision forecast will be updated to include relevant developments occurring between November 2022 and April 2023.

With the expected slowing of inflation and the consequent expected easing of the Federal Reserve's tight monetary policy, California average wage growth is projected to moderate to around 3.9 percent in 2026 compared to 11.1 percent and 7.4 percent growth in 2020 and 2021, respectively. Despite the slight contraction of total wages in early 2022, which constitutes more than half of total personal income, the 2023-24 Governor's Budget projects total wages will continue to drive personal income growth in the outer years. However, as high interest rates are assumed to slow nonfarm job growth in 2023 and into 2024, total wage growth also is projected to slow. Proprietors' income, which includes non-corporate business profits and is an indicator of business activity, is likewise expected to slow due to high interest rates and inflation pushing up business costs.

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 expected trajectory of the Federal Reserve's interest rate increases, peaking in 2023 with growth of 10.8 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 2022 due to increases in asking rents in late 2021 and then decelerate through the remainder of the forecast window. Dividend income growth is expected to slow as economic activity slows impacting business income. The economic forecast assumes California personal income reverts to its historical growth trends beginning in 2024.

On average, approximately 120,000 residential housing units were authorized by building permits in California through the first ten months of 2022, the highest level since 2006. However, residential permit growth is projected to slow in 2023 and 2024, as interest rates remain high, and rebound in 2025 and 2026. The 2023-24 Governor's Budget projects total permits for new residential housing construction will exceed 140,000 units by 2026. See "Economic Assumptions Underlying the 2023-24 Governor's Budget."

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 2023-24 Governor's Budget

The revenue and expenditure estimates and projections incorporated into the 2023-24 Governor's Budget 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 November 2022 and will not be updated until late April 2023 for use in the May Revision which will be released in May 2023.

TABLE 2
Selected United States and California Economic Data

	2020	2021	2022	2023	2024	2025	2026
United States							
Nominal gross domestic product, $ in billions	$20,894	$22,996	$25,056	$26,322	$27,253	$28,355	$29,538
Real gross domestic product, percent change	-3.4%	5.7%	1.7%	0.9%	1.3%	1.9%	1.9%
Contributions to real GDP growth							
Personal consumption expenditures	-2.6%	5.3%	1.7%	1.0%	1.0%	1.4%	1.5%
Gross private domestic investment	-1.0%	1.7%	0.7%	0.7%	0.1%	0.4%	0.3%
Net exports	-0.3%	-1.4%	0.5%	0.3%	0.1%	0.0%	0.1%
Government purchases of goods and services	0.4%	0.1%	0.3%	0.3%	0.2%	0.1%	0.1%
Personal income, $ in billions	$19,628	$21,093	$21,724	$22,728	$23,609	$24,661	$25,770
Corporate profits, percent change	-3.1%	37.4%	10.4%	1.3%	4.8%	6.3%	5.3%
Housing permits, thousands [(1)]	1,471	1,737					
Housing starts, thousands	1,395	1,605	1,570	1,363	1,377	1,416	1,400
Median sales price of existing homes [(2)]	$300,200	$357,100					
Federal funds rate, percent	0.4%	0.1%	1.6%	3.6%	3.1%	2.6%	2.6%
Consumer price index, percent change	1.2%	4.7%	8.1%	4.7%	2.6%	2.3%	2.3%
Unemployment rate, percent	8.1%	5.4%	3.7%	3.9%	4.5%	4.7%	4.6%
Civilian labor force, millions	160.8	161.2	164.5	165.6	166.2	166.7	167.3
Nonfarm employment, millions	142.1	146.1	152.0	153.3	152.6	152.6	153.1
California							
Personal income, $ in billions	$2,791	$3,006	$3,017	$3,151	$3,281	$3,433	$3,595
Exports of goods, percent change [(1)]	-10.3%	12.2%					
Housing permits, thousands	106	120	121	122	127	134	142
Housing unit net change, thousands	95	141	113				
Median sales price of existing homes [(3)]	$650,157	$786,275					
Consumer price index, percent change	1.7%	4.3%	7.7%	5.3%	3.6%	3.2%	3.1%
Unemployment rate, percent	10.3%	7.4%	4.4%	4.5%	5.1%	5.2%	5.0%
Civilian labor force, in millions	18.9	18.9	19.3	19.5	19.7	19.8	19.9
Nonfarm employment, in millions	16.2	16.8	17.8	18.1	18.2	18.3	18.5
Mining and logging	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Construction	5.3%	5.3%	5.2%	5.2%	5.2%	5.3%	5.3%
Manufacturing	7.8%	7.6%	7.6%	7.5%	7.5%	7.4%	7.4%
Trade, transportation, and utilities	17.9%	18.2%	17.8%	17.6%	17.5%	17.4%	17.3%
Information	3.3%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%
Financial activities	5.0%	4.9%	4.8%	4.7%	4.7%	4.7%	4.6%
Professional and business services	16.1%	16.2%	16.2%	16.2%	16.2%	16.1%	16.1%
Educational and health services	16.9%	16.7%	16.7%	16.8%	16.8%	17.0%	17.1%
Leisure and hospitality	9.2%	9.8%	10.8%	11.1%	11.1%	11.2%	11.2%
Other services	3.0%	3.0%	3.2%	3.3%	3.3%	3.3%	3.3%
Government	15.4%	14.7%	14.2%	14.3%	14.2%	14.2%	14.1%

Note: Forecast based on data available as of November 2022.
Note: Percent changes calculated from unrounded data.
[(1)] Source: U.S. Census Bureau.
[(2)] Source: National Association of Realtors.
[(3)] Source: California Association of Realtors.
Source: Except as otherwise noted, CA Department of Finance, 2023-24 Governor's Budget Forecast.

Multi-Year Budget Projection

As required by Proposition 2, in connection with the 2023-24 Governor's Budget, the Department of Finance prepared a multi-year budget projection. The projection is based on current law as of January 2023, when the projection was finalized. The projection also reflects a variety of policies included in the 2023-24 Governor's Budget, 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 2023-24 Governor's Budget reflects a balanced budget in fiscal years 2022-23 and 2023-24, and projects that operating deficits, excluding one-time investments, would occur beginning in fiscal year 2025-26 absent further corrective actions. To balance the budget in fiscal year 2023-24 and reduce the multi-year deficits, the 2023-24 Governor's Budget includes various one-time solutions over the multi-year period.

On a year-over-year basis, revenues and transfers, excluding transfers to the BSA, are projected to decline 12 percent, or $28.6 billion, in fiscal year 2022-23, due in large part to a $16.7 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 tax withholding and capital gains revenue. The PTE Elective Tax is also projected to result in net personal and corporate income taxes that are estimated at $6.4 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 0.3 percent, or $582 million in fiscal year 2023-24 as growth in withholding is projected to offset further declines in capital gains realizations. Revenue growth in subsequent fiscal years is projected to average 2.4 percent through fiscal year 2026-27 due to expectations of moderating economic and wage growth. 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 $2.6 billion in revenue loss in fiscal year 2025-26 and $2.3 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 table, revenues and transfers (excluding transfers to the BSA) for fiscal year 2021-22 are projected to be 66.4 percent above fiscal year 2019-20, reflecting a very strong rebound from the lows of the COVID-19 pandemic. This substantial increase in revenues is 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)

Fiscal Year:	2022-23	2023-24	2024-25	2025-26	2026-27
Prior Year Balance	$52,713	$21,521	$8,081	$(1,188)	$(9,985)
Revenues and Transfers[(a)]	210,503	211,085	213,412	217,099	226,327
Transfer from/(to) the BSA[(b)]	(1,620)	(911)	(344)	(627)	(879)
Total Resources Available	$261,597	$231,695	$221,149	$215,283	$215,464
Proposition 98 Expenditures	79,103	79,613	82,510	86,014	89,522
Proposition 28 Arts and Music Education	--	941	--	--	--
Non-Proposition 98 Expenditures	160,973	142,110	138,488	138,147	138,964
Prop 2 infrastructure deferred maintenance[(c)]	--	951	1,339	1,107	971
Total Expenditures	$240,076	$223,614	$222,338	$225,268	$229,457
Fund Balance:	$21,521	$8,081	$(1,188)	$(9,985)	$(13,993)
Reserve for Encumbrances	$4,276	$4,276	$4,276	$4,276	$4,276
Reserves (SFEU, Safety Net, and PSSSA)	$26,253	$13,178	$3,908	$(4,888)	$(8,896)
Budget Stabilization Account/ (“Rainy Day Fund”)	$21,487	$22,398	$22,742	$23,369	$24,248
Operating Surplus/(Deficit) with BSA Transfer	$ (31,192)	$(13,440)	$(9,270)	$(8,796)	$(4,008)
One-Time Investments (Prior Years)	$32,414	$27,785	$13,873	$8,242	$0
One-Time Investments (One-time/Solutions)	$(4,188)	$(12,631)	$(4,603)	$(2,196)	$0
Operating Surplus/(Deficit) with BSA Transfer – Excluding One-Time	$(2,966)	$1,714	$1	$(2,750)	$(4,008)

Note: Totals may not add due to rounding.

(a) The Proposition 30 and Proposition 55 revenue amounts projected in the 2023-24 Governor’s Budget are shown below (in millions):

	2022-23	2023-24	2024-25	2025-26	2026-27
Prop 30/55 – Income Tax	$12,691	$12,499	$12,777	$13,332	$13,979

(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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CURRENT STATE BUDGET

The 2022 Budget Act maintained budget resiliency and a strong foundation to manage through the potential downturns in the state and national economies. The 2022 Budget Act continued to build reserves and pay down the state's debts and liabilities, and included the major components described below. For more detailed information on how the fiscal year 2022-23 budget estimates have changed since the enactment of the 2022 Budget Act, see "Fiscal Year 2022-23 Revised Estimates in the 2022-23 Governor's Budget" above.

- K-12 Education under Proposition 98 — $95.4 billion total funding, of which $71 billion is from the General Fund and the remainder of which is from other funds, including local property taxes. See "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—State Expenditures—*K-14 Education Under Proposition 98.*"
- Higher Education — total funding of $29.4 billion for all major segments of higher education, including $24.3 billion from the General Fund. The remaining funds include amounts from special and bond funds. See "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—State Expenditures—*Higher Education.*"
- Health and Human Services — total funding of $101.2 billion, of which $67.9 billion is from the General Fund and $33.3 billion is from special funds. See "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—State Expenditures—*Health and Human Services*."
- Public Safety — total funding of $18.8 billion, of which $14.7 billion is from the General Fund and $4 billion is from special funds, for the Department of Corrections and Rehabilitation. See "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES— State Expenditures—*Public Safety*."

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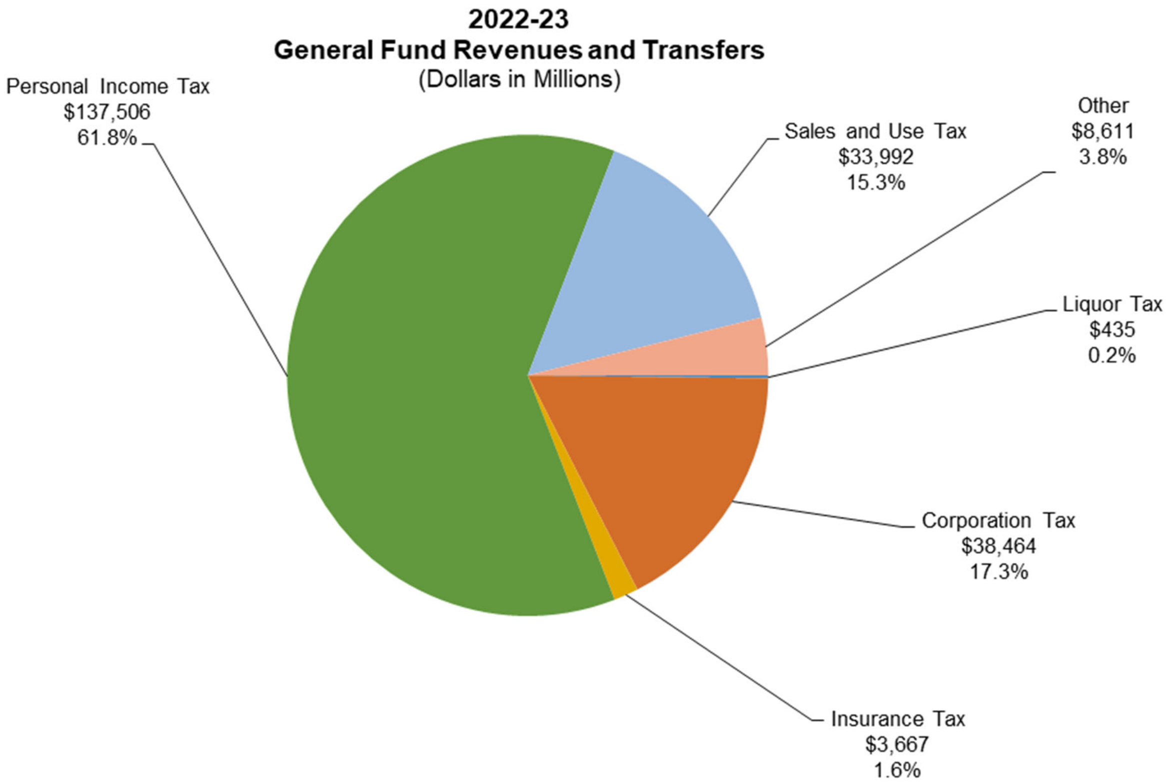

Note: The total amount of General Fund revenues and transfers reflected in this chart is $222.675 billion. That figure does not reflect revenues transferred into the BSA ($2.968 billion).

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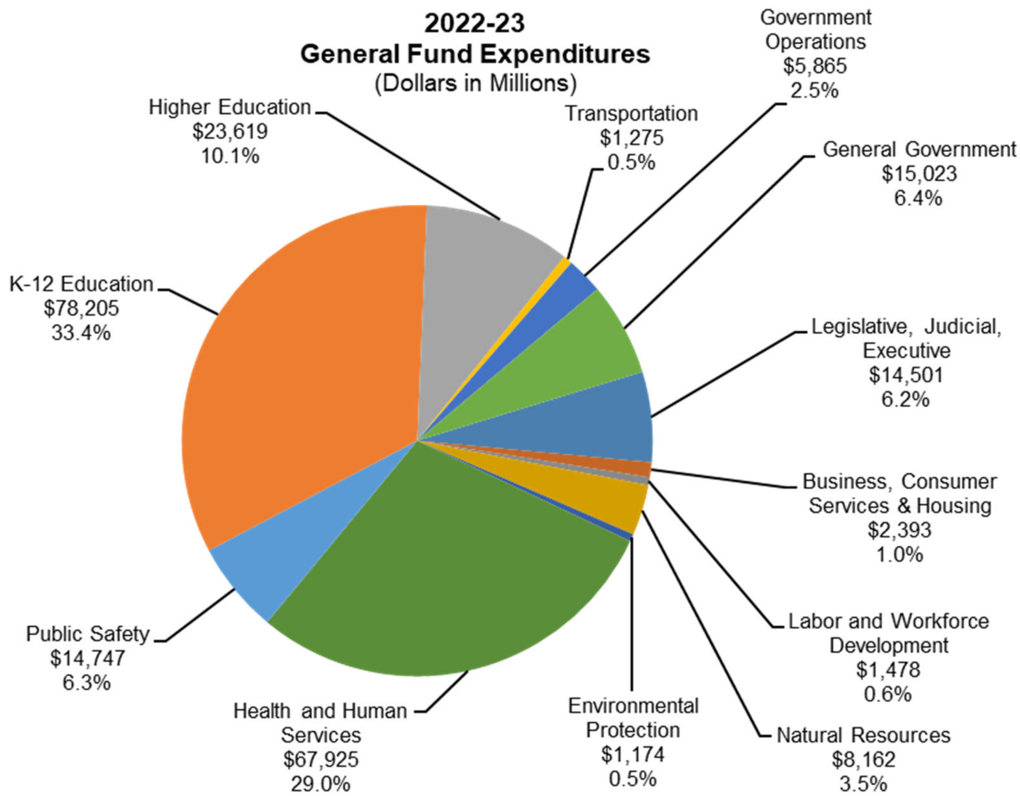

Note: Total amount of General Fund expenditures reflected in this chart is $234.366 billion and includes agency costs for pension and debt service expenditures.

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Fiscal Year 2022-23 Revised Estimates in the 2023-24 Governor's Budget

Four estimated measures 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 Governor's Budget. These four revised estimates include the projected beginning and ending balances of the General Fund for fiscal year 2022-23, as well as the latest estimates of revenues (including net transfers), and the latest expenditure estimates for fiscal year 2022-23.

Beginning Fund Balance. In the 2023-24 Governor's Budget, the estimate of the beginning General Fund balance for fiscal year 2022-23 is $30.2 billion higher than was previously estimated in the 2022 Budget Act ($52.7 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 $20.6 billion, and a revised estimate of revenues in the prior year increasing revenues by $6.8 billion.

Revenues and Transfers. As shown in Table 1, the 2023-24 Governor's Budget estimate for fiscal year 2022-23 General Fund revenues and transfers has decreased by $10.8 billion as compared to the 2022 Budget Act forecast ($208.9 billion compared to $219.7 billion), primarily due to lower tax revenues, with the personal income tax revenue estimate having decreased by $8.6 billion.

Expenditures. Also shown in Table 1, the 2023-24 Governor's Budget estimate of General Fund expenditures for fiscal year 2022-23 increased $5.7 billion from the 2022 Budget Act estimate ($240.1 billion compared to $234.4 billion); the main component was a $7.3 billion increase in Natural Resources spending, which was largely due to reappropriation of funding from fiscal year 2021-22 to 2022-23.

Ending Fund Balance. The 2023-24 Governor's Budget estimates an ending balance in the SFEU of $17.2 billion for fiscal year 2022-23; that is, $13.7 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 2023-24 Governor's Budget (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	Projected 2023-24
Fund Balance–Beginning of Period[(b)]	$ 10,206	$ 3,437	$ 31,940	$ 52,713	$ 21,521
Prior Year Adjustment	(1,010)	1,311	9,162	–	–
Adjusted Beginning Fund Balance	**$ 9,196**	**$ 4,748**	**$ 41,102**	**$ 52,713**	**$ 21,521**
Revenues	$124,209	$187,472	$223,168	$210,745	$209,707
Other Financing Sources					
Transfers from Other Funds[(c)]	1,591	13,384	10,723	(1,863)	467
Other Additions	153	113	–	–	–
Total Revenues and Other Sources	**$125,953**	**$200,969**	**$233,891**	**$208,883**	**$210,174**
Expenditures					
State Operations[(d)]	$ 39,386	$ 39,306	$ 70,169	$ 59,589	$ 46,853
Local Assistance [(e)]	105,056	128,072	150,901	177,604	175,983
Capital Outlay[(f)]	220	(15)	1,210	2,883	778
Unclassified	–	–	–	–	–
Other Uses	–	–	–	–	–
Transfer to Other Funds[(c)]	8,045	6,414	–	–	–
Total Expenditures and Other Uses	**$152,707**	**$173,777**	**$222,280**	**$240,076**	**$223,614**
Revenues and Other Sources Over or (Under) Expenditures and Other Uses	$(26,754)	$ 27,192	$ 11,611	$ (31,193)	$ (13,440)
Fund Balance					
Reserve for Encumbrances	4,276	5,272	4,276	4,276	4,276
Reserve for Unencumbered Balances of Continuing Appropriations[(g)]	4,993	5,381	–	–	–
SFEU[(h)]	–	13	48,437	17,245	3,805
Unreserved–Undesignated[(h)]	(26,827)	21,274	–	–	–
Fund Balance–End of Period	**$ (17,558)**	**$ 31,940**	**$ 52,713**	**$ 21,521**	**$ 8,081**

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 $21.0 billion postponed personal income taxes and corporation taxes that were received in July 2020 due to the COVID-19 outbreak, 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.

(Footnotes Continued on Following Page)

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[d] Includes debt service cost on general obligation bonds of approximately $5.1 billion for fiscal year 2023-24. The estimated cost is 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 2016-17 through 2020-21" 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 particular 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 projected 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 2023-24 Governor's Budget.

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

	Fiscal Year		
General Fund Revenue Source	**2022-23 Enacted June 2022**	**2022-23 Revised January 2023**	**2023-24 Projected January 2023**
Personal Income Tax	$ 137,506	$ 128,905	$ 126,725
Sales and Use Tax	33,992	32,851	33,599
Corporation Tax	38,464	38,482	39,308
Insurance Tax	3,667	3,641	3,863
Alcoholic Beverage Taxes and Fees	435	436	441
Cigarette Tax	49	49	45
Motor Vehicle Fees	37	37	37
Other[(a)]	8,525	6,102	7,067
Subtotal	**$ 222,675**	**$ 210,503**	**$ 211,085**
Transfer from/(to) the Budget Stabilization Account "Rainy Day Fund"	(2,968)	(1,620)	(911)
Total General Fund Revenues and Transfers	**$ 219,707**	**$ 208,883**	**$ 210,174**

General Fund Expenditures by Agency	**2022-23 Enacted June 2022**	**2022-23 Revised January 2023**	**2023-24 Projected January 2023**
Legislative, Judicial and Executive	$ 14,501	$ 19,636	$ 11,852
Business, Consumer Services & Housing	2,393	4,062	1,472
Transportation	1,275	1,725	2,191
Natural Resources	8,162	15,437	9,723
Environmental Protection	1,174	2,133	1,989
Health and Human Services	67,925	64,790	71,447
Public Safety (includes Corrections and Rehabilitation)	14,747	15,822	14,775
K-12 Education	78,205	78,505	81,176
Higher Education	23,619	23,043	22,518
Labor and Workforce Development	1,478	1,234	1,638
Government Operations	5,865	6,795	3,847
General Government			
Non-Agency Departments	2,065	2,791	3,562
Tax Relief/Local Government	667	678	558
Statewide Expenditures[(b)]	12,291	3,425	(3,134)
Total General Fund Expenditures	**$ 234,366**	**$ 240,076**	**$ 223,614**

(a) Generally, consists of transfers and loans, and various smaller amounts for miscellaneous fees, taxes, unclaimed property and other sources.

(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: Numbers may not add due to rounding.

ECONOMIC AND BUDGET RISKS

The 2023-24 Governor's Budget 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 averaged around 7.5 percent through the first ten months of 2022. 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 hotels skyrocketed and supply chain disruptions (e.g., the global semi-conductor chip shortage), and various shortages have driven up the prices of durable goods. In 2022, inflation became more broad-based, spreading to food, shelter and other components, and the year-over-year California Consumer Price Index ("CPI") peaked at 8.3 percent in June before slowing to 7.3 percent by October. Sustained high inflation can lead to price instability if businesses and consumers expect price increases to continue.

  As of February 2023, elevated inflation has led the Federal Reserve to increase the target federal funds rate eight times from March 2022 to February 2023 to a target range of 4.50 percent to 4.75 percent and the Federal Reserve has indicated that it will maintain high target rates until inflation slows to the Federal Reserve's target threshold of around 2 percent.

- Supply Chain Disruptions. The Russian invasion of Ukraine exacerbated supply chain disruptions that had been slowly resolving, because the United States and other countries imposed sanctions on Russia. Both Ukraine and Russia are relatively small trading partners of the U.S. and consequently of California, with Russia accounting for just 0.5 percent of California's total imports and 0.3 percent of total exports in 2021. The disruptions of Russian and Ukrainian trade with other parts of the world, including Europe, may create secondary impacts affecting the U.S. and California through purchases of commodities and intermediate and finished goods, and in particular, increased prices for oil and grain. A possible invasion of Taiwan by China may be more disruptive to the global supply chain than the Russian invasion of Ukraine as Taiwan is the world's largest supplier of semiconductors.

  The 2023-24 Governor's Budget assumes that the disruptions from the Russian invasion of Ukraine have started to ease. However, a slower resolution may further impact the U.S. and California economies.

- Threat of Recession. Inflation in 2022 became more broad-based, affecting food, shelter and other components, compared to 2021 when inflation was concentrated in energy and transportation. The Federal Reserve's tightening monetary policy, aimed at reducing inflation to the Federal Reserve's target inflation rate of around 2 percent, has the potential to limit borrowing for both consumers and businesses and induce a deeper economic slowdown than projected. The COVID-19 pandemic continues to affect global health and may continue to lead to governmental responses which negatively impact the economy. Current global instabilities including within the U.S.'s largest trading partner, China, may disrupt the global economy already impacted by high inflation rates. The revenue forecast in the 2023-24 Governor's Budget is based on a scenario that assumes continued but slowing economic growth and does not assume a recession. If a recession were to occur, 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 revenue losses between $20 billion to $40 billion compared to the forecast through fiscal year 2023-24. In a moderate to more severe recession scenario, General Fund revenue losses could exceed $60 billion compared to the revenue forecast through fiscal year 2023-24, based on the revenue declines seen following the 2001 and 2008 recessions.

- 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 12 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 2023-24 Governor's Budget projects capital gains realizations to account for 12.4 percent of total General Fund tax revenue in fiscal year 2021-22 before moderating to 9.3 percent in fiscal year 2022-23, and 8.3 percent in fiscal year 2023-24. Capital gains, the state's most volatile revenue source, are heavily reliant on stock market performance. As of the end of the fourth quarter of 2022, the S&P 500 closed at 3,839—approximately 10 percent below the 2022 Budget Act assumption of 4,260 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."

- 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. However, the 2023-24 Governor's Budget 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 2021 annual average data), an ongoing trade war could negatively impact the state's economy.

Potential trade barriers could exacerbate the supply chain issues triggered by large-scale worldwide shutdowns during the COVID-19 pandemic. For example, potential trade disruptions associated with uncertainty surrounding China's zero-tolerance COVID-19 policy, which was in effect until December 2022, and threatened invasion of Taiwan, the world's largest supplier of semiconductors, could increase the costs of imports and lead to higher consumer prices and to decreased business revenues. 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 California residential housing units authorized by building permits (seasonally adjusted) averaging approximately 120,000 units through the first 10 months of 2022, the highest levels 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 exceeded $900,000 for the first time in May 2022, reaching a record-high of $900,170, just over a year after exceeding $800,000 for the first time. 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, reaching $777,500 in November 2022. This was a 13.6 percent decline from May.

  Low-income Californians may 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, 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. See "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—State Expenditures—*Higher Education*." 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."

- <u>Climate Change</u>. 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 seven years later in 2023, California is once again experiencing a multi-year drought. On October 19, 2021, the Governor extended the drought state of emergency to all 58 of the state's counties. In May 2022, emergency regulations were put in place to require local water agencies to reduce water use by up to 20 percent and prohibit any watering of ornamental lawns at businesses and other commercial properties. The dry weather also increases wildfire risk. While the current drought is one of the most severe in California's history, it is not expected to significantly impact any sectors of the state economy beyond the agricultural sector in the current forecast window. However, worsening drought conditions may impact future 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, it is 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. A full recovery from the drought is expected to be slow and will require much more rain and snowfall. In early January 2023 (while significant portions of the state were still facing severe drought conditions), the state also experienced significant precipitation events leading to severe flooding in various locations throughout the state. While significant, the increased precipitation does not necessarily indicate the state is out of a period of drought. Therefore, 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 of late December 2022 into early 2023, have shown the unpredictable impact of climate change on the state. On January 4, 2023, the Governor declared a state of emergency throughout California to support the ongoing response to recent winter storms and flooding. Record amounts of rainfall and flooding have damaged vulnerable areas of the state.

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 unprecedented climate-induced weather events, including 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 mandated by public health measures during the COVID-19 pandemic. As a recipient and provider of personal, private, 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 cyber threats and attacks will be successful or that any such attack will not materially impact the operations or finances of the state.

- COVID-19 Pandemic. The 2023-24 Governor's Budget economic forecast was finalized in mid-November 2022, when daily COVID-19 cases averaged between 4,000 and 6,000 cases in California as both the state and nation experienced a slight uptick in COVID-19 cases, flu and other viral sicknesses due to the winter season. The forecast assumes that COVID-19 will not create any further major disruptions to national and international economies. Nevertheless, another surge in COVID-19 cases could, among other negative impacts, slow labor force and nonfarm employment growth. A more severe variant with higher hospitalization and death rates would lead to even more negative economic impacts. A global increase in cases could also cause supply chain disruptions to last longer than assumed in the forecast. There is no assurance that there would be additional, significant federal aid to assist the state with future negative impacts of the COVID-19 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 2023-24 Governor's Budget proposes to apply 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 ($1.2 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 $16.8 billion. Of this total, Proposition 2 funded $10.6 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 2023-24 Governor's Budget, the Department of Finance projects the supplemental pension payment will save an estimated $6.0 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 $488 million (interest and principal) is expected to be made by the end of 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.

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TABLE 6
Debts and Liabilities under Proposition 2
2023-24 Governor's Budget
(Dollars in Millions)

	Fiscal Year				
	Outstanding Amount July 1, 2023[a]	**Projected 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	$ 95,510	$ 390	$ 400	$ 410	$ 420
State Employee Pensions—SB 84 Loan[b]	--	290	836	590	556
State Employee Pensions[c]	43,639[d] [e]	1,182	447	734	874
Teachers' Pensions	60,136[f]	0	0	0	0
Judges' Pensions	2,299	0	0	0	0
Total	**$ 201,584**	**$ 1,862**	**$ 1,683**	**$ 1,734**	**$ 1,850**

(a) These amounts reflect unfunded actuarial liabilities measured as of June 30, 2021.

(b) As of January 1, 2023, the outstanding balance of the SB 84 Loan from all funds was $3.2 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 $18 million as of June 30, 2021.

(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 $13.065 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. Out of several lawsuits filed on behalf of individuals and businesses against the Department, only one is still pending. The suit claims damages arising out of these events, including alleged damage for relocation expenses.

In addition to the sole remaining lawsuit, the Butte County District Attorney seeks to impose 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. On February 9, 2021, the Butte County District Attorney filed its notice of appeal of the judgment in the matter.

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 in the briefing stage. (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.

After briefing and oral argument, the Court denied all claims on the merits in both *Atkins* and *Reyes* and entered final judgment in each case. Plaintiffs have filed notices of appeal in both cases and the *appeals* are *fully briefed and awaiting the setting of oral argument*. (Court of Appeal, Third Appellate District, Case Nos. C095084, C095085.)

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 and defendant's motion for summary judgment is pending*. In this class action, 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, 2020 (the "2020 Annual Comprehensive Financial Report") was released on February 2, 2022. It is included as an appendix to this Official Statement and incorporated into APPENDIX A. The 2020 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 2020 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 11 components of the Basic Financial Statements, including the General Fund, but issued a modified opinion on each of the three 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 and the business-type activities component of the government-wide financial statements. The modified opinions are the result of ongoing challenges experienced by the state's Employment Development Department ("EDD") in administering California's unemployment insurance program (since the onset of the COVID-19 pandemic) and preparing its financial statements using FI$Cal (defined below). 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 2020 Annual Comprehensive Financial Report.

According to the Independent State Auditor's Report, the financial statements contained in the 2020 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 February 2, 2022, 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, 2020" (the "Auditor's 2020 Internal Control and Compliance Report"). The Auditor's 2020 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 2020 Annual Comprehensive Financial Report and led to the issuance of the modified opinions described above. The Auditor's 2020 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. According to the previous State Controller, Controller Betty Yee, the delay in completion of the 2020 Annual Comprehensive Financial Report and the State of California Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019 (the "2019 Annual Comprehensive Financial Report") released on October 30, 2020, was due to 1) a large number of State departments transitioning from several separate legacy accounting systems to a new statewide accounting, budget, cash management and procurement information technology system called the Financial Information System for California ("FI$Cal"), which contributed to delays in State departments providing information to the State Controller necessary for the preparation of the 2020 Annual Comprehensive Financial Report and the 2019 Annual Comprehensive Financial Report, and 2) the late start on producing such financial statements due to this delay. The release of the 2020 Annual Comprehensive Financial Report was further delayed by a failure in accounting processes by EDD that led to the issuance by the State Auditor of modified opinions for certain components of the Basic Financial Statements (as discussed in more detail above and in the attached 2020 Annual Comprehensive Financial Report).

Also, according to the previous State Controller, as a result of the cumulative impact of delays in the completion of the 2019 Annual Comprehensive Financial Report and the 2020 Annual Comprehensive Financial Report as well as the reasons described above causing such delays, the 2021 Annual Comprehensive Financial Report was also delayed.

The State of California Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018 (the "2018 Annual Comprehensive Financial Report") was also released after the March 31, 2019, target release date. It was released on June 5, 2019.

The State Auditor currently estimates that the State of California Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2021 (the "2021 Annual Comprehensive Financial Report") will be issued in March 2023. However, the State Auditor has not yet completed its field work on the 2021 Annual Comprehensive Financial Report and, accordingly, a possibility exists that it may be issued later than March 2023.

When the 2021 Annual Comprehensive Financial Report is released, it will be available on the website of the State Controller and filed by the State Treasurer on EMMA. The State Controller is not aware of the nature of any findings, if any, that may be reported by the State Auditor.

The causes of the delay in the state's ability to produce the basic financial statements to be included in the 2021 Annual Comprehensive Financial Report by March 31, 2022 (March 31 of the following fiscal year being the state's historical target for release of financial statements as noted above), will result in a significant delay in the issuance of the State of California Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022 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.

Newly elected Controller, Malia Cohen, is committed to restoring the timely issuance of the Annual Comprehensive Financial Report. To that end, the Controller's Office intends to have collaborative discussion and consultation with the state legislature, other state officials and state departments, including the State Auditor's Office, to evaluate the efforts needed to increase the timeliness of the release of the state's basic financial statements.

The 2020 Annual Comprehensive Financial Report describes certain financial information of the state as of June 30, 2020. The 2021 Annual Comprehensive Financial Report, when issued, will describe 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," "GOVERNOR'S PROPOSED BUDGET FOR FISCAL YEAR 2023-24," 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 from July 1, 2020 through June 30, 2021, July 1, 2021 through June 30, 2022 and July 1, 2022 through *February 28*, 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.

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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 the majority of 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 as a consequence 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

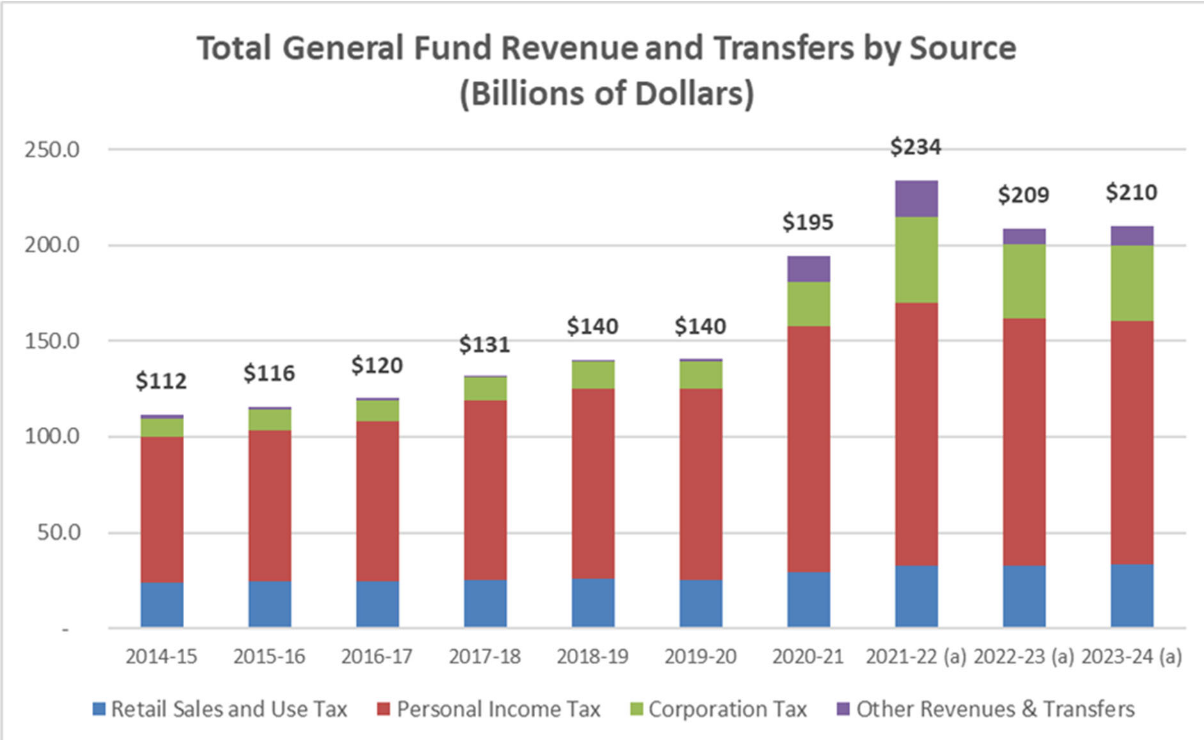
In calendar year 2020, there was a dramatic decline in economic activity in the second quarter, including in the state, due to the COVID-19 pandemic, followed by an uneven recovery for the remainder of the year. For calendar year 2021, the economy, buoyed by multiple rounds of federal stimulus, an accommodative 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 with declining stock market and asset prices. Withholding receipts declined 1.3 percent year-over-year, even as overall wage growth is projected to slow but remain positive.

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 10.7 percent in fiscal year 2022-23 due primarily to weaker wage growth, particularly among high income-earners, reduced capital gains revenue, and lower federal reimbursements compared to fiscal year 2021-22. In fiscal year 2023-24, revenues and transfers are projected to increase by 0.6 percent, but this is largely a result of transfers (consisting primarily of $850 million for loans from special funds to the General Fund, and a $333 million transfer from the Health Care Affordability Reserve Fund to the General Fund) as revenues excluding transfers are projected to decrease by 0.5 percent as a result of declining capital gains revenue and slower economic growth.

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, $2.7 billion in fiscal year 2022-23 and $2.3 billion in fiscal year 2023-24 (estimated). General Fund revenues and transfers in fiscal year 2021-22 reflect a $5.2 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 $1.6 billion transfer to the BSA and $608 million in loan repayments to special funds. General Fund revenues and transfers in fiscal year 2023-24 reflect a $911 million transfer to the BSA and $66 million in loan repayments from special funds.

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



(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, $5.2 billion in fiscal year 2021-22, $1.6 billion in fiscal year 2022-23, and $911 million in fiscal year 2023-24. 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[a]	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 -$13.7 billion in fiscal year 2021-22, -$14 billion in fiscal year 2022-23, and -$14.9 billion in fiscal year 2023-24 for tax credits related to the PTE Elective Tax.

(c) Reflects the passage of Proposition 39, approved by the voters in 2012, which requires single sales factor apportionment for most multi-state businesses. See "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—Sources of Tax Revenue—Corporation Tax." 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 $20.4 billion in fiscal year 2021-22, $14.3 billion in fiscal year 2022-23, and $15 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 $5.2 billion deposit into the BSA and a transfer of $450 million to the Safety Net Reserve Fund. Fiscal year 2022-23 includes a $1.6 billion deposit into the BSA. Fiscal year 2023-24 includes a $911 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, $2.7 billion in fiscal year 2022-23, and $2.3 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 and $66 million in General Fund loans and loan repayments from special funds in fiscal year 2023-24.

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 percent of the state's total PIT in tax year 2020.

Proposition 30 and Proposition 55, passed in 2012 and 2016, respectively, provided for a one 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 2023-24 Governor's Budget projects the revenue from these additional tax brackets to be $16 billion in fiscal year 2021-22, $12.7 billion in fiscal year 2022-23, and $12.5 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	11,713	10.1	67,022	57.9	78,735	68.1
2016-17	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][d]	16,274	11.6	83,324	59.3	99,599	70.9
2020-21[b][c][d]	23,571	12.1	105,285	54.1	128,856	66.2
2021-22[b][c][e]	27,359	11.7	109,404	46.8	136,762	58.5
2022-23[b][c][e]	19,399	9.3	109,506	52.4	128,905	61.7
2023-24[b][c][e]	17,435	8.3	109,290	52.0	126,725	60.3

(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 2020-21, 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 billion in fiscal year 2021-22,$1.2 billion in fiscal year 2022-23, and $1.2 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 GSS I.
(e) Reflects a decrease in revenues of $13.7 billion in fiscal year 2021-22 and $14 billion in fiscal year 2022-23, and $14.9 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 2020, and estimated realizations for 2021 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. Though 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 2023-24 Governor's Budget projects that capital gains would account for 11.7 percent of the total General Fund revenues and transfers in fiscal year 2021-22, 9.3 percent in fiscal year 2022-23, and 8.3 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 $13.7 billion in fiscal year 2021-22, $14 billion in fiscal year 2022-23, and $14.9 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 $9.2 billion in fiscal year 2022-23 and $9.3 billion in fiscal year 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 2022. See "GOVERNOR'S PROPOSED BUDGET FOR FISCAL YEAR 2023-24" 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 $383 million in fiscal year 2022-23 and $126 million in fiscal year 2023-24.

3. <u>Corporation Tax</u>

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 $1.4 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 $20.4 billion in fiscal year 2021-22, $14.3 billion in fiscal year 2022-23, and $15 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 $3.6 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 $21.4 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)]
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[(a)]	31,001	5,567	1,778	813	8,455	10,717	2,517
2022-23[(a)]	31,636	3,631	1,619	642	8,959	11,213	2,066
2023-24[(a)]	31,941	3,564	1,480	715	9,747	11,694	784

(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 proposed in the Governor's Budget.

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), implements 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 $33 million in fiscal year 2022-23, all of which goes to special funds.

Chapter 34, Statutes of 2020 (SB 793), would have banned all flavored tobacco products, including mentholated cigarettes and flavored e-cigarette liquids, beginning January 1, 2021. However, a referendum to overturn the law qualified for the November 2022 election, during which time the flavor ban was suspended. Voters upheld the legislation, and the flavor ban 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 2023-24 Governor's Budget 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 \$70.4 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 2023-24 Governor's Budget reflects these conditions being met, requiring a deposit in fiscal year 2023-24 of approximately $365 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 $3.7 billion and approximately $1.1 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 statute.

<u>Proposition 98 Funding for Fiscal Years 2022-23 and 2023-24</u>. 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 grow in both fiscal years 2022-23 and 2023-24. The 2023-24 Governor's Budget reflects the Proposition 98 minimum guarantee at approximately $108.8 billion in fiscal year 2023-24, a decrease of approximately $1.5 billion compared to the amount assumed for fiscal year 2023-24 in the 2022 Budget Act.

The 2023-24 Governor's Budget also reflects a $941 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 rebenched to permanently include Proposition 28. The 2023-24 Governor's

Budget also includes ongoing funding to accommodate enrollment increases related to the expansion of transitional kindergarten, the 2023-24 Governor's Budget rebenches the Test 1 percentage, from approximately 38.3 percent to approximately 38.7 percent, to increase the percentage of General Fund revenues due to the minimum guarantee.

The 2023-24 Governor's Budget reflects a revised funding level for K-12 schools and community colleges in fiscal year 2022-23 of approximately $107.0 billion, which is approximately $3.4 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 Proposed 2023-24	
	Enacted[a]	Revised[c]	Enacted[b]	Revised[c]	Proposed[c]	Amount	Percent
K-12 Proposition 98							
State General Fund	$45,646	$55,320	$59,536	$57,099	$57,379	$(2,157)	-4%
Education Protection Account	11,048	15,810	11,599	12,195	13,110	1,511	12%
Local property tax revenue[d]	23,829	23,273	24,389	24,241	25,393	1,004	4%
Subtotals	$80,523	$94,403	$95,524	$93,535	$95,882	$ 358	0%
Community College Proposition 98							
State General Fund	$5,698	$6,836	$7,519	$7,206	$7,138	$ (381)	-5%
Education Protection Account	1,365	1,954	1,434	1,507	1,620	186	12%
Local property tax revenue[d]	3,535	3,512	3,653	3,648	3,811	158	4%
Subtotals	$10,598	$12,302	$12,606	$12,361	$12,569	$ (37)	0%
Total Proposition 98							
State General Fund	$51,344	$62,156	$67,055	$64,305	$64,517	$(2,538)	-4%
Public School System Stabilization Account	2,617	3,710	2,224	1,096	365	(1,859)	-170%
Education Protection Account	12,413	17,764	13,033	13,702	14,730	1,697	12%
Local property tax revenue[d]	27,365	26,785	28,042	27,889	29,204	1,162	4%
Totals[e]	$93,739	$110,415	$110,354	$106,992	$108,816	$(1,538)	-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 2023-24 Governor's Budget.
(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.
Source: State of California, Department of Finance.

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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 2023-24 Governor's Budget reflects $12.6 billion Proposition 98 funds for community colleges (consisting of $8.8 billion from the General Fund and Education Protection Account and $3.8 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 130,000 degrees in the 2021-22 academic year. CSU enrolled 394,930 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 the Hastings College of Law enrolled 291,014 full-time equivalent students in the 2021-22 academic year.

The community colleges continued to experience overall enrollment declines in fiscal year 2021-22, but overall UC and CSU 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	5.9	5.1	8.8
2022-23	5.4	5.0	8.7
2023-24	5.4	4.7	8.8

(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 2023-24 Governor's Budget includes expenditures of $137.7 billion ($32.3 billion General Fund) in fiscal year 2022-23 and projects expenditures of $138.9 billion ($38.7 billion General Fund) in fiscal year 2023-24 for the Medi-Cal program. Compared to the 2022 Budget Act, the 2023-24 Governor's Budget proposed expenditures for fiscal year 2022-23 reflect a decrease of $4.2 billion General Fund primarily due to the shift of certain repayments to the federal government and net savings from the assumed extension of the federal COVID-19 Public Health Emergency. (Based on current COVID-19 trends, the Department of Health and Human Services is planning for the federal Public Health Emergency for COVID-19 to expire on May 11, 2023.) The $6.4 billion General Fund expenditure increase from fiscal year 2022-23 to fiscal year 2023-24 is primarily due to costs associated with underlying program cost growth; assumed conclusion of the enhanced Federal Medical Assistance Percentage ("FMAP") on June 30, 2023; shift of repayment for claims not eligible for federal funds; expiration of the Managed Care Organization Tax, caseload costs, and conclusion of one-time proposals not continuing in fiscal year 2023-24, including the Behavioral Health Continuum Infrastructure Program.

The 2023-24 Governor's Budget estimates an average monthly caseload of 15.2 million in fiscal year 2022-23 and 14.4 million in fiscal year 2023-24, and assumes caseload will peak at 15.5 million in July 2023. The increase in caseload until its projected peak in July 2023 is driven by the continuous coverage requirement in the federal Families First Coronavirus Response Act (H.R. 6201), which requires 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 2023-24 Governor's Budget assumes the Public Health Emergency is extended until April 2023 and the continuation of enhanced FMAP through June 2023. The recently signed federal Consolidated Appropriations Act decouples the continuous Medi-Cal coverage requirement and the enhanced FMAP from the COVID-19 Public Health Emergency and the May Revision will reflect the impact of the federal requirements.

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 2023-24 Governor's Budget.

TABLE 12
Medi-Cal Expenditures
(Dollars in Billions)

Fiscal Year	General Fund	Other State Funds	Federal Funds[(a)]	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	12.2	82.3	119.0
2022-23	32.3	14.4	91.0	137.7
2023-24	38.7	14.1	86.1	138.9

Note: Totals may not add due to rounding.

(a) Federal Funds include State Fiscal Recovery Fund, Demonstration Disproportionate Share Hospital Fund, Health Care Support Fund, and Home & Community-Based Services American Rescue Plan Fund.

Year-over-year changes. The $0.3 billion decrease in other state funds in fiscal year 2023-24 compared with fiscal year 2022-23 is largely attributable to one-time COVID-19 worker retention payments for hospital and skilled nursing facilities, California Advancing and Innovating Medi-Cal ("CalAIM") payment reform, renewal of the Managed Care Organization ("MCO") tax, and the Quality Assurance Fee program.

The $4.9 billion decrease in federal fund spending in fiscal year 2023-24 compared with fiscal year 2022-23 is largely attributable to the assumed conclusion of the enhanced FMAP on June 30, 2023.

Medi-Cal Coverage for Undocumented Adults Aged 26-49. 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. The 2023-24 Governor's Budget projects expenditures of $844.5 million ($635.3 million General Fund) in fiscal year 2023-24 and $2.1 billion ($1.6 billion General Fund) in 2024-25, inclusive of In Home Supportive Services costs. Expenditures are projected to grow to $2.5 billion ($2 billion General Fund) annually at full implementation.

MCO Tax. Federal Medicaid regulations allow states to impose certain health care-related taxes on 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, each one slightly different. The first iteration of the tax was effective July 1, 2013 through June 20, 2016 (authorized by SB 78). The second iteration was effective July 1, 2016 through July 1, 2019 (authorized by SBx2 2). The most recent MCO tax was effective April 3, 2020 through December 31, 2022 (authorized by AB 115). The 2023-24 Governor's Budget includes net General Fund savings of $1.6 billion in fiscal year 2022-23 from this MCO tax. The 2023-24 Governor's Budget proposes to renew the MCO tax, effective January 1, 2024, through December 31, 2026. The renewal would result in net General Fund savings of $316.5 million in fiscal year 2023-24 and $6.5 billion over the three-year period.

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 2023-24 Governor's Budget includes $2.2 billion ($0.9 billion General Fund) in fiscal year 2022-23 and $4.1 billion ($2.0 billion General Fund) in 2023-24, to support CalAIM initiatives inclusive of costs for the newly proposed Behavioral Health Community-Based Continuum 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)]	615,607	5.9
2023-24 [(d)(f)]	642,289	7.8

(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.

(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; (6) implementation of the permanent back-up provider system for IHSS recipients to avoid disruptions to caregiving due to an immediate need or emergencies; and (7) one-time payments resulting from reconciliation of payments made to managed care plans during the Coordinated Care Initiative.

(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]	347,868	0.7
2023-24[a]	360,307	1.9

[a] Estimated as of the 2023-24 Governor's Budget.

In recent years, the CalWORKs caseload had been declining consistent with California's improving economy. However, in the 2020 and 2021 Budget Acts the CalWORKs caseload was projected to grow significantly due to the COVID-19 pandemic's economic impact. This higher caseload did not materialize, possibly because of expanded and extended unemployment insurance benefits and direct stimulus payments. The 2023-24 Governor's Budget includes revised caseload projections, based on application uptake estimates, suggesting caseload will begin increasing in fiscal year 2022-23. The 2022 Budget Act included a temporary 10 percent CalWORKs maximum aid payment increase October 1, 2022 through September 30, 2024, which is estimated to cost $722 million (General Fund) across fiscal years 2022-23, 2023-24, and 2024-25.

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 2023-24 Governor's Budget includes approximately $3.5 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 2023-24 Governor's Budget 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 312 individuals in state-operated facilities in fiscal year 2023-24.

The following table shows the caseload and related General Fund expenditures for the Department of Developmental Services (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)]	400,807	7.1
2023-24[(a)]	421,239	8.6

(a) Estimated as of the 2023-24 Governor's Budget.

The 2022 Budget Act included $263.7 million ($159.2 million General Fund) in fiscal year 2022-23 to fund a six-month acceleration in the phased-in implementation of service provider rate reform initiated through the 2021 Budget Act. Under the revised schedule, the estimated annual cost to support the new rate structure gradually grows to $2.1 billion ($1.2 billion General Fund) beginning in fiscal year 2024-25, rather than fiscal year 2025-26. Rate reform funding includes resources for development and implementation of a quality incentives payment program focused on improving consumer outcomes and service quality. From fiscal year 2021-22 through the first three-quarters of fiscal year 2023-24, associated General Fund program costs are partially offset by increased federal funding for home and community-based services made available through the federal ARPA. Due to increased availability of these federal funds (estimated savings from the continuation of enhanced FMAP through fiscal year 2022-23), the 2023-24 Governor's Budget includes a reduction in General Fund obligations related to service provider rate reform acceleration in fiscal year 2022-23 by a corresponding $126.8 million.

Child Care. The 2021 and 2022 Budget Acts included investments in child care access, which is maintained in the 2023-24 Governor's Budget. Effective July 1, 2021, child care programs transitioned from the California Department of Education to the Department of Social Services.

The 2021 and 2022 Budget Acts expanded child care access by adding and maintaining over 145,000 cumulative spaces for children in a child care center or family child care home (referred to as child care slots). The state intends to add 20,000 new slots annually in fiscal years 2024-25, 2025-26, and 2026-27, should the state's economic condition support it. The funding for 36,000 new child care slots included in the 2022 Budget Act will be available in October 2022 and April 2023. The 2023-24 Governor's Budget includes $2.2 billion total funds ($1.2 billion General Fund) to fund the 110,500 child care slots added in fiscal year 2021-22, and the 36,000 new child care slots added in fiscal year 2022-23. The 2023-24 Governor's Budget assumes the majority of new child care slots will be funded by the General Fund beginning in fiscal year 2024-25 as one-time federal relief funding expires.

In addition, the state entered into the first collective bargaining agreement with Child Care Providers United - California ("CCPU"), which provides significant rate increases to many child care providers. The agreement is effective July 26, 2021 through June 30, 2023. The 2023-24 Governor's Budget includes $445.8 million ($294.5 million General Fund) in fiscal year 2023-24 to support rate increases for child care providers while the state continues to work with partners and stakeholders toward further rate reform and increased access to a comprehensive, quality, and affordable child care and development system. The 2022 Budget Act included a $100.2 million General Fund expenditure in fiscal year 2022-23 for start-up funding to support health and retirement access for providers represented by CCPU. The state will continue to work with CCPU to negotiate a successor agreement to the current agreement expiring June 30, 2023.

4. *Public Safety*

Currently, the California Department of Corrections and Rehabilitation ("CDCR") operates 36 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 42 million square feet of building space on more than 23,000 acres of land (36 square miles) statewide.

The 2023-24 Governor's Budget assumes an average daily adult incarcerated population of 93,396 individuals in fiscal year 2023-24 and an average daily adult parole population of 41,345 individuals in fiscal year 2023-24. The 2023-24 Governor's Budget includes total expenditures (excluding capital outlay) of $14.5 billion ($14.1 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 2023-24 Governor's Budget estimates that Proposition 57 will result in a population reduction of approximately 22,000 incarcerated adults in fiscal year 2023-24, with this population reduction of incarcerated individuals increasing to approximately 23,900 in fiscal year 2025-26. These figures are subject to some uncertainty. The COVID-19 pandemic also significantly impacted prison population, but its long-term effect is uncertain.

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 is scheduled to close the California Correctional Center by June 30, 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 will close and youth who have not been 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 2023-24 Governor's Budget 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 December 2022, 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.

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

	Fiscal Year				
Expenditures by Function	**2016-17[g][h]**	**2017-18[g][i]**	**2018-19[g][j]**	**2019-20**	**2020-21[k]**
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)[e]	(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[f]	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 due to the fact that 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. In previous years, central service costs allocated to special funds for their fair share of these costs were charged to the departments' appropriations.

[e] Beginning with fiscal year 2016-17, Statewide Indirect Cost Recoveries was retitled to General Fund Credits from Federal Funds (SWCAP).

[f] 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.

[g] 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.

[h] Four departments using FI$Cal 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").

[i] Seventeen departments using FI$Cal submitted estimated financial statements to the State Controller's Office for fiscal year 2017-18 which were included in the BLBAR.

[j] 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.

[k] 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.

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 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 disaster, 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 2023-24 Governor's Budget projects total transfers into the BSA of $5.2 billion in fiscal year 2021-22, $1.6 billion in fiscal year 2022-23, and $0.9 billion in fiscal year 2023-24, which brings the projected balance to the 10 percent constitutional maximum in fiscal year 2023-24. As a result of reaching the constitutional maximum balance, deposits into the BSA are capped in fiscal year 2023-24 and approximately $1 billion of the required transfer must be spent on infrastructure. The multi-year budget projection set forth in the 2022 Budget Act included supplemental deposits of $1 billion and $3 billion in fiscal years 2024-25 and 2025-26, however, the 2023-24 Governor's Budget proposes to eliminate the supplemental deposits. The multi-year budget projection projects the BSA will reach a balance of $24.2 billion by fiscal year 2026-27.

Under current projections, Proposition 2 will result in $18.7 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 2023-24 Governor's Budget proposes to eliminate 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 2023-24 Governor's Budget includes a deposit to the PSSSA of $3.7 billion in fiscal year 2021-22, $1.1 billion in fiscal year 2022-23, and $0.4 billion in fiscal year 2023-24, resulting in a projected balance of approximately $8.5 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 estimated at 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, 2021, the most recent measurement date of the net OPEB liability, approximately 203,000 retirees were enrolled to receive health benefits and approximately 205,000 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, 2021, 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, 2022. 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, 2021, reports a TOL of $99.53 billion, of which $95.51 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 25 years.

The TOL increased from $97.88 billion as of June 30, 2020, to $99.53 billion as of June 30, 2021, representing a change of $1.65 billion. If the previous assumptions had been realized, the TOL would have increased by $4.11 billion, to $101.99 billion as of June 30, 2021. The primary factors contributing to the $2.46 billion of unexpected decrease in actuarial liabilities include:

- Demographic experience increased the expected actuarial liabilities by 0.8 percent or $0.78 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 2.7 percent from 198,150 at June 30, 2020, to 203,420 at June 30, 2021, and the number of active members increased by 0.4 percent from 278,986 to 280,149, which are key reasons for the demographic loss.
- During the year, favorable healthcare claims experience and plan design changes decreased the expected total OPEB liability by approximately 8.0 percent or $8.11 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 2021 (used in

last year's actuarial valuation) and the actual trend rate for 2021 (used to update average per member claim costs). During plan year-end June 30, 2021, average per member claim costs were lower than assumed, which was primarily driven by favorable Medicare claims and premiums.

- Healthcare trend rates, participation rates, and plan election assumptions for the June 30, 2021, actuarial valuation were reviewed and updated since the last actuarial valuation, and the related assumption changes increased the expected total OPEB liability by approximately 0.50 percent or $0.49 billion.
- Changing the pension-related assumption based on the CalPERS 2021 Experience Study decreased the liabilities by about 1.70 percent or $1.68 billion.
- Changing the GASB Statements No. 74 and 75 blended discount rate as of June 30, 2020, which ranged from 2.45 percent to 3.38 percent, to the blended discount rate as of June 30, 2021, which ranges from 1.92 percent to 2.95 percent, increased the total OPEB liability by 5.9 percent or $6.06 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, 2022 is expected to be published in May 2023 *or thereafter*.

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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)
2016-17	$4.51	$2.39	53%	$91.51	$91.01
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

(a) Long-term assumed return on assets is 6.00% for full funding.
Source: State of California OPEB Valuation as of June 30, 2021 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 $95.5 billion (as of June 30, 2021) 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. By the end of fiscal year 2022-23, the trust fund balance is projected to approach $6.5 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 Governor's Budget proposes $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 2023-24 Governor's Budget estimates that the state is under the limit in fiscal year 2021-22 by $24 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 $6.8 billion for the two-year period. The 2023-24 Governor's Budget estimates that the state is under the limit in fiscal years 2022-23 and 2023-24 by $13.9 billion and $14.9 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	$138,867[(a)]
Appropriations Subject to Limit	(105,807)	(133,036)	(101,673)[(a)]	(121,766)[(a)]	(123,980)[(a)]
Amount (Over)/Under Limit	$6,295	$(17,176)	$24,022[(a)]	$13,884[(a)]	$14,887[(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 2023-24 Governor's Budget.

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. <u>*Property Tax Revenues*</u>

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 2023-24 Governor's Budget, statewide property tax revenues were estimated to increase 5.96 percent in fiscal year 2022-23 and 4.95 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 2023-24 Governor's Budget estimates that schools will receive an additional $2.7 billion in fiscal year 2022-23 and $2.9 billion in fiscal year 2023-24. Additional revenues are projected to average $3.3 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) $814.7 million in VLF, projected as of the 2023-24 Governor's Budget. 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 October forecast estimates that, beginning in calendar year 2023, total receipts to the UI Fund will exceed disbursements. These estimates take into account the decrease in FUTA tax credits described below. This surplus of receipts exceeding disbursements will be applied to pay down the UI Fund federal loan.

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.) Using current economic outlook and unemployment projections, the principal amount of the state UI Fund federal loan is projected to be $16.3 billion at the end of calendar year 2023 and $15 billion at the end of calendar year 2024. 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. ARPA 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 2023-24 Governor's Budget assumes an estimate of approximately $279.4 million from the General Fund for the anticipated interest payment due September 30, 2023. 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 COVID-19 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 July 15, 2020, and also took other actions which resulted in delays in the state's receipt of sales and use taxes. Several counties waived penalties for the late filing of property taxes (which are a factor in determining the state's Proposition 98 school funding obligation). All of these delays in tax filings and payments reduced the receipt of a significant portion of revenues until the summer of 2020 or later.

2. *Internal Borrowing*

The General Fund is currently authorized by law to borrow for cash management purposes from more than 700 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 2023-24 Governor's Budget, the General Fund was projected to have at least $46 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. As of January 31, 2023, the BSA fund balance remains at $23.3 billion and is not projected to increase according to the 2023-24 Governor's Budget. 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. <u>External Borrowing</u>

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 2021-22, and estimates for fiscal years 2022-23 through 2023-24 based on the 2023-24 Governor's Budget. See EXHIBIT 2 to APPENDIX A. The amount of internal borrowable resources fluctuates daily throughout the year.

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

	Fiscal year ended June 30[(a)]				
	2020	**2021**	**2022**	**2023[(b)(c)]**	**2024[(b)]**
Internal Borrowable Resources	$64,931	$55,167	$77,112	$93,726	$91,382
Less Reserve for PMIA and SMIF loans	7,617	6,003	4,712	3,602	$3,602
Available Borrowable Resources	57,314	49,164	72,400	$90,124	$87,780
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	$90,124	$87,780

(a) Numbers may not add due to rounding.
(b) Estimated.
(c) Assumes repayment by the State of California Department of Water Resources as required by AB 1054 of $670 million in fiscal year 2022-23 of the $2 billion transfer to the Wildfire Fund.

Source: Fiscal years ended June 30, 2020 through June 30, 2022: State of California, Office of the State Controller.
Fiscal years ended June 30, 2023 and 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, 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 2021-22, 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 2020-21, 2021-22, 2022-23 and 2023-24" below.

Cash Management in Fiscal Years 2020-21, 2021-22, 2022-23 and 2023-24

The state General Fund entered fiscal year 2020-21 with an outstanding loan balance of $20.0 billion. Internal resources were sufficient and available to meet the normal peaks and valleys of the state's cash needs, while maintaining a cushion of at least $2.5 billion at all times. The state did not issue any RANs in fiscal year 2020-21.

The state entered fiscal year 2021-22 with a General Fund positive cash balance at June 30, 2021 of $50.9 billion. In fiscal year 2021-22, the state relied on internal resources to meet the state's cash needs, while maintaining a cushion of at least $2.5 billion at all times. No RANs were issued in fiscal year 2021-22.

The state entered fiscal year 2022-23 with a General Fund positive cash balance at June 30, 2022 of $84.6 billion. The state's 2022-23 Governor's Budget cash flow projections for fiscal year 2022-23, adjusted for the March 2 extension of the FTB tax filing deadline to October 2023, indicate that internal resources are sufficient and available to meet the state's cash needs, while maintaining a cushion of at least $2.5 billion at all times.

The 2023-24 Governor's Budget cash flow projections for fiscal year 2023-24, adjusted for the March 2 extension of the FTB tax filing deadline to October 2023, assumes an estimated cash cushion of unused internal borrowable resources of at least $8.2 billion at the end of each month. 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.

State fiscal officers constantly monitor the state's cash position and if it appears that cash resources may become inadequate (including the goal of the maintenance of a projected cash reserve of at least $2.5 billion at any time), they will consider the use of other cash management techniques as described in this section, including seeking additional legislation.

Other Cash Management Tools

The state has employed additional cash management measures during some fiscal years; all of the following techniques were used at one time or another, but none of them are planned to be used through 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 the 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 interfund 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 January 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 January 1, 2023)

Authorized and Outstanding		Authorized but Unissued[*]	
Primarily Payable from General Fund	Self-Liquidating	Primarily Payable from General Fund	Self-Liquidating
$68.3 billion	$675.7 million	$29.0 billion	$803.8 million

[*] May first be issued as commercial paper notes (see "—General Obligation Commercial Paper Program" below).

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 1.09 percent of the state's total outstanding general obligation bonds.

Type of Bonds	Outstanding Principal Amount ($000) as of January 1, 2023	Current Variable Rate Interest Mode	Liquidity Support[(a)]
General Obligation	$ 749,190	Daily/Weekly VRDO	Letters of Credit
TOTAL	$749,190		

[(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. Commercial paper notes may be renewed or may be refunded by the issuance of bonds. The state uses commercial paper notes to provide flexibility for bond programs, such as to provide interim funding for voter-approved projects or to facilitate refunding of variable rate bonds into fixed rate bonds. Commercial paper notes are not included in the calculation of permitted variable rate indebtedness described under "Variable Rate General Obligation Bonds." As of January 1, 2023, a total of $2.45 billion in principal amount of commercial paper notes is authorized under agreements with various banks. See "BANK ARRANGEMENTS TABLE" for a list of the credit agreements supporting the commercial paper program.

4. *Bank Arrangements*

In connection with VRDOs and the commercial paper program ("CP"), the state has entered into a number of reimbursement agreements or other credit agreements with a variety of financial institutions as set forth in "BANK ARRANGEMENTS TABLE." These agreements include various representations and covenants of the state, and the terms (including interest rates and repayment schedules) by which the state would be required to pay or repay any obligations thereunder (including reimbursement of drawings resulting from any failed remarketings). To the extent that VRDOs or CP offered to the public cannot be remarketed over an extended period (whether due to downgrades of the credit ratings of the 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 or credit 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 credit 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 January 1, 2023, is set forth in the following table.

Lease Revenue Obligations
(as of January 1, 2023)

Outstanding General Fund Supported Issues	Authorized but Unissued
$8.1 billion	$5.8 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 December 31, 2022.

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 January 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 January 1, 2023, the aggregate amount of the subsidy payments expected to be received for the remaining part of fiscal year 2022-23 through the maturity of the outstanding BABs (mostly 20 to 30 years from issuance) is approximately $4.4 billion for the general obligation BABs and $94 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 increase from the current level of 5.7 percent to as much as 100 percent, effective on or about January 1, 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 and accounting for bonds sold in this fiscal year through January 31, 2023, the State Treasurer's Office estimates approximately $4.3 billion of new money general obligation bonds (some of which may initially be in the form of commercial paper notes) and approximately $65 million of new money lease revenue bonds will be issued through the end of fiscal year 2022-23. In fiscal year 2023-24, the Department of Finance estimates issuance of approximately $5.9 billion of new money general obligation bonds (some of which may initially be in the form of commercial paper notes) and approximately $1.5 billion in new money lease revenue bonds. The estimates for fiscal year 2023-24 will be updated by the Department of Finance based on updated information provided by departments. 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 and from the BSA contained in the 2023-24 Governor's Budget and the bond issuance estimates described in the paragraph above, the General Fund Debt Ratio is projected to equal approximately 3.66 percent in fiscal year 2022-23 and 3.69 percent in fiscal year 2023-24.

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 2022-23 and $1.8 billion for fiscal year 2023-24. Including the projected offsets reduces the General Fund Debt Ratio to 2.86 percent in fiscal year 2022-23 and 2.85 percent in fiscal year 2023-24. 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, and actual General Fund revenues and transfers.

See the table "OUTSTANDING STATE DEBT, FISCAL YEARS 2017-18 THROUGH 2021-22" 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 January 1, 2023, these bonds had an outstanding principal amount of approximately $2.130 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 in the event that 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, 2022, 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, 2022. 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.

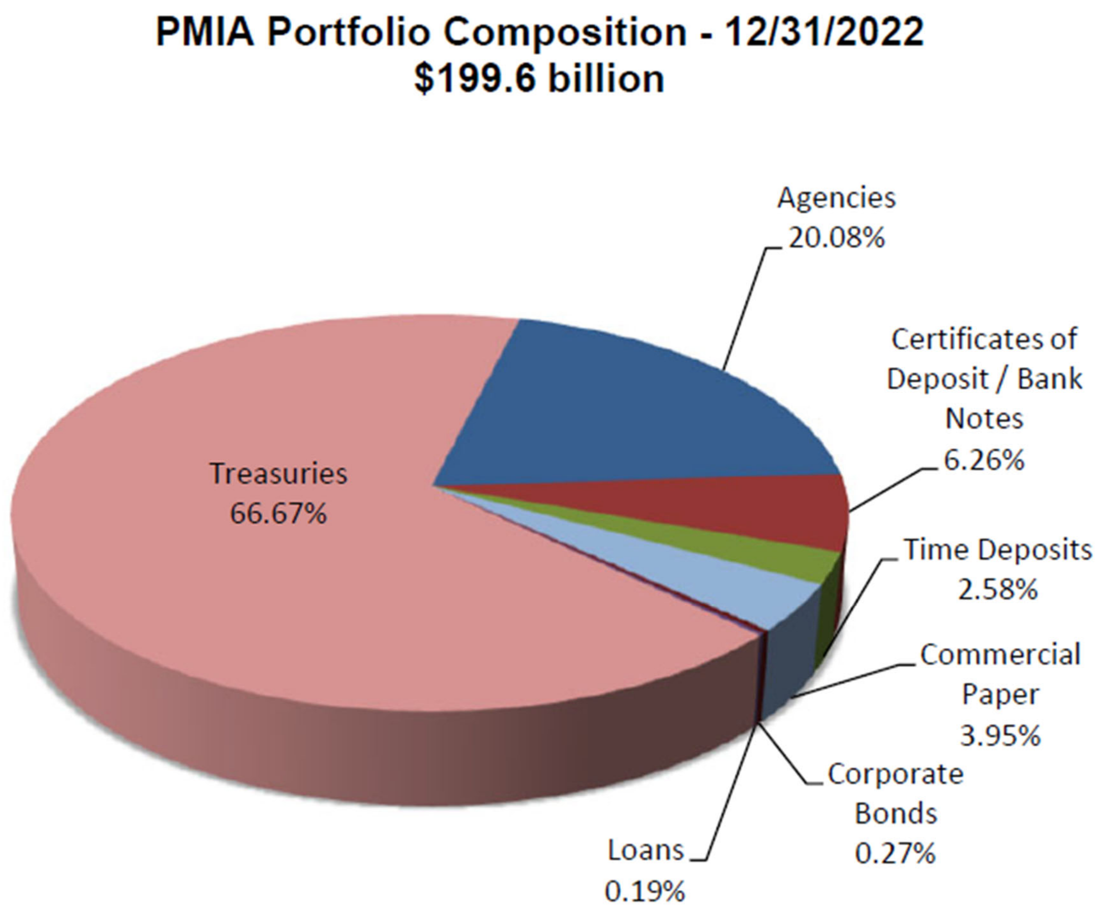
State law established the Health Facility Construction Loan Insurance Fund (the "Fund") as a trust fund which is continuously appropriated and may only be used for purposes of this program. The Fund is used as a depository of fees and insurance premiums and any recoveries and is the initial source of 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 September 30, 2022, HCAI insured 64 loans to nonprofit or publicly owned health facilities throughout California with a current outstanding aggregate par amount of approximately $1.541 billion, and a cash balance of approximately $149.4 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 2031-32, 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 December 31, 2022, the PMIA held approximately $171.9 billion of state moneys, and $27.7 billion invested for about 2,378 local governmental entities through the Local Agency Investment Fund ("LAIF"). The assets of the PMIA as of December 31, 2022, 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," the $250 million outstanding balance (as of December 31, 2022) of the $2 billion transfer to the Wildfire Fund on August 15, 2019, as required by AB 1054 and the $2.2 billion investment in Demand Deposit State and Local Government Series securities (as of December 31, 2022) 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.



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 December 31, 2022, was 287 days. Over the prior 12 months, the average life has ranged from 322 days to 287 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 General Purpose Financial Statements of 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.

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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

In the 2023-24 Governor's Budget, the state work force for fiscal year 2023-24 is estimated at approximately 427,000 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 252,000 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 ($95.5 billion as of the latest actuarial valuation report on June 30, 2021) through shared prefunding of program costs along with other cost containment strategies. See "STATE FINANCES—OTHER ELEMENTS—Retiree Health Care Costs."

On December 16, 2022, a memorandum of understanding was reached with the bargaining unit representing scientists, whose contract expired in July 2020, but unit members rejected it on February 1, 2023, so the parties will return to the bargaining table. In addition, negotiations will begin with 14 bargaining units representing Professional, Administrative, Financial and Staff Services; Professional Educators and Librarians; Office and Allied Employees; Engineering and Scientific Technicians; Printing and Allied Trades; Allied Services; Registered Nurses; Medical and Social Services; Educational Consultants and Library Employees; Correctional Officers; Law Enforcement; Craft and Maintenance; Physicians, Dentists, and Psychologists; and Health and Social Services/Professionals, whose contracts or side letter agreements will expire in summer 2023.

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 "GOVERNOR'S PROPOSED BUDGET FOR FISCAL YEAR 2023-24–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 39.0 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. Provisional births for fiscal year 2021-22 totaled approximately 424,000, an increase of 2.8 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 1.63 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. Although the state's overall projected five-year growth is 2.4 percent (reaching 40.2 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 3.7 percent (to 6.2 million in 2026) and the 18-24 year old college-age group is expected to increase by 1.8 percent (to just over 4 million in 2026). Related to lower births in recent years, the 0-4 preschool-age group is expected to decrease by 3.6 percent (to 2.1 million in 2026). The population of the 65 and older retirement-age group is expected to expand rapidly (by 19.2 percent, to 7.9 million in 2026).

In long-term projections, California's population continues to increase, and is projected to reach 43.5 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, allowing continued population growth. 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 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.

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

TABLE 21
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 22
Labor Force
(Thousands)

			Unemployment Rate	
Year	Labor Force	Employment	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	18,468	4.3	3.9
2019	19,409	18,613	4.1	3.7
2020	18,931	16,997	10.3	8.1
2021	18,923	17,542	7.3	5.4
2022 [p/]	19,237	18,448	4.1	3.6

[p/] Preliminary and calculated as monthly average. Final 2022 annual data will be updated on March 24, 2023.

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 23
Nonfarm Payroll Employment by Major Sector
2012 and 2022
(Thousands)

	Employment		Distribution of Employment	
Industry Sector	**2012**	**2022**	**2012**	**2022**
Mining and Logging	28.3	19.2	0.2%	0.1%
Construction	590.2	912.6	4.0	5.2
Manufacturing	--	--	--	--
Nondurable Goods	468.4	467.7	3.2	2.7
Durable Goods	--	--	--	--
High Technology	347.1	364.8	2.4	2.1
Other Durable Goods	448.8	475.5	3.0	2.7
Trade, Transportation & Utilities	2,713.3	3,140.3	18.4	17.9
Information	436.3	604.1	3.0	3.4
Financial Activities	773.7	834.4	5.2	4.8
Professional & Business Services	2,249.7	2,838.8	15.2	16.1
Educational & Health Services	2,232.6	2,927.8	15.1	16.7
Leisure & Hospitality	1,597.4	1,895.8	10.8	10.8
Other Services	503.5	548.4	3.4	3.1
Government	--	--	--	--
Federal Government	250.6	246.5	1.7	1.4
State & Local Government	2,125.7	2,281.8	14.4	13.0
TOTAL	**14,761.5**	**17,550.1**	**100.0%**	**100.0%**

Figures 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 and per capita income patterns.

TABLE 24
Total Personal Income in California
(Dollars in Millions)

Year	Total Personal Income	Annual % Change	California % of U.S.
2012	$1,827,167	6.5	13.0
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	2,790,523	8.7	14.1
2021	3,006,184	7.7	14.1

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

Note: Preliminary 2022 data will be released on March 31, 2023.

TABLE 25
Personal Income Per Capita
(Dollars)

Year	California	Annual % Change	United States	Annual % Change	California % of U.S.
2012	$48,121	5.6	$44,548	4.2	108.0
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	70,647	8.8	59,765	6.2	118.2
2021	76,614	8.4	64,143	7.3	119.4

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

Note: Preliminary 2022 data will be released on March 31, 2023.

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

TABLE 26
Units and Valuation of New Housing Authorized by Building Permits
(Dollars in Millions)

	Units			
Year	**Total Number**	**Single-Family**	**Multi-Family**	**Residential Valuation**
2012	58,549	27,736	30,813	$12,727
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

Note: U.S. Census Bureau residential valuation does not include additions and alterations. 2022 annual data will be released on May 1, 2023.

Source: U.S. Census Bureau.

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

TABLE 27
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	155,925	(10.3)
2021	174,927	12.2
2022	185,550	12.2

(a) Origin of Movement (OM) series.

Source: U.S. Census Bureau.

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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 January 1, 2023

Program	Series	Outstanding Par Amount	Credit Provider*	Expiration Date	Type of Credit	Reset Mode
GO VRDOs	2003A 1	$36,300,000	Barclays Bank PLC	8/25/2025	LOC	Daily
GO VRDOs	2003C 1	72,800,000	TD Bank, N.A.	8/28/2023	LOC	Weekly
GO VRDOs	2003C 3-4	72,700,000	U.S. Bank National Association	12/16/2024	LOC	Weekly
GO VRDOs	2004A 2 & 3	104,300,000	State Street Bank & Trust Company	1/16/2024	LOC	Daily
GO VRDOs	2004 A 9	34,800,000	State Street Bank & Trust Company	1/16/2024	LOC	Weekly
GO VRDOs	2005A-2-1	143,200,000	Sumitomo Mitsui Banking Corporation	9/22/2023	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	9/22/2023	LOC	Weekly
GO VRDOs	2005B-5	88,890,000	U.S. Bank National Association	11/18/2024	LOC	Daily
Total GO VRDOs		**$749,190,000**				
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	The Toronto-Dominion Bank	11/17/2023	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.	11/30/2023	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		**$3,199,190,000**				

(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) principal or interest paid since the respective dates of such tables, (ii) commercial paper that has been issued since January 1, 2023; or (iii) any bond issues that have been issued or any principal paid since December 31, 2022 for the issuers listed on the table titled State Agency Revenue Bonds.

OUTSTANDING STATE DEBT
FISCAL YEARS 2017-18 THROUGH 2021-22
(Dollars in Thousands Except for Per Capita Information)

	2017-18	2018-19	2019-20	2020-21 (a)	2021-22 (b)
Outstanding Debt (c)					
General Obligation Bonds					
General Fund (Non-Self Liquidating)...................	$ 74,160,490	$ 72,651,425	$ 71,968,035	$ 70,837,455	$ 69,215,805
Enterprise Fund (Self Liquidating).......................	$ 688,650	$ 841,255	$ 778,920	$ 586,850	$ 525,695
Total General Obligation Bonds..............................	**$ 74,849,140**	**$ 73,492,680**	**$ 72,746,955**	**$ 71,424,305**	**$ 69,741,500**
Revenue Bonds					
Lease-Purchase Debt...	$ 9,103,975	$ 8,667,400	$ 8,477,095	$ 8,337,925	$ 8,388,130
Total Revenue Bonds…………..............................	**$ 9,103,975**	**$ 8,667,400**	**$ 8,477,095**	**$ 8,337,925**	**$ 8,388,130**
Total Outstanding General Obligation and Revenue Bonds..	**$ 83,953,115**	**$ 82,160,080**	**$ 81,224,050**	**$ 79,762,230**	**$ 78,129,630**
Bond Sales During Fiscal Year					
Non-Self Liquidating General Obligation Bonds....	$ 8,444,045	$ 7,017,660	$ 7,763,245	$ 6,313,765	$ 6,639,495
Self Liquidating General Obligation Bonds............	$ 106,805	$ 193,410	$ 0	$ 96,680	$ 0
Lease-Purchase Debt...	$ 541,785	$ 121,825	$ 487,500	$ 437,180	$ 2,055,580
Debt Service (d)					
Non-Self Liquidating General Obligation Bonds....	$ 6,932,317	$ 7,027,289	$ 6,966,463	$ 6,997,006	$ 6,901,633
Lease-Purchase Debt...	$ 1,032,630	$ 1,008,868	$ 957,788	$ 950,782	$ 860,438
General Fund Receipts (e)......................................	$ 136,732,289	$ 145,612,779	$ 127,446,834	$ 226,200,168	$ 245,820,459
Non-Self Liquidating General Obligation Bonds Debt Service as a Percentage of General Fund Receipts..	**5.07%**	**4.83%**	**5.47%**	**3.09%**	**2.81%**
Lease-Purchase Debt Service as a Percentage of General Fund Receipts.................	**0.76%**	**0.69%**	**0.75%**	**0.42%**	**0.35%**
Population (f)...	39,328,926	39,476,064	39,529,566	39,520,071	39,239,554
Non-Self Liquidating General Obligation Bonds Outstanding per Capita..	**$ 1,885.65**	**$ 1,840.39**	**$ 1,820.61**	**$ 1,792.44**	**$ 1,763.93**
Lease-Purchase Debt Outstanding per Capita..........	**$ 231.48**	**$ 219.56**	**$ 214.45**	**$ 210.98**	**$ 213.77**
Personal Income (g)..	$ 2,318,281,000	$ 2,431,774,000	$ 2,567,426,000	$ 2,790,523,000	$ 3,006,184,000
Non-Self Liquidating General Obligation Bonds Outstanding as Percentage of Personal Income.....	**3.20%**	**2.99%**	**2.80%**	**2.54%**	**2.30%**
Lease-Purchase Debt Outstanding as Percentage of Personal Income..............................	**0.39%**	**0.36%**	**0.33%**	**0.30%**	**0.28%**

(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 to be issued in a subsequent fiscal year. Includes the 2021 Forward Delivery Bonds.

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

(d) 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.

(e) 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).

(f) See Table 21 of Appendix A.

(g) See Table 24 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 January 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	14,075	0	0
1990 School Facilities Bond Act [b]	123	06/05/90	797,875	11,380	0	0
1992 School Facilities Bond Act [b]	155	11/03/92	898,211	35,145	0	0
California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002 [f]	40	03/05/02	2,596,643	1,522,470	20,195	111,128
California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Act of 2018	68	06/05/18	4,100,000	768,795	85,310	3,167,385
California Library Construction and Renovation Bond Act of 1988 [b]	85	11/08/88	72,405	3,085	0	0
* California Park and Recreational Facilities Act of 1984 [b]	18	06/05/84	368,900	2,750	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	191,420	0	5,040
* California Safe Drinking Water Bond Law of 1976 [b]	3	06/08/76	172,500	1,080	0	0
* California Safe Drinking Water Bond Law of 1984	28	11/06/84	75,000	450	0	0
* California Safe Drinking Water Bond Law of 1986	55	11/04/86	100,000	6,220	0	0
California Safe Drinking Water Bond Law of 1988	81	11/08/88	75,000	11,690	0	0
California Stem Cell Research and Cures Bond Act of 2004	71	11/02/04	3,000,000	922,820	30,155	93,390
California Stem Cell Research, Treatments, and Cures Bond Act of 2020	14	11/03/20	5,500,000	269,820	0	5,230,180
* California Wildlife, Coastal, and Park Land Conservation Act [b]	70	06/07/88	768,670	31,355	0	0
Children's Hospital Bond Act of 2004	61	11/02/04	750,000	522,930	30	1,500
Children's Hospital Bond Act of 2008	3	11/04/08	980,000	759,810	360	42,695
Children's Hospital Bond Act of 2018	4	11/06/18	1,500,000	121,120	41,380	1,316,060
Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998 (Hi-Ed)	1A	11/03/98	2,500,000	1,071,670	0	0
Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998 (K-12)	1A	11/03/98	6,700,000	2,242,395	0	100
* Clean Air and Transportation Improvement Bond Act of 1990	116	06/05/90	1,990,000	255,090	0	0
* Clean Water Bond Law of 1984	25	11/06/84	325,000	1,390	0	0
* Clean Water and Water Conservation Bond Law of 1978	2	06/06/78	375,000	1,320	0	0
Clean Water and Water Reclamation Bond Law of 1988	83	11/08/88	65,000	4,090	0	0
County Correctional Facility Capital Expenditure and Youth Facility Bond Act of 1988	86	11/08/88	500,000	10,500	0	0
Disaster Preparedness and Flood Prevention Bond Act of 2006 [e] [h]	1E	11/07/06	3,960,560	2,740,485	165,755	247,487

AUTHORIZED AND OUTSTANDING GENERAL OBLIGATION BONDS
As of January 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	2,315	0	0
Higher Education Facilities Bond Act of 1988	78	11/08/88	600,000	5,160	0	0
Higher Education Facilities Bond Act of June 1990	121	06/05/90	450,000	10,075	0	540
Higher Education Facilities Bond Act of June 1992	153	06/02/92	900,000	64,875	0	0
Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006	1B	11/07/06	19,925,000	13,711,585	116,630	659,990
Housing and Emergency Shelter Trust Fund Act of 2002	46	11/05/02	2,100,000	105,575	2,150	65,845
Housing and Emergency Shelter Trust Fund Act of 2006	1C	11/07/06	2,850,000	806,890	31,085	219,950
Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (CCC)	51	11/08/16	2,000,000	633,565	68,875	1,196,320
Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (K-12)	51	11/08/16	7,000,000	5,000,195	1,400	1,072,870
Kindergarten-University Public Education Facilities Bond Act of 2002 (Hi-Ed)	47	11/05/02	1,650,000	1,015,260	0	0
Kindergarten-University Public Education Facilities Bond Act of 2002 (K-12)	47	11/05/02	11,400,000	6,420,065	0	5,455
Kindergarten-University Public Education Facilities Bond Act of 2004 (Hi-Ed)	55	03/02/04	2,300,000	1,465,765	0	58,019
Kindergarten-University Public Education Facilities Bond Act of 2004 (K-12)	55	03/02/04	10,000,000	6,089,545	0	16,160
Kindergarten-University Public Education Facilities Bond Act of 2006 (Hi-Ed)	1D	11/07/06	3,087,000	2,362,560	0	38,775
Kindergarten-University Public Education Facilities Bond Act of 2006 (K-12)	1D	11/07/06	7,329,000	5,016,385	0	168,560
* New Prison Construction Bond Act of 1986	54	11/04/86	500,000	895	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	252,375	0	4,650
Public Education Facilities Bond Act of 1996 (K-12) [c]	203	03/26/96	2,012,035	364,295	0	0
Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Act [e]	13	03/07/00	1,884,000	991,805	0	43,346
Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 [e][f]	84	11/07/06	5,266,357	3,166,120	97,310	716,787
Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Act of 2000	12	03/07/00	2,100,000	936,755	9,050	13,080
Safe, Clean, Reliable Water Supply Act [e]	204	11/05/96	969,500	319,710	0	62,915
Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century	1A	11/04/08	9,950,000	2,553,630	176,120	5,073,245
* School Building and Earthquake Bond Act of 1974	1	11/05/74	150,000	5,320	0	0

AUTHORIZED AND OUTSTANDING GENERAL OBLIGATION BONDS
As of January 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	17,175	0	0
School Facilities Bond Act of 1992	152	06/02/92	1,900,000	43,780	0	10,280
Seismic Retrofit Bond Act of 1996	192	03/26/96	2,000,000	635,530	0	0
* State, Urban, and Coastal Park Bond Act of 1976	2	11/02/76	280,000	970	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	192,835	44,450	347,265
Veterans and Affordable Housing Bond Act of 2018	1	11/06/18	3,000,000	346,380	93,370	2,558,765
Voting Modernization Bond Act of 2002	41	03/05/02	200,000	41,205	3,000	11,025
Water Conservation Bond Law of 1988 [g]	82	11/08/88	54,765	6,425	0	0
* Water Conservation and Water Quality Bond Law of 1986 [e]	44	06/03/86	136,500	7,545	0	230
Water Quality, Supply, and Infrastructure Improvement Act of 2014 [f]	1	11/04/14	7,465,000	1,926,910	245,715	5,015,540
Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 [e]	50	11/05/02	3,345,000	2,174,925	23,300	192,079
Total General Fund Bonds			**156,477,176**	**68,252,770**	**1,255,640**	**27,769,481**

AUTHORIZED AND OUTSTANDING GENERAL OBLIGATION BONDS
As of January 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	27,425	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	170,420	0	0
Veterans and Affordable Housing Bond Act of 2018 (CalVet)	1	11/06/18	1,000,000	339,120	0	636,235
Total Enterprise Fund Bonds			**5,710,000**	**675,680**	**0**	**803,835**
TOTAL GENERAL OBLIGATION BONDS			**162,187,176**	**68,928,450**	**1,255,640**	**28,573,316**

(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 January 1, 2023

Fiscal Year Ending June 30	Current Debt		
	Interest	Principal	Total (a)
2023 (b)	12,740,159.94	-	12,740,159.94
2024	23,891,016.29	4,010,000.00	27,901,016.29
2025	23,756,768.79	10,225,000.00	33,981,768.79
2026	23,586,291.29	6,965,000.00	30,551,291.29
2027	23,147,113.79	26,585,000.00	49,732,113.79
2028	22,447,859.41	23,880,000.00	46,327,859.41
2029	21,698,693.15	28,540,000.00	50,238,693.15
2030	20,547,996.27	43,765,000.00	64,312,996.27
2031	19,096,022.52	43,385,000.00	62,481,022.52
2032	17,864,816.27	28,790,000.00	46,654,816.27
2033	16,759,885.02	34,535,000.00	51,294,885.02
2034	15,623,888.77	31,275,000.00	46,898,888.77
2035	14,806,255.02	17,445,000.00	32,251,255.02
2036	14,238,615.02	18,185,000.00	32,423,615.02
2037	13,636,705.02	18,970,000.00	32,606,705.02
2038	13,001,868.14	19,800,000.00	32,801,868.14
2039	12,414,860.01	15,055,000.00	27,469,860.01
2040	11,879,548.76	15,725,000.00	27,604,548.76
2041	11,220,980.01	22,165,000.00	33,385,980.01
2042	10,387,460.01	25,505,000.00	35,892,460.01
2043	9,448,548.76	27,395,000.00	36,843,548.76
2044	8,410,358.76	29,360,000.00	37,770,358.76
2045	7,284,071.88	30,080,000.00	37,364,071.88
2046	6,102,735.00	31,315,000.00	37,417,735.00
2047	4,924,925.00	29,360,000.00	34,284,925.00
2048	3,870,252.50	24,025,000.00	27,895,252.50
2049	2,967,662.50	18,865,000.00	21,832,662.50
2050	2,195,025.00	15,150,000.00	17,345,025.00
2051	1,517,012.50	13,695,000.00	15,212,012.50
2052	906,675.00	10,290,000.00	11,196,675.00
2053	311,850.00	11,340,000.00	11,651,850.00
Total	**$ 390,685,920.40**	**$ 675,680,000.00**	**$ 1,066,365,920.40**

(a) Includes scheduled mandatory sinking fund payments.
(b) Represents the remaining debt service requirements from February 1, 2023 through June 30, 2023.

SOURCE: State of California, Office of the Treasurer.

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

Fiscal Year Ending June 30	Current Debt		
	Interest (a)	Principal	Total (b)
2023 (c)	1,683,059,772.98	592,380,000.00	2,275,439,772.98
2024	3,301,352,581.80	3,310,470,000.00	6,611,822,581.80
2025	3,152,214,918.01	3,352,170,000.00	6,504,384,918.01
2026	2,995,361,147.34	3,430,475,000.00	6,425,836,147.34
2027	2,829,047,725.36	3,455,330,000.00	6,284,377,725.36
2028	2,674,014,922.79	3,745,075,000.00	6,419,089,922.79
2029	2,511,617,576.54	3,440,805,000.00	5,952,422,576.54
2030	2,348,085,932.79	3,495,100,000.00	5,843,185,932.79
2031	2,193,611,741.54	3,473,230,000.00	5,666,841,741.54
2032	2,040,333,320.29	3,305,625,000.00	5,345,958,320.29
2033	1,882,810,410.29	3,304,150,000.00	5,186,960,410.29
2034	1,749,511,187.76	3,632,850,000.00	5,382,361,187.76
2035	1,509,340,205.82	3,104,170,000.00	4,613,510,205.82
2036	1,349,253,803.91	3,128,665,000.00	4,477,918,803.91
2037	1,201,651,576.41	3,102,395,000.00	4,304,046,576.41
2038	1,030,236,702.64	2,960,910,000.00	3,991,146,702.64
2039	921,253,055.12	3,389,725,000.00	4,310,978,055.12
2040	635,842,913.87	2,112,745,000.00	2,748,587,913.87
2041	472,225,737.54	2,179,625,000.00	2,651,850,737.54
2042	374,205,187.54	1,188,165,000.00	1,562,370,187.54
2043	320,273,137.54	1,294,435,000.00	1,614,708,137.54
2044	253,806,478.16	1,008,660,000.00	1,262,466,478.16
2045	217,324,343.78	893,925,000.00	1,111,249,343.78
2046	173,568,468.78	850,000,000.00	1,023,568,468.78
2047	134,984,093.78	887,500,000.00	1,022,484,093.78
2048	93,713,971.90	850,000,000.00	943,713,971.90
2049	69,528,225.02	490,000,000.00	559,528,225.02
2050	47,403,225.02	675,000,000.00	722,403,225.02
2051	25,468,750.02	250,000,000.00	275,468,750.02
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	**$ 38,216,960,489.35**	**$ 67,503,580,000.00**	**$ 105,720,540,489.35**

(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 February 1, 2023 through June 30, 2023.

SOURCE: State of California, Office of the Treasurer.

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

Fiscal Year Ending June 30	Current Debt		
	Interest (a)	**Principal**	**Total (b)**
2023 (c)	8,468,648.50	22,600,000.00	31,068,648.50
2024	20,296,073.29	57,900,000.00	78,196,073.29
2025	18,639,284.14	38,800,000.00	57,439,284.14
2026	17,619,231.48	67,900,000.00	85,519,231.48
2027	16,053,080.41	13,300,000.00	29,353,080.41
2028	15,732,799.98	13,900,000.00	29,632,799.98
2029	15,310,455.23	19,600,000.00	34,910,455.23
2030	14,725,683.62	109,290,000.00	124,015,683.62
2031	12,018,222.87	116,800,000.00	128,818,222.87
2032	8,313,874.13	167,800,000.00	176,113,874.13
2033	3,285,639.91	120,600,000.00	123,885,639.91
2034	18,817.52	300,000.00	318,817.52
2035	11,680.00	-	11,680.00
2036	11,730.62	-	11,730.62
2037	11,629.37	-	11,629.37
2038	11,679.99	-	11,679.99
2039	11,680.00	-	11,680.00
2040	10,709.42	400,000.00	410,709.42
Total	**$ 150,550,920.48**	**$ 749,190,000.00**	**$ 899,740,920.48**

(a) The estimate of future interest payments is based on rates in effect as of January 1, 2023. The interest rates for the daily and weekly rate bonds range from 2.20-3.21%.
(b) Includes scheduled mandatory sinking fund payments. Does not include outstanding commercial paper.
(c) Represents the remaining estimated debt service requirements from February 1, 2023 through June 30, 2023.

SOURCE: State of California, Office of the Treasurer.

SCHEDULE OF DEBT SERVICE REQUIREMENTS
FOR LEASE-REVENUE DEBT
Fixed Rate
January 1, 2023

Year Ending June 30	Current Debt		
	Interest (a)	Principal	Total (b)
2023 (c)	196,229,578.34	226,390,000.00	422,619,578.34
2024	379,844,850.62	484,400,000.00	864,244,850.62
2025	355,707,884.86	508,575,000.00	864,282,884.86
2026	330,204,557.35	522,450,000.00	852,654,557.35
2027	303,909,322.60	552,410,000.00	856,319,322.60
2028	276,237,353.69	566,805,000.00	843,042,353.69
2029	247,752,032.82	538,120,000.00	785,872,032.82
2030	220,873,998.87	531,895,000.00	752,768,998.87
2031	194,847,739.32	527,045,000.00	721,892,739.32
2032	167,863,009.06	541,620,000.00	709,483,009.06
2033	139,760,038.14	490,420,000.00	630,180,038.14
2034	114,557,679.42	477,080,000.00	591,637,679.42
2035	89,561,274.06	441,640,000.00	531,201,274.06
2036	69,839,018.76	304,180,000.00	374,019,018.76
2037	55,955,968.76	294,285,000.00	350,240,968.76
2038	43,557,850.01	233,970,000.00	277,527,850.01
2039	33,068,537.51	186,320,000.00	219,388,537.51
2040	25,369,668.76	146,430,000.00	171,799,668.76
2041	20,504,690.63	67,360,000.00	87,864,690.63
2042	17,600,921.88	70,270,000.00	87,870,921.88
2043	14,594,818.76	73,265,000.00	87,859,818.76
2044	11,358,281.26	76,515,000.00	87,873,281.26
2045	7,976,193.76	79,885,000.00	87,861,193.76
2046	4,663,771.88	71,505,000.00	76,168,771.88
2047	1,557,625.00	53,335,000.00	54,892,625.00
Total	**$ 3,323,396,666.12**	**$ 8,066,170,000.00**	**$ 11,389,566,666.12**

(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 February 1, 2023 through June 30, 2023.

SOURCE: State of California, Office of the Treasurer.

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

GENERAL FUND SUPPORTED ISSUES[(a)]:		**Outstanding**
State Public Works Board Issues (by Facility Lessee)		
Air Resources Board	$	294,990,000
Board of State and Community Corrections		71,840,000
California Community Colleges		91,520,000
California Department of Corrections and Rehabilitation		3,264,140,000
California Department of Forestry and Fire Protection		200,795,000
California Department of Veterans Affairs		217,285,000
Department of Developmental Services		72,490,000
Department of Education		110,055,000
Department of General Services		1,357,040,000
Department of Public Health		54,510,000
Department of State Hospitals		239,070,000
Judicial Council		1,755,900,000
Other State Facilities		223,040,000
Trustees of the California State University		96,805,000
Total State Public Works Board Issues	**$**	**8,049,480,000**
Total Non-State Public Works Board State Facilities Issues[(b)]	**$**	**16,690,000**
Total General Fund Supported Issues	**$**	**8,066,170,000**
TOTAL	**$**	**8,066,170,000**

(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.
(b) Includes $11,695,000 Sacramento City Financing Authority Lease Revenue Refunding Bonds State of California - Cal/EPA Building, 2013 Series A, which are supported by lease payments from the California Environmental Protection Agency; these lease payments are subject to annual appropriation by the State Legislature.

SOURCE: State of California, Office of the Treasurer.

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

	Total Debt		
	Interest	**Principal**	**Total (a)**
GENERAL OBLIGATION BONDS			
GENERAL FUND NON-SELF LIQUIDATING (b)			
Fixed Rate	$ 38,216,960,489.35	$ 67,503,580,000.00	$ 105,720,540,489.35
Variable Rate (c)	150,550,920.48	749,190,000.00	899,740,920.48
ENTERPRISE FUND SELF LIQUIDATING			
Fixed Rate	390,685,920.40	675,680,000.00	1,066,365,920.40
REVENUE BONDS			
GENERAL FUND LEASE-REVENUE			
Lease-Revenue	3,323,396,666.12	8,066,170,000.00	11,389,566,666.12
General Fund and Lease-Revenue Total (d)	**$ 42,081,593,996.35**	**$ 76,994,620,000.00**	**$ 119,076,213,996.35**

(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 January 1, 2023. The interest rates for the daily and weekly rate bonds range from 2.20-3.21%.
(d) Estimated interest included.

SOURCE: State of California, Office of the Treasurer.

STATE AGENCY REVENUE BONDS
AND CONDUIT FINANCING
As of December 31, 2022

Issuing Agency		**Outstanding[a][b][c][d][e]**
State Revenue Bond Financing Programs:		
California Alternative Energy and Advanced Transportation Financing Authority		426,133
California Earthquake Authority		600,000,000
California Health Facilities Financing Authority		1,851,190,000
California Housing Finance Agency		41,220,000
California Infrastructure and Economic Development Bank		1,658,815,000
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		28,331,645,000
Veterans Revenue Debenture		431,770,000
TOTAL	**$**	**44,417,581,133**
Conduit Financing:		
California Alternative Energy and Advanced Transportation Financing Authority		2,235,972
California Educational Facilities Authority		4,145,199,225
California Health Facilities Financing Authority		15,307,575,028
California Housing Finance Agency		4,878,095,786
California Infrastructure and Economic Development Bank		4,675,591,180
California Pollution Control Financing Authority		2,964,799,058
California School Finance Authority		2,209,758,830
TOTAL	**$**	**34,183,255,078**

(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 reflect any forward delivery sales that have not closed.

(c) Does not include the Tobacco Settlement Revenue Bonds issued by Golden State Tobacco Securitization Corporation.

(d) 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.

(e) California Housing Finance Agency numbers are an estimate and are not final.

EXHIBIT 1 TO APPENDIX A

PENSION SYSTEMS

TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

Page

TABLES

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 2023-24 Governor's Budget 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 makes no representations 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 be changed in the future. Actuarial valuations will 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 not receiving a benefit or 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 or not 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 benefit 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.

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

TABLE 28
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

Generally, annual pension benefits depend on employment category, years of service credit, final compensation, and age of retirement. Annual pension benefits 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. Additional pension benefits also generally include disability and death benefit provisions. 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 will be 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 will be 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, of final compensation for each year of credited service. Approximately 46 percent of the state active member population consists of PEPRA members as of June 30, 2021.

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

TABLE 29
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 13.5 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 as a result of increased employee contributions under PEPRA pursuant to Government Code section 20683.2 (d).

In April 2022, the state directed CalPERS to apply the $1.881 billion Proposition 2 supplemental pension payment, authorized by Chapter 78, Statutes of 2021, to achieve long-term savings, reduce the state's unfunded actuarial liability, and improve funded status, while maintaining stable contribution rates. 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 2023-24 Governor's Budget includes the following employer contribution rates for fiscal year 2023-24:

	Contribution Rates[a][b]
State Miscellaneous Tier 1	32.10%
California State University, Miscellaneous Tier 1	32.10
State Miscellaneous Tier 2	32.10
State Industrial	21.18
State Safety	22.48
State Peace Officers & Firefighters	51.05
California State University, Peace Officers and Firefighters	51.05
California Highway Patrol[c]	66.72

(a) Includes additional contributions pursuant to Government Code Section 20683.2 (d)
(b) Includes the impact of the $1.881 billion Proposition 2 supplemental pension payment authorized in the 2021 Budget Act.
(c) Reflects Bargaining Unit 5 Memorandum of Understanding requirements.

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

TABLE 30
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)]	6,090	2,865	675	675	6,765	3,541
2022-23[(a)(b)(e)]	7,475	3,821	744	744	8,219	4,565
2023-24[(b)(f)]	7,727	3,974	747	747	8,474	4,721

(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 $1.2 billion supplemental pension payment using Proposition 2 debt repayment funding in fiscal year 2023-24 proposed in the 2023-24 Governor's Budget, as described in this section.

Note: Totals may not add due to rounding.
Source: State of California, Department of Finance.

The 2023-24 Governor's Budget proposes $1.2 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 $2.1 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. The first three payments have been made. Payment of the final installment in fiscal year 2022-23 is contingent on the availability of sufficient revenues.

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 period, the $2.5 billion 2018-19 payment is now estimated to result in a gross savings ratio of 1:1 (i.e., no net savings are 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 $2.3 billion estimated as of the 2023-24 Governor's Budget) 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 2023-24 Governor's Budget, the Department of Finance projects that the $6 billion supplemental pension payment will save an estimated $6.3 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 depends on a variety of factors, including future investment portfolio performance, actuarial assumptions, and additional potential changes in retirement benefits. 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 as a result of the fiscal year 2020-21 CalPERS investment returns. The statutorily required retirement contributions reflect the impact of these changes as of the 2022 Budget Act. The CalPERS Board adopted retirement rates on April 18, 2022 for the state plans for fiscal year 2022-23. The agenda item included preliminary contribution rate projections based on the 6.8 percent discount rate and 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.

The state has also used supplemental pension payments in response to changing discount rates. 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 employers and some employees. The increase in contributions the state incurred, as a result of the discount rate change, was implemented over a five-year ramp-up period, with full implementation in fiscal year 2023-24. In response, as previously mentioned, the 2017-18 Budget 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. The 2021 Budget Act authorized a $1.9 billion supplemental pension payment. The 2022 Budget Act authorized an additional $2.9 billion supplemental pension payment, which is projected to impact the state's contributions starting in fiscal year 2023-24. The 2023-24 Governor's Budget proposes a $1.2 billion supplemental pension payment. 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 PEPRA, or the estimated impact of the supplemental pension payments included in the 2021 Budget Act and the 2022 Budget Act using Proposition 2 funding. See "Member and State Contributions."

Projected Contribution Rates

	Fiscal Year				
Plan:	2023-24	2024-25	2025-26	2026-27	2027-28
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 PEPRA. 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

Assumed annual return from fiscal years 2021-22 to 2040-41	Projected Contribution Rates Fiscal Year				
	2023-24	2024-25	2025-26	2026-27	2027-28
3.0% (5th percentile)	32.0%	33.4%	35.2%	37.2%	41.0%
10.8% (95th percentile)	32.0	32.6	32.7	32.0	32.2

State Industrial

Assumed annual return from fiscal years 2021-22 to 2040-41	Projected Contribution Rates Fiscal Year				
	2023-24	2024-25	2025-26	2026-27	2027-28
3.0% (5th percentile)	20.3%	21.5%	23.1%	24.7%	28.0%
10.8% (95th percentile)	20.3	20.9	21.0	20.3	20.5

State Safety

Assumed annual return from fiscal years 2021-22 to 2040-41	Projected Contribution Rates Fiscal Year				
	2023-24	2024-25	2025-26	2026-27	2027-28
3.0% (5th percentile)	21.3%	22.4%	23.9%	25.4%	28.6%
10.8% (95th percentile)	21.3	21.8	21.9	21.2	21.3

State Peace Officers & Firefighters

Assumed annual return from fiscal years 2021-22 to 2040-41	Projected Contribution Rates Fiscal Year				
	2023-24	2024-25	2025-26	2026-27	2027-28
3.0% (5th percentile)	49.4%	51.6%	54.4%	57.5%	63.5%
10.8% (95th percentile)	49.4	50.4	50.4	49.1	49.3

California Highway Patrol

Assumed annual return from fiscal years 2021-22 to 2040-41	Projected Contribution Rates Fiscal Year				
	2023-24	2024-25	2025-26	2026-27	2027-28
3.0% (5th percentile)	65.4%	65.8%	68.2%	69.2%	75.7%
10.8% (95th 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

Assumed annual return for fiscal year 2022-23	Current Rate Fiscal Year	Projected Contribution Rates Fiscal Year	
	2022-23	2023-24	2024-25
-17.2%	30.71%	32.0%	36.3%
-5.2%	30.71	32.0	34.6

State Industrial

Assumed annual return for fiscal year 2022-23	Current Rate Fiscal Year	Projected Contribution Rates Fiscal Year	
	2022-23	2023-24	2024-25
-17.2%	19.51%	20.3%	24.0%
-5.2%	19.51	20.3	22.5

State Safety

Assumed annual return for fiscal year 2022-23	Current Rate Fiscal Year 2022-23	Projected Contribution Rates Fiscal Year 2023-24	Projected Contribution Rates Fiscal Year 2024-25
-17.2%	21.13%	21.3%	24.8%
-5.2%	21.13	21.3	23.4

State Peace Officers & Firefighters

Assumed annual return for fiscal year 2022-23	Current Rate Fiscal Year 2022-23	Projected Contribution Rates Fiscal Year 2023-24	Projected Contribution Rates Fiscal Year 2024-25
-17.2%	47.21%	49.4%	56.3%
-5.2%	47.21	49.4	53.5

California Highway Patrol

Assumed annual return for fiscal year 2022-23	Current Rate Fiscal Year 2022-23	Projected Contribution Rates Fiscal Year 2023-24	Projected Contribution Rates Fiscal Year 2024-25
-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 2012-13 through 2021-22, as well as time-weighted average returns.

TABLE 31
CalPERS Time-Weighted Investment Results Based On Market Value

Fiscal Year	Annualized Rate of Return
2012-13	13.2%
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

Source: CalPERS Annual Comprehensive Financial Reports for Fiscal Year ended June 30, 2013 through June 30, 2022.

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TABLE 32
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 time period.

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 33
Actuarial Assumptions—State Plans

	Fiscal Year		
Assumption	**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 include 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. An implementation plan for the strategic asset allocation, including benchmarks, ranges, and timeline, is anticipated at a future CalPERS Board meeting.

The discount rate is 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 are 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.

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, 2022, the CalPERS Board adopted the contribution rates for the state plans for fiscal year 2022-23. CalPERS issued a notice to state employers on June 8, 2022 that includes the final contribution rates for the state plans for fiscal year 2022-23. The unfunded liability allocable to state employees (excluding judges and elected officials) is $43.6 billion as of the June 30, 2021 valuation, which is a decrease of $19.3 billion from the June 30, 2020 valuation. The funded ratio increased to 80.7 percent as of June 30, 2021, from 70.6 percent as of June 30, 2020. The CalPERS Annual Comprehensive Financial Report as of June 30, 2022 estimates the funded ratio for the overall PERF at 72 percent.

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TABLE 34
PERF Schedule of Funding Status
State Employees Only
(Dollars in Millions)

	Year Date (June 30)				
	2017	**2018**	**2019**	**2020**	**2021**
Market Value of Assets (MVA)	$121,587	$136,231	$143,466	$151,209	$182,354
Actuarial Accrued Liabilities	180,311	195,906	204,836	214,161	225,974
Excess of Market Value of Assets over AAL or Surplus (Unfunded) Actuarial Accrued Liabilities (UAAL) MVA Basis	(58,724)	(59,675)	(61,370)	(62,952)	(43,621)
Covered Payroll	18,799	19,662	20,581	21,527	21,485
Funded Ratio (MVA)	67.4%	69.5%	70.0%	70.6%	80.7%

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

In the state's 2020 Annual Comprehensive Financial Report, the state's proportionate share of the Net Pension Liability for PERF as of the June 30, 2019 measurement date (as calculated in accordance with GASB Statement 68) was approximately $56.8 billion. See Note 10 in the 2020 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 $57.6 billion for the June 20, 2020 measurement date; approximately $36.1 billion for the June 30, 2021 measurement date; and approximately $64.0 billion for the June 20, 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 and LRF reported a funding surplus of $9.3 million. In the 1959 Survivor Benefit Program actuarial report for the year ended June 30, 2021, CalPERS reported that the state had an unfunded actuarial liability of approximately $18 million.

The state's fiscal year 2023-24 retirement contributions from the General Fund are estimated to be $211 million for JRF and $87 million for JRF II. There is no anticipated 2023-24 retirement contribution for LRF due to the surplus fund status and the pending termination of the remaining active members in 2022-23. The state's fiscal year 2022-23 General Fund retirement contribution to the 1959 Survivor Benefit Program is approximately $5.2 million and $47 thousand for LRF.

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, 2020, 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 35
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 remained stable, while the number of retirees and beneficiaries had grown by 10.4 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. PEPRA increased the retirement age for new CalSTRS members hired on or after January 1, 2013. PEPRA 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 PEPRA member population in CalSTRS has been increasing steadily over the last few years. As of June 30, 2021, there were about 131,000 active PEPRA members. According to CalSTRS, there were about 160,000 active PEPRA 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 amount of benefits and administrative expenses paid under the DB Program for fiscal years 2016-17 through 2020-21:

TABLE 36
DB Program
Schedule of Benefits Paid and Administrative Expenses
(Dollars in Millions)

Fiscal Year	Amount of Benefits Paid	Administrative Expenses Paid
2016-17	$13,226	$180
2017-18	13,855	204
2018-19	14,528	244
2019-20	15,199	213
2020-21	15,868	238

Source: CalSTRS Actuarial Valuations for Fiscal Years ended June 30, 2017 through June 30, 2021.

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 on 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 were authorized as part of the 2019-20, 2020-21, and 2021-22 Budgets, from the state to CalSTRS. 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 employer contribution rate up or down 1 percentage point each year, but no higher than 20.25 percent total and no lower than 8.25 percent, to eliminate the unfunded actuarial obligation associated with benefit improvements enacted after July 1, 1990 and for service prior to July 1, 2014. In May 2022, the CalSTRS Board elected not to adjust the employer contribution rate for fiscal year 2022-23, 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 is an unfunded obligation or a normal cost deficit exists 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 does not include a supplemental payment 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 from time to time based on a variety of factors, including actuarial assumptions, investment performance and member benefits. To the extent rates established pursuant to AB 1469 are less than actuarially required amounts from time to time, 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 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 35.30 percent or $31.9 billion as of the June 30, 2019 measurement date pursuant to the state's financial statements for the fiscal year ended June 30, 2020. See Note 10 in the 2020 Annual Comprehensive Financial Report. Based on information provided by CalSTRS, the State Controller's Office has prepared an unaudited estimate of the state's proportionate share of the Net Pension Liability for CalSTRS as of the June 30, 2020 measurement date (as calculated in accordance with GASB Statement 68) of approximately $33.0 billion.

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 37
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)]	3,862
2022-23[(a)]	705	802	2,205	3,712
2023-24[(a)]	745	852	2,333	3,930

(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 "2021 CalSTRS Valuation") that was adopted on May 4, 2022. The 2021 CalSTRS Valuation provides an annual update of the fund's assets and liabilities for the Defined Benefit Program as of June 30, 2021.

In preparing the 2021 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 fairly 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.

TABLE 38
Actuarial Methods and Assumptions—DB Program

	Fiscal Year			
Methods	**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
Remaining Amortization Period	30 years	30 years	30 years	30 years
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.

Actual market returns are taken into account but 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. 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 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 39
DB Program Schedule of Funding Status
(Dollars in Millions)

	2016-17[(a)]	**2017-18[(a)]**	**2018-19[(a)]**	**2019-20[(a)]**	**2020-21[(a)]**
Market Value of Assets (MVA)	$183,482	$195,611	$208,083	$214,128	$271,946
Actuarial Value of Assets (AVA)	179,689	190,451	205,016	216,252	242,363
Actuarial Accrued Liabilities (AAL)-entry age	286,950	297,603	310,719	322,127	332,082
Excess of Market Value of Assets over AAL or Surplus (Unfunded) Actuarial Accrued Liabilities (UAAL) MVA Basis(a)	(103,468)	(101,992)	(102,636)	(107,999)	(60,136)
Excess of Actuarial Value of Assets over AAL or Surplus (Unfunded) Actuarial Accrued Liabilities (UAAL) AVA Basis	(107,261)	(107,152)	(105,703)	(105,875)	(89,719)
Covered Payroll	31,136	31,884	32,897	33,811	33,914
Funded Ratio (MVA)	64%	66%	67%	66.5%	81.9%
Funded Ratio (AVA)	63%	64%	66%	67.1%	73%

(a) The AAL is referred to as the Actuarial Obligation and the UAAL is referred to as the Unfunded Actuarial Obligation (UAO) in the 2017, 2018, 2019, 2020, and 2021 CalSTRS Valuation.

Source: CalSTRS Actuarial Valuations for Fiscal Years ended June 30, 2017 through June 30, 2021.

The market value of the entire DB Program investment assets was $271.9 billion as of June 30, 2021, a 26.3 percent increase from $214.1 billion as of June 30, 2020.

10. Prospective Funding Status; Future Contributions

The 2023-24 Governor's Budget 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 November 6, 2019 meeting. Additional information concerning CalSTRS investments can be found on the CalSTRS website. Such information is not incorporated by reference herein.

The following tables sets forth the total return on all CalSTRS' assets (including the DB Program assets) for the fiscal years ended June 30, 2013 through June 30, 2022, as well as time-weighted average returns.

TABLE 40
CalSTRS Investment Results Based On Market Value

Fiscal Year	Time-Weighted Annual Return
2012-13	13.6%
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

Source: CalSTRS Annual Comprehensive Financial Report for Fiscal Year ended June 30, 2022.

TABLE 41
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.

June 2021

STATEMENT of GENERAL FUND CASH RECEIPTS and DISBURSEMENTS

BETTY T. YEE
California State Controller

BETTY T. YEE
California State Controller

July 9, 2021

Enclosed is the Statement of General Fund Cash Receipts and Disbursements for the period of July 1, 2020, through June 30, 2021. This statement reflects the state's General Fund cash position and compares actual receipts and disbursements for the 2020-21 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 2020-21 fiscal year to cash flow estimates published in the 2021-22 May Revision. These cash flow estimates are predicated on projections and assumptions made by the DOF in preparation of the 2021-22 May Revision. Attachment B compares actual receipts and disbursements for the 2020-21 fiscal year to cash flow estimates prepared by the DOF based upon the 2020-21 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 2021-22 May Revision Estimates
(Amounts in thousands)

	July 1 through June 30				
	2021				2020
	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
GENERAL FUND BEGINNING CASH BALANCE	$ -	$ -	$ -	-	$ **5,398,069**
Or Beginning Outstanding Loan Balance (g)	20,048,690	20,048,690	-	-	
Add Receipts:					
Revenues	205,450,603	199,442,417	6,008,186 (j)	3.0	125,266,837
Nonrevenues	20,749,565	18,844,196	1,905,369	10.1	2,179,997
Total Receipts	226,200,168	218,286,613	7,913,555	3.6	127,446,834
Less Disbursements (c):					
State Operations	39,729,678	42,204,850	(2,475,172)	(5.9)	45,391,810
Local Assistance	104,920,661	112,301,343	(7,380,682)	(6.6)	99,002,278
Capital Outlay	(13,777)	202,691	(216,468)	(106.8)	231,354
Nongovernmental	10,600,788	10,263,699	337,089	3.3	8,268,151
Total Disbursements	155,237,350	164,972,583	(9,735,233)	(5.9)	152,893,593
Receipts Over / (Under) Disbursements	70,962,818	53,314,030	17,648,788	33.1	(25,446,759)
Net Increase / (Decrease) in Temporary Loans	(20,048,690)	(20,048,690)	-	-	20,048,690
GENERAL FUND ENDING CASH BALANCE	50,914,128	33,265,340	17,648,788		-
Special Fund for Economic Uncertainties	-	1,688,668	(1,688,668)	(100.0)	-
TOTAL CASH	**$ 50,914,128**	**$ 34,954,008**	**$ 15,960,120**		**$ -**
BORROWABLE RESOURCES					
Special Fund for Economic Uncertainties	$ -	$ 1,688,668	$ (1,688,668) (i)	(100.0)	$ 253
Budget Stabilization Account	8,310,422	8,310,422	-	-	16,516,422
Other Internal Sources (f)	46,856,893	40,971,000	5,885,893	14.4	48,414,437
Cash Balance from Borrowable Resources	55,167,315	50,970,090	4,197,225	8.2	64,931,112
Less:					
PMIA Loans (AB 55, GC 16312 and 16313)	725,276	800,000	(74,724)	(9.3)	575,596
SMIF Loans (SB 84, GC 20825)	3,768,327	4,378,000	(609,673) (k)	(13.9)	5,041,501
SMIF Loans (AB 1054, PUC 3285)	1,510,000	1,510,000	-	-	2,000,000
Total Available Borrowable Resources (e)	49,163,712	44,282,090	4,881,622	11.0	57,314,015
Outstanding Loans to General Fund (b)/(g)	-	-	-	-	20,048,690
Outstanding Loans to the SFEU Fund	-	-	-	-	-
UNUSED BORROWABLE RESOURCES	$ 49,163,712	$ 44,282,090	$ 4,881,622	11.0	$ 37,265,325

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 2020-21 fiscal year was prepared by the Department of Finance for the 2021-22 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 $20.05 billion carried forward from June 30, 2020, plus current year Net Increase/(Decrease) in Temporary Loans of ($20.05) 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)

(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)

(Continued on A2)

SCHEDULE OF CASH RECEIPTS

(Amounts in thousands)

	Month of June		July 1 through June 30				
			2021				2020
	2021	2020	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
REVENUES							
Alcoholic Beverage Excise Tax	$ 34,988	$ 26,299	$ 411,969	$ 385,233	$ 26,736	6.9	$ 407,884
Corporation Tax	5,616,527	1,216,721	26,097,277	24,202,385	1,894,892	7.8	9,817,957
Cigarette Tax	4,608	6,546	59,071	59,984	(913)	(1.5)	64,145
Estate, Inheritance, and Gift Tax	2	30	77	75	2	2.7	283
Insurance Companies Tax	543,325	490,303	3,127,725	3,348,188	(220,463)	(6.6)	3,131,835
Personal Income Tax	16,742,467	6,332,444	143,754,577	141,291,164	2,463,413 (j)	1.7	82,918,934
Retail Sales and Use Taxes	3,029,926	2,160,568	28,647,775	28,048,893	598,882	2.1	26,423,288
Vehicle License Fees	-	-	2	-	2	-	3
Pooled Money Investment Interest	15,418	48,509	164,134	165,885	(1,751)	(1.1)	598,779
Not Otherwise Classified	1,748,514	(9,160,794)	3,187,996	1,940,610	1,247,386	64.3	1,903,729
Total Revenues	**27,735,775**	**1,120,626**	**205,450,603**	**199,442,417**	**6,008,186**	**3.0**	**125,266,837**
NONREVENUES							
Transfers from Special Fund for Economic Uncertainties	1,174,240	221,397	6,836,704	4,884,086	1,952,618 (h)(i)	40.0	1,284,851
Transfers from Other Funds	191,110	124,675	13,283,878	13,379,574	(95,696)	(0.7)	462,538
Miscellaneous	29,440	26,156	628,983	580,536	48,447	8.3	432,608
Total Nonrevenues	**1,394,790**	**372,228**	**20,749,565**	**18,844,196**	**1,905,369**	**10.1**	**2,179,997**
Total Receipts	**$ 29,130,565**	**$ 1,492,854**	**$ 226,200,168**	**$ 218,286,613**	**$ 7,913,555**	**3.6**	**$ 127,446,834**

(Continued from A1)

(f) Other Internal Sources balance includes $450.0 million for the Safety Net Reserve Fund pursuant to AB 1830 (Chapter 42/2018, Welfare and Institutions Code (WIC) section 11011). (Footnote ties to page A1; Other Internal Sources)

(g) The General Cash Revolving Fund (GCRF) disbursements have been combined with the General Fund for reporting purposes because they represent major General Fund type activities. Amounts that were paid by the GCRF in April, May, June, and July 2020 were reimbursed by the General Fund in July 2020. (Footnote ties to page A1; Outstanding Loans to General Fund)

(h) Includes transfers from Special Fund for Economic Uncertainties for unanticipated disaster response for wildfires. (Footnote ties to page A2; Transfer from Special Fund for Economic Uncertainties)

(i) This amount includes approximately $2.83 billion for COVID expenditures for February through June. (Footnote ties to page A1; Borrowable Resources - Special Fund for Economic Uncertainties and A2; Transfer from Special Fund for Economic Uncertainties)

(j) On March 17, 2021, the IRS tax filing date was extended to May 17th, pursuant to IR-2021-59. Subsequently, the FTB extended the California State Personal Income Tax (PIT) filing to May 17th. The PIT revenue includes $2.49 billion for Golden State Stimulus payments, pursuant to SB 88. (Footnote ties to page A1; Revenue and A2; Personal Income Tax)

(k) Includes SB 84 estimated principal loan repayment to SMIF for $680.0 million and will be adjusted in fiscal year 2021-22. (Footnote ties to page A1; SMIF Loans (SB 84, GC 20825))

(Concluded)

SCHEDULE OF CASH DISBURSEMENTS
(Amounts in thousands)

	Month of June		July 1 through June 30				2020
			2021				
	2021	2020	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
STATE OPERATIONS (c)							
Legislative/Judicial/Executive	$ 235,725	$ 300,491	$ 3,184,817	$ 2,986,580	$ 198,237	6.6	$ 2,705,894
Business, Consumer Services and Housing	10,123	4,504	104,305	181,392	(77,087)	(42.5)	47,581
Transportation	3,129	(79)	64,118	16,616	47,502	285.9	11,209
Resources	141,811	106,324	2,674,070	3,062,721	(388,651)	(12.7)	2,030,870
Environmental Protection Agency	150,497	26,917	595,164	901,997	(306,833)	(34.0)	1,249,289
Health and Human Services:							
Health Care Services and Public Health	23,494	48,219	2,187,250	2,504,581	(317,331)	(12.7)	465,910
Department of State Hospitals	169,056	156,937	1,870,923	1,876,786	(5,863)	(0.3)	1,804,845
Other Health and Human Services	54,477	78,805	716,362	902,281	(185,919)	(20.6)	659,721
Education:							
University of California	38,509	42,349	3,482,408	3,606,779	(124,371)	(3.4)	3,886,441
State Universities and Colleges	7,838	4,565	3,704,277	3,710,138	(5,861)	(0.2)	4,363,219
Other Education	16,583	8,457	277,154	264,210	12,944	4.9	3,604,817
Dept. of Corrections and Rehabilitation	948,279	1,112,663	12,187,201	11,993,966	193,235	1.6	12,524,609
Governmental Operations	106,689	43,448	1,589,805	2,157,258	(567,453)	(26.3)	4,585,090
General Government	223,297	285,897	2,381,459	2,586,595	(205,136)	(7.9)	2,558,388
Public Employees' Retirement System	(242,306)	(303,466)	190,878	906,839	(715,961)	(79.0)	(84,950)
Debt Service (d)	(117,331)	(42,519)	4,506,749	4,533,449	(26,700)	(0.6)	4,865,018
Interest on Loans	76	1	12,738	12,662	76	0.6	113,859
Total State Operations	**1,769,946**	**1,873,513**	**39,729,678**	**42,204,850**	**(2,475,172)**	**(5.9)**	**45,391,810**
LOCAL ASSISTANCE (c)							
Public Schools - K-12	6,234,017	243,396	48,604,728	54,003,312	(5,398,584)	(10.0)	44,553,553
Community Colleges	839,898	409,427	5,809,472	5,836,732	(27,260)	(0.5)	6,037,229
Debt Service-School Building Bonds	-	-	-	-	-	-	-
State Teachers' Retirement System	-	-	3,724,219	3,724,219	-	-	3,323,222
Other Education	29,348	(384,770)	4,228,524	4,788,878	(560,354)	(11.7)	3,288,931
School Facilities Aid	-	-	-	-	-	-	-
Dept. of Corrections and Rehabilitation	8,645	6,917	464,078	482,842	(18,764)	(3.9)	347,431
Dept. of Alcohol and Drug Program	-	-	-	-	-	-	-
Health Care Services and Public Health:							
Medical Assistance Program	2,122,097	2,415,843	20,571,090	21,430,340	(859,250)	(4.0)	22,682,368
Other Health Care Services/Public Health	64,506	(9,822)	446,241	774,958	(328,717)	(42.4)	528,033
Developmental Services - Regional Centers	180,826	66,914	4,690,879	5,210,860	(519,981)	(10.0)	4,736,131
Department of State Hospitals	-	-	-	-	-	-	-
Dept. of Social Services:							
SSI/SSP/IHSS	772,526	61,687	7,705,311	6,923,760	781,551	11.3	6,813,519
CalWORKs	(63,568)	58,572	1,024,013	1,139,945	(115,932)	(10.2)	832,303
Other Social Services	166,233	183,322	1,391,061	1,427,404	(36,343)	(2.5)	1,419,243
Tax Relief	-	(1)	397,083	415,001	(17,918)	(4.3)	404,270
Other Local Assistance	125,237	450,383	5,863,962	6,143,092	(279,130)	(4.5)	4,036,045
Total Local Assistance	**10,479,765**	**3,501,868**	**104,920,661**	**112,301,343**	**(7,380,682)**	**(6.6)**	**99,002,278**

See notes on page A1 and A2.

(Continued)

SCHEDULE OF CASH DISBURSEMENTS (Continued)
(Amounts in thousands)

	Month of June		July 1 through June 30				2020
			2021				
					Actual Over or (Under) Estimate		
	2021	2020	Actual	Estimate (a)	Amount	%	Actual
CAPITAL OUTLAY (c)	**5,637**	**30,413**	**(13,777)**	**202,691**	**(216,468)**	**(106.8)**	**231,354**
NONGOVERNMENTAL (c)							
Transfer to Special Fund for Economic Uncertainties	263,952	227,298	8,157,389	7,893,437	263,952	3.3	227,298
Transfer to Budget Stabilization Account	-	-	-	-	-	-	2,748,000
Transfer to Other Funds	70,462	851	2,349,991	2,142,053	207,938	9.7	5,238,691
Transfer to Revolving Fund	(1,770)	(6,869)	5,482	7,252	(1,770)	(24.4)	11,517
Advance:							
MediCal Provider Interim Payment	-	-	-	-	-	-	-
State-County Property Tax Administration Program	15,895	(13,472)	45,249	133,412	(88,163)	(66.1)	5,404
Social Welfare Federal Fund	-	(17,206)	17,217	17,904	(687)	(3.8)	11,894
Local Governmental Entities	-	-	(2,033)	(2,033)	-	-	(1,043)
Tax Relief and Refund Account	-	-	-	-	-	-	-
Counties for Social Welfare	330,359	302,866	27,493	71,674	(44,181)	(61.6)	26,390
Total Nongovernmental	**678,898**	**493,468**	**10,600,788**	**10,263,699**	**337,089**	3.3	**8,268,151**
Total Disbursements	**$ 12,934,246**	**$ 5,899,262**	**$ 155,237,350**	**$ 164,972,583**	**$ (9,735,233)**	**(5.9)**	**$ 152,893,593**
TEMPORARY LOANS							
Special Fund for Economic Uncertainties	$ -	$ 252	$ (252)	$ (253)	$ 1	(0.4)	$ 252
Budget Stabilization Account	-	874,138	(16,516,422)	(16,516,421)	(1)	0.0	16,516,422
Outstanding Registered Warrants Account	-	-	-	-	-	-	-
Other Internal Sources	-	3,532,016	(3,532,016)	(3,532,016)	-	-	3,532,016
Revenue Anticipation Notes	-	-	-	-	-	-	-
Net Increase / (Decrease) Loans	**$ -**	**$ 4,406,406**	**$ (20,048,690)**	**$ (20,048,690)**	**$ -**	**-**	**$ 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	
	2021	2020	2021	2020
MAJOR TAXES, LICENSES, AND INVESTMENT INCOME:				
Alcoholic Beverage Excise Taxes	$ 411,969	$ 407,884	$ -	$ -
Corporation Tax	26,097,277	9,817,957	-	-
Cigarette Tax	59,071	64,145	1,910,724	2,058,528
Cannabis Excise Taxes	-	-	767,562	375,281
Estate, Inheritance, and Gift Tax	77	283	-	(1)
Insurance Companies Tax	3,127,725	3,131,835	(292)	7,613
Motor Vehicle Fuel Tax:				
Gasoline Tax	-	-	6,546,185	6,545,303
Diesel & Liquid Petroleum Gas	-	-	1,267,892	1,239,420
Jet Fuel Tax	-	-	2,997	3,196
Vehicle License Fees	2	3	3,121,269	2,964,362
Personal Income Tax	143,754,577	82,918,934	2,570,002	1,493,309
Retail Sales and Use Taxes	28,647,775	26,423,288	16,501,375	15,843,950
Pooled Money Investment Interest	164,134	598,779	623	(895)
Total Major Taxes, Licenses, and Investment Income	**202,262,607**	**123,363,108**	**32,688,337**	**30,530,066**
NOT OTHERWISE CLASSIFIED:				
Alcoholic Beverage License Fees	1,258	2,140	71,793	76,509
Motor Vehicle Registration and Other Fees	(2)	-	7,559,982	7,020,325
Cannabis Licensing Fees	-	-	93,681	83,826
Electrical Energy Tax	-	-	652,621	702,579
Private Rail Car Tax	10,339	10,569	-	-
Penalties on Traffic Violations	-	-	11	157
Health Care Receipts	7,732	8,457	-	-
Revenues from State Lands	85,756	114,070	-	-
Abandoned Property	1,175,469	284,631	-	-
Trial Court Revenues	22,687	31,237	1,358,175	1,470,350
Horse Racing Fees	668	1,427	18,306	13,853
Cap and Trade	647	-	2,623,651	2,105,810
Miscellaneous Tax Revenue	-	-	2,769,935	640,547
Miscellaneous	1,883,442	1,451,198	15,738,334	14,000,754
Not Otherwise Classified	**3,187,996**	**1,903,729**	**30,886,489**	**26,114,710**
Total Revenues, All Governmental Cost Funds	**$ 205,450,603**	**$ 125,266,837**	**$ 63,574,826**	**$ 56,644,776**

STATEMENT OF GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS

A Comparison of Actual to 2020-21 Budget Act
(Amounts in thousands)

	July 1 through June 30				
	2021				2020
	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
GENERAL FUND BEGINNING CASH BALANCE	$ -	$ -	$ -	-	$ **5,398,069**
Or Beginning Outstanding Loan Balance (g)	20,048,690	20,048,690	-	-	
Add Receipts:					
Revenues	205,450,603	144,677,093	60,773,510 (k)	42.0	125,266,837
Nonrevenues	20,749,565	13,387,863	7,361,702	55.0	2,179,997
Total Receipts	226,200,168	158,064,956	68,135,212	43.1	127,446,834
Less Disbursements (c):					
State Operations	39,729,678	39,835,919	(106,241)	(0.3)	45,391,810
Local Assistance	104,920,661	98,580,409	6,340,252	6.4	99,002,278
Capital Outlay	(13,777)	162,326	(176,103)	(108.5)	231,354
Nongovernmental	10,600,788	5,254,054	5,346,734	101.8	8,268,151
Total Disbursements	155,237,350	143,832,708	11,404,642	7.9	152,893,593
Receipts Over / (Under) Disbursements	70,962,818	14,232,248	56,730,570	398.6	(25,446,759)
Net Increase / (Decrease) in Temporary Loans	(20,048,690)	(14,232,248)	(5,816,442)	40.9	20,048,690
GENERAL FUND ENDING CASH BALANCE	50,914,128	-	50,914,128		-
Special Fund for Economic Uncertainties	-	-	-	-	-
TOTAL CASH	**$ 50,914,128**	**$ -**	**$ 50,914,128**		**$ -**
BORROWABLE RESOURCES					
Special Fund for Economic Uncertainties	$ -	$ 2,615,885	$ (2,615,885) (j)	(100.0)	$ 253
Budget Stabilization Account	8,310,422	8,310,422	-	-	16,516,422
Other Internal Sources (f)	46,856,893	38,611,000	8,245,893	21.4	48,414,437
Cash Balance from Borrowable Resources	55,167,315	49,537,307	5,630,008	11.4	64,931,112
Less:					
PMIA Loans (AB 55, GC 16312 and 16313)	725,276	800,000	(74,724)	(9.3)	575,596
SMIF Loans (SB 84, GC 20825)	3,768,327	5,041,000	(1,272,673) (l)	(25.2)	5,041,501
SMIF Loans (AB 1054, PUC 3285)	1,510,000	-	1,510,000 (h)	-	2,000,000
Total Available Borrowable Resources (e)	49,163,712	43,696,307	5,467,405	12.5	57,314,015
Outstanding Loans to General Fund (b)/(g)	-	5,816,442	(5,816,442)	(100.0)	20,048,690
Outstanding Loans to the SFEU Fund	-	-	-	-	-
UNUSED BORROWABLE RESOURCES	$ 49,163,712	$ 37,879,865	$ 11,283,847	29.8	$ 37,265,325

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 2020-21 fiscal year was prepared by the Department of Finance for the 2020-21 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 $20.05 billion carried forward from June 30, 2020, plus current year Net Increase/(Decrease) in Temporary Loans of ($20.05) 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)

(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)

(Continued on B2)

SCHEDULE OF CASH RECEIPTS

(Amounts in thousands)

	Month of June		July 1 through June 30				2020
			2021				
	2021	2020	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
REVENUES							
Alcoholic Beverage Excise Tax	$ 34,988	$ 26,299	$ 411,969	$ 388,979	$ 22,990	5.9	$ 407,884
Corporation Tax	5,616,527	1,216,721	26,097,277	20,812,500	5,284,777	25.4	9,817,957
Cigarette Tax	4,608	6,546	59,071	55,801	3,270	5.9	64,145
Estate, Inheritance, and Gift Tax	2	30	77	-	77	-	283
Insurance Companies Tax	543,325	490,303	3,127,725	2,985,803	141,922	4.8	3,131,835
Personal Income Tax	16,742,467	6,332,444	143,754,577	95,880,774	47,873,803 (k)	49.9	82,918,934
Retail Sales and Use Taxes	3,029,926	2,160,568	28,647,775	21,419,989	7,227,786	33.7	26,423,288
Vehicle License Fees	-	-	2	-	2	-	3
Pooled Money Investment Interest	15,418	48,509	164,134	247,521	(83,387)	(33.7)	598,779
Not Otherwise Classified	1,748,514	(9,160,794)	3,187,996	2,885,726	302,270	10.5	1,903,729
Total Revenues	**27,735,775**	**1,120,626**	**205,450,603**	**144,677,093**	**60,773,510**	**42.0**	**125,266,837**
NONREVENUES							
Transfers from Special Fund for Economic Uncertainties	1,174,240	221,397	6,836,704	-	6,836,704 (i)	-	1,284,851
Transfers from Other Funds	191,110	124,675	13,283,878	13,202,147	81,731	0.6	462,538
Miscellaneous	29,440	26,156	628,983	185,716	443,267	238.7	432,608
Total Nonrevenues	**1,394,790**	**372,228**	**20,749,565**	**13,387,863**	**7,361,702**	**55.0**	**2,179,997**
Total Receipts	**$ 29,130,565**	**$ 1,492,854**	**$ 226,200,168**	**$ 158,064,956**	**$ 68,135,212**	**43.1**	**$ 127,446,834**

(Continued from B1)

(f) Other Internal Sources balance includes $450.0 million for the Safety Net Reserve Fund pursuant to AB 1830 (Chapter 42/2018, Welfare and Institutions Code (WIC) section 11011). (Footnote ties to page B1; Other Internal Sources)

(g) The General Cash Revolving Fund (GCRF) disbursements have been combined with the General Fund for reporting purposes because they represent major General Fund type activities. Amounts that were paid by the GCRF in April, May, June, and July 2020 were reimbursed by the General Fund in July 2020. (Footnote ties to page B1; Outstanding Loans to General Fund)

(h) The AB 1054 Wildfire Loan was expected to be repaid in November 2020 from proceeds of a bond sale, which did not occur. (Footnote ties to page B1; SMIF Loans (AB 1054, PUC 3285))

(i) Includes transfers from Special Fund for Economic Uncertainties for unanticipated disaster response for wildfires. (Footnote ties to page B2; Transfer from Special Fund for Economic Uncertainties).

(j) The 2020-21 Budget Act estimated $2.62 billion in Transfers to Special Fund for Economic Uncertainties in January 2021, which did not occur until February 2021.This amount includes approximately $2.83 billion for COVID expenditures for February through June. (Footnote ties to page B1; Borrowable Resources - Special Fund for Economic Uncertainties and B4; Transfer to Special Fund for Economic Uncertainties)

(k) On March 17, 2021, the IRS tax filing date was extended to May 17th, pursuant to IR-2021-59. Subsequently, the FTB extended the California State Personal Income Tax (PIT) filing to May 17th. The PIT revenue includes $2.49 billion for Golden State Stimulus payments, pursuant to SB 88. (Footnote ties to page A1; Revenue and A2; Personal Income Tax)

(l) Includes SB 84 estimated principal loan repayment to SMIF for $680.0 million and will be adjusted in fiscal year 2021-22. (Footnote ties to page B1; SMIF Loans (SB 84, GC 20825))

(Concluded)

SCHEDULE OF CASH DISBURSEMENTS
(Amounts in thousands)

	Month of June		July 1 through June 30					
			2021				2020	
	2021	2020	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
STATE OPERATIONS (c)							
Legislative/Judicial/Executive	$ 235,725	$ 300,491	$ 3,184,817	$ 1,772,802	$ 1,412,015	79.6	$ 2,705,894
Business, Consumer Services and Housing	10,123	4,504	104,305	50,057	54,248	108.4	47,581
Transportation	3,129	(79)	64,118	16,293	47,825	293.5	11,209
Resources	141,811	106,324	2,674,070	2,153,917	520,153	24.1	2,030,870
Environmental Protection Agency	150,497	26,917	595,164	1,035,260	(440,096)	(42.5)	1,249,289
Health and Human Services:							
Health Care Services and Public Health	23,494	48,219	2,187,250	374,603	1,812,647	483.9	465,910
Department of State Hospitals	169,056	156,937	1,870,923	1,870,984	(61)	(0.0)	1,804,845
Other Health and Human Services	54,477	78,805	716,362	798,926	(82,564)	(10.3)	659,721
Education:							
University of California	38,509	42,349	3,482,408	3,623,752	(141,344)	(3.9)	3,886,441
State Universities and Colleges	7,838	4,565	3,704,277	3,727,137	(22,860)	(0.6)	4,363,219
Other Education	16,583	8,457	277,154	267,168	9,986	3.7	3,604,817
Dept. of Corrections and Rehabilitation	948,279	1,112,663	12,187,201	11,840,986	346,215	2.9	12,524,609
Governmental Operations	106,689	43,448	1,589,805	1,578,073	11,732	0.7	4,585,090
General Government	223,297	285,897	2,381,459	6,018,794	(3,637,335)	(60.4)	2,558,388
Public Employees' Retirement System	(242,306)	(303,466)	190,878	(67,881)	258,759	(381.2)	(84,950)
Debt Service (d)	(117,331)	(42,519)	4,506,749	4,743,048	(236,299)	(5.0)	4,865,018
Interest on Loans	76	1	12,738	32,000	(19,262)	(60.2)	113,859
Total State Operations	**1,769,946**	**1,873,513**	**39,729,678**	**39,835,919**	**(106,241)**	**(0.3)**	**45,391,810**
LOCAL ASSISTANCE (c)							
Public Schools - K-12	6,234,017	243,396	48,604,728	43,101,188	5,503,540	12.8	44,553,553
Community Colleges	839,898	409,427	5,809,472	4,540,558	1,268,914	27.9	6,037,229
Debt Service-School Building Bonds	-	-	-	-	-	-	-
State Teachers' Retirement System	-	-	3,724,219	3,724,219	-	-	3,323,222
Other Education	29,348	(384,770)	4,228,524	4,073,685	154,839	3.8	3,288,931
School Facilities Aid	-	-	-	-	-	-	-
Dept. of Corrections and Rehabilitation	8,645	6,917	464,078	346,970	117,108	33.8	347,431
Dept. of Alcohol and Drug Program	-	-	-	-	-	-	-
Health Care Services and Public Health:							
Medical Assistance Program	2,122,097	2,415,843	20,571,090	24,054,079	(3,482,989)	(14.5)	22,682,368
Other Health Care Services/Public Health	64,506	(9,822)	446,241	1,097,039	(650,798)	(59.3)	528,033
Developmental Services - Regional Centers	180,826	66,914	4,690,879	4,951,216	(260,337)	(5.3)	4,736,131
Department of State Hospitals	-	-	-	-	-	-	-
Dept. of Social Services:							
SSI/SSP/IHSS	772,526	61,687	7,705,311	6,587,842	1,117,469	17.0	6,813,519
CalWORKs	(63,568)	58,572	1,024,013	2,914,504	(1,890,491)	(64.9)	832,303
Other Social Services	166,233	183,322	1,391,061	1,484,009	(92,948)	(6.3)	1,419,243
Tax Relief	-	(1)	397,083	415,001	(17,918)	(4.3)	404,270
Other Local Assistance	125,237	450,383	5,863,962	1,290,099	4,573,863	354.5	4,036,045
Total Local Assistance	**10,479,765**	**3,501,868**	**104,920,661**	**98,580,409**	**6,340,252**	**6.4**	**99,002,278**

See notes on page B1 and B2.

(Continued)

SCHEDULE OF CASH DISBURSEMENTS (Continued)
(Amounts in thousands)

	Month of June		July 1 through June 30				
			2021				2020
	2021	2020	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
CAPITAL OUTLAY (c)	**5,637**	**30,413**	**(13,777)**	**162,326**	**(176,103)**	**(108.5)**	**231,354**
NONGOVERNMENTAL (c)							
Transfer to Special Fund for Economic Uncertainties	263,952	227,298	8,157,389	2,615,885	5,541,504 (j)	211.8	227,298
Transfer to Budget Stabilization Account	-	-	-	-	-	-	2,748,000
Transfer to Other Funds	70,462	851	2,349,991	2,638,169	(288,178)	(10.9)	5,238,691
Transfer to Revolving Fund	(1,770)	(6,869)	5,482	-	5,482	-	11,517
Advance:							
MediCal Provider Interim Payment	-	-	-	-	-	-	-
State-County Property Tax Administration Program	15,895	(13,472)	45,249	-	45,249	-	5,404
Social Welfare Federal Fund	-	(17,206)	17,217	-	17,217	-	11,894
Local Governmental Entities	-	-	(2,033)	-	(2,033)	-	(1,043)
Tax Relief and Refund Account	-	-	-	-	-	-	-
Counties for Social Welfare	330,359	302,866	27,493	-	27,493	-	26,390
Total Nongovernmental	**678,898**	**493,468**	**10,600,788**	**5,254,054**	**5,346,734**	101.8	**8,268,151**
Total Disbursements	**$ 12,934,246**	**$ 5,899,262**	**$ 155,237,350**	**$ 143,832,708**	**$ 11,404,642**	**7.9**	**$ 152,893,593**
TEMPORARY LOANS							
Special Fund for Economic Uncertainties	$ -	$ 252	$ (252)	$ 2,615,885	$ (2,616,137)	(100.0)	$ 252
Budget Stabilization Account	-	874,138	(16,516,422)	(13,315,865)	(3,200,557)	24.0	16,516,422
Outstanding Registered Warrants Account	-	-	-	-	-	-	-
Other Internal Sources	-	3,532,016	(3,532,016)	(3,532,268)	252	(0.0)	3,532,016
Revenue Anticipation Notes	-	-	-	-	-	-	-
Net Increase / (Decrease) Loans	**$ -**	**$ 4,406,406**	**$ (20,048,690)**	**$ (14,232,248)**	**$ (5,816,442)**	**40.9**	**$ 20,048,690**

See notes on page B1 and B2.

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				2021
	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
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)

	Month of June		July 1 through June 30					
			2022				2021
	2022	2021	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
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				
			2022				2021
	2022	2021	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
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				
			2022				2021
	2022	2021	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
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 Amount		%	Actual
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 Amount	%	Actual
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 Amount	%		Actual
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				2021
	2022	2021	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
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.

February 2023

STATEMENT of GENERAL FUND CASH RECEIPTS and DISBURSEMENTS

MALIA M. COHEN
California State Controller

MALIA M. COHEN

CALIFORNIA STATE CONTROLLER

March 10, 2023

Enclosed is the Statement of General Fund Cash Receipts and Disbursements for the period of July 1, 2022, through February 28, 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 Governor's Budget. These cash flow estimates are predicated on projections and assumptions made by the DOF in preparation of the 2023-24 Governor's Budget. 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

State Accounting and Reporting Division
MAILING ADDRESS P.O. Box 942850, Sacramento, CA 94250
3301 C Street, Suite 753, Sacramento, CA 95816

STATEMENT OF GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS

A Comparison of Actual to 2023-24 Governor's Budget Estimates

(Amounts in thousands)

	July 1 through February 28				
	2023				2022
	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
GENERAL FUND BEGINNING CASH BALANCE	**$ 84,577,276**	**$ 84,577,276**	**$ -**	**-**	**$ 50,914,128**
Or Beginning Outstanding Loan Balance	-	-	-	-	-
Add Receipts:					
Revenues	109,374,481	111,670,521	(2,296,040)	(2.1)	134,723,647
Nonrevenues	6,725,618	6,625,588	100,030	1.5	14,127,714
Total Receipts	116,100,099	118,296,109	(2,196,010)	(1.9)	148,851,361
Less Disbursements (c):					
State Operations	50,607,853	52,824,527	(2,216,674) (g)	(4.2)	41,290,636
Local Assistance	111,065,526	115,692,150	(4,626,624)	(4.0)	93,121,869
Capital Outlay	1,560,972	880,023	680,949 (j)	77.4	291,549
Nongovernmental	9,801,168	10,608,732	(807,564)	(7.6)	14,775,690
Total Disbursements	173,035,519	180,005,432	(6,969,913)	(3.9)	149,479,744
Receipts Over / (Under) Disbursements	(56,935,420)	(61,709,323)	4,773,903	(7.7)	(628,383)
Net Increase / (Decrease) in Temporary Loans	-	-	-	-	-
GENERAL FUND ENDING CASH BALANCE	27,641,856	22,867,953	4,773,903		50,285,745
Special Fund for Economic Uncertainties	3,514,325	3,514,325	-	-	3,978,641
TOTAL CASH	**$ 31,156,181**	**$ 26,382,278**	**$ 4,773,903**		**$ 54,264,386**
BORROWABLE RESOURCES					
Special Fund for Economic Uncertainties	$ 3,514,325 (h)	$ 3,514,325	$ -	-	$ 3,978,641
Budget Stabilization Account	23,288,422	23,288,422	-	-	15,781,422
Other Internal Sources (f)	70,358,457	67,818,000	2,540,457	3.7	58,593,574
Cash Balance from Borrowable Resources	97,161,204	94,620,747	2,540,457	2.7	78,353,637
Less:					
PMIA Loans (AB 55, GC 16312 and 16313)	376,839	372,000	4,839	1.3	743,769
SMIF Loans (SB 84, GC 20825)	3,230,063	3,230,000	63	0.0	3,768,733
SMIF Loans (AB 1054, PUC 3285)	110,000	110,000	-	-	950,000
Total Available Borrowable Resources (e)	93,444,302	90,908,747	2,535,555	2.8	72,891,135
Outstanding Loans to General Fund (b)	-	-	-	-	-
Outstanding Loans to the SFEU Fund	-	-	-	-	-
UNUSED BORROWABLE RESOURCES	$ 93,444,302	$ 90,908,747	$ 2,535,555	2.8	$ 72,891,135

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 Governor's Budget. 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)

	February		July 1 through February 28					
			2023					2022
	2023	2022	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	Actual Over or (Under) Estimate %		Actual
REVENUES								
Alcoholic Beverage Excise Tax	$ 28,480	$ 60,902	$ 295,398	$ 293,711	$ 1,687	0.6		$ 294,354
Corporation Tax	237,964	467,890	17,367,004	16,929,881	437,123	2.6		18,435,959
Cigarette Tax	1,281	988	31,530	32,534	(1,004)	(3.1)		35,534
Estate, Inheritance, and Gift Tax	-	38	304	299	5	1.7		63
Insurance Companies Tax	44,614	35,944	1,852,046	1,826,010	26,036	1.4		1,706,688
Personal Income Tax	4,286,383	6,879,838	66,282,564	69,314,487	(3,031,923) (i)	(4.4)		92,113,549
Retail Sales and Use Taxes	3,239,162	3,664,901	21,359,897	21,384,244	(24,347)	(0.1)		20,915,571
Vehicle License Fees	-	-	2	-	2	-		1
Pooled Money Investment Interest	193,656	14,943	940,542	812,575	127,967	15.7		94,036
Not Otherwise Classified	127,051	(550,700)	1,245,194	1,076,780	168,414	15.6		1,127,892
Total Revenues	**8,158,591**	**10,574,744**	**109,374,481**	**111,670,521**	**(2,296,040)**	**(2.1)**		**134,723,647**
NONREVENUES								
Transfers from Special Fund for Economic Uncertainties	433,799	16,806	460,489 (h)	464,318	(3,829)	(0.8)		760,047
Transfers from Other Funds	53,958	1,974,386	5,856,535	5,824,012	32,523	0.6		13,094,427
Miscellaneous	94,449	30,490	408,594	337,258	71,336	21.2		273,240
Total Nonrevenues	**582,206**	**2,021,682**	**6,725,618**	**6,625,588**	**100,030**	**1.5**		**14,127,714**
Total Receipts	**$ 8,740,797**	**$ 12,596,426**	**$ 116,100,099**	**$ 118,296,109**	**$ (2,196,010)**	**(1.9)**		**$ 148,851,361**

(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 occured 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 Governor's Budget due to the stock market substantially declining in 2022. (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)

	February		July 1 through February 28				
			2023				2022
	2023	2022	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
STATE OPERATIONS (c)							
Legislative/Judicial/Executive	$ 160,873	$ 102,749	$ 9,717,135	$ 9,972,944	$ (255,809)	(2.6)	$ 1,552,837
Business, Consumer Services and Housing	8,815	9,241	100,826	149,230	(48,404)	(32.4)	49,203
Transportation	13,310	26,497	269,533	421,317	(151,784)	(36.0)	41,971
Resources	204,958	175,279	2,679,075	2,964,818	(285,743)	(9.6)	2,337,236
Environmental Protection Agency	11,737	21,699	268,463	359,484	(91,021)	(25.3)	631,208
Health and Human Services:							
Health Care Services and Public Health	79,798	282,495	754,675	990,176	(235,501)	(23.8)	1,973,906
Department of State Hospitals	178,505	164,609	1,457,837	1,501,530	(43,693)	(2.9)	1,337,003
Other Health and Human Services	64,357	82,296	577,861	650,689	(72,828)	(11.2)	547,825
Education:							
University of California	659,597	316,538	3,136,260	3,245,844	(109,584)	(3.4)	3,124,134
State Universities and Colleges	666,001	426,418	3,784,424	3,652,655	131,769	3.6	3,592,086
Other Education	18,873	32,591	315,914	466,235	(150,321)	(32.2)	654,305
Dept. of Corrections and Rehabilitation	1,115,007	1,166,898	9,148,693	9,316,165	(167,472)	(1.8)	8,679,694
Governmental Operations	171,111	107,188	12,178,170	13,024,826	(846,656)	(6.5) (g)	11,015,284
General Government	373,751	268,341	2,613,239	2,122,686	490,553	23.1	1,953,050
Public Employees' Retirement System	(338,298)	(254,666)	99,397	99,472	(75)	(0.1)	825,973
Debt Service (d)	(115,384)	336,527	3,496,892	3,876,997	(380,105)	(9.8)	2,971,091
Interest on Loans	-	-	9,459	9,459	-	-	3,830
Total State Operations	**3,273,011**	**3,264,700**	**50,607,853**	**52,824,527**	**(2,216,674)**	**(4.2)**	**41,290,636**
LOCAL ASSISTANCE (c)							
Public Schools - K-12	4,590,611	3,547,708	49,216,337	51,017,839	(1,801,502)	(3.5)	44,810,806
Community Colleges	667,527	639,481	6,992,662	7,083,171	(90,509)	(1.3)	5,600,374
Debt Service-School Building Bonds	-	-	-	-	-	-	-
State Teachers' Retirement System	-	-	2,583,763	2,583,763	(0)	-	2,697,854
Other Education	359,449	(72,508)	5,040,400	4,662,215	378,185	8.1	2,451,441
School Facilities Aid	-	-	-	-	-	-	-
Dept. of Corrections and Rehabilitation	63,870	4,619	680,220	634,983	45,237	7.1	505,446
Dept. of Alcohol and Drug Program	-	-	-	-	-	-	-
Health Care Services and Public Health:							
Medical Assistance Program	1,350,539	661,202	18,994,482	19,990,616	(996,134)	(5.0)	14,825,452
Other Health Care Services/Public Health	61,883	219,981	331,995	516,721	(184,726)	(35.7)	767,375
Developmental Services - Regional Centers	535,718	426,645	4,919,059	5,368,622	(449,563)	(8.4)	4,483,830
Department of State Hospitals	-	-	-	-	-	-	-
Dept. of Social Services:							
SSI/SSP/IHSS	209,640	296,761	6,156,889	5,421,697	735,192	13.6	5,290,691
CalWORKs	131,879	73,965	2,133,637	2,461,635	(327,998)	(13.3)	1,382,104
Other Social Services	268,507	183,327	1,321,409	1,196,949	124,460	10.4	1,172,896
Tax Relief	-	-	193,326	193,326	-	-	196,686
Other Local Assistance	2,210,955	289,615	12,501,347	14,560,613	(2,059,266)	(14.1)	8,936,914
Total Local Assistance	**10,450,578**	**6,270,796**	**111,065,526**	**115,692,150**	**(4,626,624)**	**(4.0)**	**93,121,869**

See notes on page A1 and A2.

(Continued)

SCHEDULE OF CASH DISBURSEMENTS (Continued)
(Amounts in thousands)

	February		July 1 through February 28					
			2023					2022
	2023	2022	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount		%	Actual
CAPITAL OUTLAY (c)	**(8,761)**	**45,149**	**1,560,972**	**880,023**	**680,949**	(j)	**77.4**	**291,549**
NONGOVERNMENTAL (c)								
Transfer to Special Fund for Economic Uncertainties	-	16,806	-	-	-		-	4,783,761
Transfer to Budget Stabilization Account	-	-	7,507,000	7,507,000	-		-	7,471,000
Transfer to Other Funds	166,068	-	2,557,780	3,308,706	(750,926)	(j)	(22.7)	2,832,057
Transfer to Revolving Fund	-	1	89,569	89,569	-		-	33,698
Advance:								
MediCal Provider Interim Payment	-	-	-	-	-		-	-
State-County Property Tax Administration Program	-	(11,129)	31,207	21,207	10,000		47.2	(16,467)
Social Welfare Federal Fund	(66,638)	-	(84,256)	(17,618)	(66,638)		378.2	2,000
Local Governmental Entities	-	-	(1,348)	(1,348)	-		-	-
Tax Relief and Refund Account	-	-	-	-	-		-	-
Counties for Social Welfare	-	-	(298,784)	(298,784)	-		-	(330,359)
Total Nongovernmental	**99,430**	**5,678**	**9,801,168**	**10,608,732**	**(807,564)**		(7.6)	**14,775,690**
Total Disbursements	**$ 13,814,258**	**$ 9,586,323**	**$ 173,035,519**	**$ 180,005,432**	**$ (6,969,913)**		**(3.9)**	**$ 149,479,744**

TEMPORARY LOANS

	2023	2022	Actual	Estimate (a)	Amount	%	Actual
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 February 28			
	General Fund		Special Funds	
	2023	2022	2023	2022
MAJOR TAXES, LICENSES, AND INVESTMENT INCOME:				
Alcoholic Beverage Excise Taxes	$ 295,398	$ 294,354	$ -	$ -
Corporation Tax	17,367,004	18,435,959	-	-
Cigarette Tax	31,530	35,534	1,050,817	1,145,097
Cannabis Excise Taxes	-	-	366,724	615,649
Estate, Inheritance, and Gift Tax	304	63	-	-
Insurance Companies Tax	1,852,046	1,706,688	3,050	1,567
Motor Vehicle Fuel Tax:				
Gasoline Tax	-	-	4,907,114	4,822,301
Diesel & Liquid Petroleum Gas	-	-	914,267	890,218
Jet Fuel Tax	-	-	2,855	2,837
Vehicle License Fees	2	1	2,273,545	2,100,656
Personal Income Tax	66,282,564	92,113,549	1,188,700	1,638,323
Retail Sales and Use Taxes	21,359,897	20,915,571	12,725,999	12,106,228
Pooled Money Investment Interest	940,542	94,036	781	149
Total Major Taxes, Licenses, and Investment Income	**108,129,287**	**133,595,755**	**23,433,852**	**23,323,025**
NOT OTHERWISE CLASSIFIED:				
Alcoholic Beverage License Fees	1,323	815	43,389	37,484
Motor Vehicle Registration and Other Fees	5	-	5,282,361	4,977,236
Cannabis Licensing Fees	-	-	48,958	60,511
Electrical Energy Tax	-	-	530,459	481,747
Private Rail Car Tax	9,780	9,268	-	-
Penalties on Traffic Violations	-	-	2	2
Health Care Receipts	1,423	(9,791)	-	-
Revenues from State Lands	109,345	90,941	-	-
Abandoned Property	157,122	(107,610)	-	-
Trial Court Revenues	16,514	17,119	845,052	839,369
Horse Racing Fees	-	-	12,565	12,791
Cap and Trade	-	-	1,957,109	2,430,496
Individual Shared Responsibility Penalty Assessments	137,417	37,156	-	-
Miscellaneous Tax Revenue	-	-	2,065,212	1,871,172
Miscellaneous	812,265	1,089,994	9,816,695	9,654,741
Not Otherwise Classified	**1,245,194**	**1,127,892**	**20,601,802**	**20,365,549**
Total Revenues, All Governmental Cost Funds	**$ 109,374,481**	**$ 134,723,647**	**$ 44,035,654**	**$ 43,688,574**

STATEMENT OF GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS

A Comparison of Actual to 2022-23 Budget Act

(Amounts in thousands)

	July 1 through February 28						
	2023						**2022**
	Actual		Estimate (a)	Actual Over or (Under) Estimate: Amount		Actual Over or (Under) Estimate: %	Actual
GENERAL FUND BEGINNING CASH BALANCE	**$ 84,577,276**		**$ 84,577,276**	**$ -**		**-**	**$ 50,914,128**
Or Beginning Outstanding Loan Balance	-		-	-		-	-
Add Receipts:							
Revenues	109,374,481		120,313,277	(10,938,796)		(9.1)	134,723,647
Nonrevenues	6,725,618		3,283,621	3,441,997	(j)	104.8	14,127,714
Total Receipts	116,100,099		123,596,898	(7,496,799)		(6.1)	148,851,361
Less Disbursements (c):							
State Operations	50,607,853		55,663,492	(5,055,639)	(k)	(9.1)	41,290,636
Local Assistance	111,065,526		113,065,862	(2,000,336)	(g)/(i)	(1.8)	93,121,869
Capital Outlay	1,560,972		861,184	699,788	(h)	81.3	291,549
Nongovernmental	9,801,168		9,365,926	435,242		4.6	14,775,690
Total Disbursements	173,035,519		178,956,464	(5,920,945)		(3.3)	149,479,744
Receipts Over / (Under) Disbursements	(56,935,420)		(55,359,566)	(1,575,854)		2.8	(628,383)
Net Increase / (Decrease) in Temporary Loans	-		-	-		-	-
GENERAL FUND ENDING CASH BALANCE	27,641,856		29,217,710	(1,575,854)			50,285,745
Special Fund for Economic Uncertainties	3,514,325		3,514,325	-		-	3,978,641
TOTAL CASH	**$ 31,156,181**		**$ 32,732,035**	**$ (1,575,854)**			**$ 54,264,386**
BORROWABLE RESOURCES							
Special Fund for Economic Uncertainties	$ 3,514,325	(l)	$ 3,514,325	$ -		-	$ 3,978,641
Budget Stabilization Account	23,288,422		23,288,422	-		-	15,781,422
Other Internal Sources (f)	70,358,457		61,357,000	9,001,457		14.7	58,593,574
Cash Balance from Borrowable Resources	97,161,204		88,159,747	9,001,457		10.2	78,353,637
Less:							
PMIA Loans (AB 55, GC 16312 and 16313)	376,839		800,000	(423,161)		(52.9)	743,769
SMIF Loans (SB 84, GC 20825)	3,230,063		3,768,000	(537,937)		(14.3)	3,768,733
SMIF Loans (AB 1054, PUC 3285)	110,000		110,000	-		-	950,000
Total Available Borrowable Resources (e)	93,444,302		83,481,747	9,962,555		11.9	72,891,135
Outstanding Loans to General Fund (b)	-		-	-		-	-
Outstanding Loans to the SFEU Fund	-		-	-		-	-
UNUSED BORROWABLE RESOURCES	$ 93,444,302		$ 83,481,747	$ 9,962,555		11.9	$ 72,891,135

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)

	February		July 1 through February 28					
			2023					2022
	2023	2022	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%		Actual
REVENUES								
Alcoholic Beverage Excise Tax	$ 28,480	$ 60,902	$ 295,398	$ 298,030	$ (2,632)		(0.9)	$ 294,354
Corporation Tax	237,964	467,890	17,367,004	13,309,645	4,057,359		30.5	18,435,959
Cigarette Tax	1,281	988	31,530	32,605	(1,075)		(3.3)	35,534
Estate, Inheritance, and Gift Tax	-	38	304	-	304		-	63
Insurance Companies Tax	44,614	35,944	1,852,046	1,832,224	19,822		1.1	1,706,688
Personal Income Tax	4,286,383	6,879,838	66,282,564	81,135,056	(14,852,492)	(m)	(18.3)	92,113,549
Retail Sales and Use Taxes	3,239,162	3,664,901	21,359,897	22,432,926	(1,073,029)		(4.8)	20,915,571
Vehicle License Fees	-	-	2	-	2		-	1
Pooled Money Investment Interest	193,656	14,943	940,542	240,664	699,878		290.8	94,036
Not Otherwise Classified	127,051	(550,700)	1,245,194	1,032,127	213,067		20.6	1,127,892
Total Revenues	**8,158,591**	**10,574,744**	**109,374,481**	**120,313,277**	**(10,938,796)**		**(9.1)**	**134,723,647**
NONREVENUES								
Transfers from Special Fund for Economic Uncertainties	433,799	16,806	460,489 (l)	464,316	(3,827)		(0.8)	760,047
Transfers from Other Funds	53,958	1,974,386	5,856,535	2,681,414	3,175,121	(j)	118.4	13,094,427
Miscellaneous	94,449	30,490	408,594	137,891	270,703		196.3	273,240
Total Nonrevenues	**582,206**	**2,021,682**	**6,725,618**	**3,283,621**	**3,441,997**		**104.8**	**14,127,714**
Total Receipts	**$ 8,740,797**	**$ 12,596,426**	**$ 116,100,099**	**$ 123,596,898**	**$ (7,496,799)**		**(6.1)**	**$ 148,851,361**

(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 General Fund to the Public School System Stabilization Account in September 2022, which occured 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 occured 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. (Footnote ties to page B2; Personal Income Tax)

(Concluded)

SCHEDULE OF CASH DISBURSEMENTS
(Amounts in thousands)

	February		July 1 through February 28					
			2023					2022
	2023	2022	Actual	Estimate (a)	Actual Over or (Under) Estimate			Actual
					Amount		%	
STATE OPERATIONS (c)								
Legislative/Judicial/Executive	$ 160,873	$ 102,749	$ 9,717,135	$ 10,363,176	$ (646,041)		(6.2)	$ 1,552,837
Business, Consumer Services and Housing	8,815	9,241	100,826	99,904	922		0.9	49,203
Transportation	13,310	26,497	269,533	363,464	(93,931)		(25.8)	41,971
Resources	204,958	175,279	2,679,075	2,511,137	167,938		6.7	2,337,236
Environmental Protection Agency	11,737	21,699	268,463	333,080	(64,617)		(19.4)	631,208
Health and Human Services:		-						-
Health Care Services and Public Health	79,798	282,495	754,675	1,118,312	(363,637)		(32.5)	1,973,906
Department of State Hospitals	178,505	164,609	1,457,837	1,535,397	(77,560)		(5.1)	1,337,003
Other Health and Human Services	64,357	82,296	577,861	634,560	(56,699)		(8.9)	547,825
Education:								
University of California	659,597	316,538	3,136,260	3,600,112	(463,852)		(12.9)	3,124,134
State Universities and Colleges	666,001	426,418	3,784,424	3,486,433	297,991		8.5	3,592,086
Other Education	18,873	32,591	315,914	675,672	(359,758)		(53.2)	654,305
Dept. of Corrections and Rehabilitation	1,115,007	1,166,898	9,148,693	8,676,492	472,201		5.4	8,679,694
Governmental Operations	171,111	107,188	12,178,170	13,709,640	(1,531,470)	(k)	(11.2)	11,015,284
General Government	373,751	268,341	2,613,239	5,343,880	(2,730,641)		(51.1)	1,953,050
Public Employees' Retirement System	(338,298)	(254,666)	99,397	136,182	(36,785)		(27.0)	825,973
Debt Service (d)	(115,384)	336,527	3,496,892	3,066,551	430,341		14.0	2,971,091
Interest on Loans	-	-	9,459	9,500	(41)		(0.4)	3,830
Total State Operations	**3,273,011**	**3,264,700**	**50,607,853**	**55,663,492**	**(5,055,639)**		**(9.1)**	**41,290,636**
LOCAL ASSISTANCE (c)								
Public Schools - K-12	4,590,611	3,547,708	49,216,337	50,652,069	(1,435,732)	(g)	(2.8)	44,810,806
Community Colleges	667,527	639,481	6,992,662	7,454,087	(461,425)		(6.2)	5,600,374
Debt Service-School Building Bonds	-	-	-	-	-		-	-
State Teachers' Retirement System	-	-	2,583,763	2,583,762	1		0.0	2,697,854
Other Education	359,449	(72,508)	5,040,400	2,523,922	2,516,478		99.7	2,451,441
School Facilities Aid	-	-	-	-	-		-	-
Dept. of Corrections and Rehabilitation	63,870	4,619	680,220	766,455	(86,235)		(11.3)	505,446
Dept. of Alcohol and Drug Program	-	-	-	-	-		-	-
Health Care Services and Public Health:								
Medical Assistance Program	1,350,539	661,202	18,994,482	22,516,310	(3,521,828)		(15.6)	14,825,452
Other Health Care Services/Public Health	61,883	219,981	331,995	851,323	(519,328)		(61.0)	767,375
Developmental Services - Regional Centers	535,718	426,645	4,919,059	5,386,507	(467,448)		(8.7)	4,483,830
Department of State Hospitals	-	-	-	-	-		-	-
Dept. of Social Services:								
SSI/SSP/IHSS	209,640	296,761	6,156,889	4,957,404	1,199,485		24.2	5,290,691
CalWORKs	131,879	73,965	2,133,637	1,733,962	399,675		23.0	1,382,104
Other Social Services	268,507	183,327	1,321,409	1,740,101	(418,692)		(24.1)	1,172,896
Tax Relief	-	-	193,326	207,500	(14,174)		(6.8)	196,686
Other Local Assistance	2,210,955	289,615	12,501,347	11,692,460	808,887	(i)	6.9	8,936,914
Total Local Assistance	**10,450,578**	**6,270,796**	**111,065,526**	**113,065,862**	**(2,000,336)**		**(1.8)**	**93,121,869**

See notes on page B1 and B2.

(Continued)

SCHEDULE OF CASH DISBURSEMENTS (Continued)
(Amounts in thousands)

	February		July 1 through February 28					
			2023					2022
	2023	2022	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount		%	Actual
CAPITAL OUTLAY (c)	**(8,761)**	**45,149**	**1,560,972**	**861,184**	**699,788**	(h)	**81.3**	**291,549**
NONGOVERNMENTAL (c)								
Transfer to Special Fund for Economic Uncertainties	-	16,806	-	-	-		-	4,783,761
Transfer to Budget Stabilization Account	-	-	7,507,000	7,507,000	-		-	7,471,000
Transfer to Other Funds	166,068	-	2,557,780	2,157,710	400,070	(h)	18.5	2,832,057
Transfer to Revolving Fund	-	1	89,569	-	89,569		-	33,698
Advance:								
MediCal Provider Interim Payment	-	-	-	-	-		-	-
State-County Property Tax Administration Program	-	(11,129)	31,207	-	31,207		-	(16,467)
Social Welfare Federal Fund	(66,638)	-	(84,256)	-	(84,256)		-	2,000
Local Governmental Entities	-	-	(1,348)	-	(1,348)		-	-
Tax Relief and Refund Account	-	-	-	-	-		-	-
Counties for Social Welfare	-	-	(298,784)	(298,784)	-		-	(330,359)
Total Nongovernmental	**99,430**	**5,678**	**9,801,168**	**9,365,926**	**435,242**		4.6	**14,775,690**
Total Disbursements	**$ 13,814,258**	**$ 9,586,323**	**$ 173,035,519**	**$ 178,956,464**	**$ (5,920,945)**		**(3.3)**	**$ 149,479,744**
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.

APPENDIX B

DTC BOOK-ENTRY SYSTEM AND GLOBAL CLEARANCE PROCEDURE

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream Banking (DTC, Euroclear and Clearstream Banking together, the "Clearing Systems") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the State believes to be reliable, but the State takes no responsibility for the accuracy, completeness or adequacy of such information in this section. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. The State will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

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 Bonds, 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 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.

Global Clearance Procedures

Beneficial interests in the Bonds may be held through DTC, Clearstream Banking, S.A. (“Clearstream”) or Euroclear Bank SA/NV (“Euroclear”) as operator of the Euroclear System, directly as a participant or indirectly through organizations that are participants in such system.

Euroclear and Clearstream. Euroclear and Clearstream each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system, either directly or indirectly.

Clearing and Settlement Procedures. The Bonds sold in offshore transactions will be initially issued to investors through the book-entry facilities of DTC, or Clearstream and Euroclear in Europe if the investors are participants in those systems, or indirectly through organizations that are participants in the systems. For any of such Bonds, the record holder will be DTC's nominee. Clearstream and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and Euroclear's names on the books of their respective depositories.

The depositories, in turn, will hold positions in customers' securities accounts in the depositories' names on the books of DTC. Because of time zone differences, the securities account of a Clearstream or Euroclear participant as a result of a transaction with a participant, other than a depository holding on behalf of Clearstream or Euroclear, will be credited during the securities settlement processing day, which must be a business day for Clearstream or Euroclear, as the case may be, immediately following the DTC settlement date. These credits or any transactions in the securities settled during the processing will be reported to the relevant Euroclear participant or Clearstream participant on that business day. Cash received in Clearstream or Euroclear as a result of sales of securities by or through a Clearstream participant or Euroclear participant to a DTC Participant, other than the depository for Clearstream or Euroclear, will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

Transfer Procedures. Transfers between participants will occur in accordance with DTC rules. Transfers between Clearstream participants or Euroclear participants will occur in accordance with their respective rules and operating procedures. Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream participants or Euroclear participants, on the other, will be effected by DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant depositories; however, cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in the system in accordance with its rules and procedures and within its established deadlines in European time.

The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its depository to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Clearstream participants or Euroclear participants may not deliver instructions directly to the depositories.

The State will not impose any fees in respect of holding the Bonds; however, holders of book-entry interests in the Bonds may incur fees normally payable in respect of the maintenance and operation of accounts in DTC, Euroclear and Clearstream.

Initial Settlement. Interests in the Bonds will be in uncertified book-entry form. Purchasers electing to hold book-entry interests in the Bonds through Euroclear and Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds. Book-entry interests in the Bonds will be credited to Euroclear and Clearstream participants' securities clearance accounts on the business day following the date of delivery of the Bonds against payment (value as on the date of delivery of the Bonds). DTC participants acting on behalf of purchasers electing to hold book-entry interests in the Bonds through DTC will follow the delivery practices applicable to securities eligible for DTC's Same Day Funds Settlement system. DTC participants' securities accounts will be credited with book-entry interests in the Bonds following confirmation of receipt of payment to the State on the date of delivery of the Bonds.

Secondary Market Trading. Secondary market trades in the Bonds will be settled by transfer of title to book-entry interests in Euroclear, Clearstream or DTC, as the case may be. Title to such book-entry interests will pass by registration of the transfer within the records of Euroclear, Clearstream or DTC, as the case may be, in accordance with their respective procedures. Book-entry interests in the Bonds may be transferred within Euroclear and within Clearstream and between Euroclear and Clearstream in accordance with procedures established for these purposes by Euroclear and Clearstream. Book-entry interests in the Bonds may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfer of book-entry interests in the Bonds between Euroclear or Clearstream and DTC may be effected in accordance with procedures established for this purpose by Euroclear, Clearstream and DTC.

Special Timing Considerations. Investors should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the Bonds through Euroclear or Clearstream on days when those systems are open for business. In addition, because of time-zone differences, there may be complications with completing transactions involving Clearstream and/or Euroclear on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Bonds, or to receive or make a payment or delivery of the Bonds, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg if Clearstream is used, or Brussels if Euroclear is used.

Clearing Information. It is expected that the Bonds will be accepted for clearance through the facilities of Euroclear and Clearstream. The CUSIP numbers for the Bonds are set forth on the inside cover page of the Official Statement.

General. Neither Euroclear nor Clearstream is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

NEITHER THE STATE TREASURER NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY FOR THE PERFORMANCE BY EUROCLEAR OR

CLEARSTREAM OR THEIR RESPECTIVE DIRECT OR INDIRECT PARTICIPANTS OR ACCOUNT HOLDERS OF THEIR RESPECTIVE OBLIGATIONS UNDER THE RULES AND PROCEDURES GOVERNING THEIR OPERATIONS OR THE ARRANGEMENTS REFERRED TO ABOVE.

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered as of March 15, 2023 by the Treasurer of the State of California (the "State Treasurer") in connection with the issuance of $1,804,055,000 aggregate principal amount of the State of California Federally Taxable Various Purpose General Obligation Bonds (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 March 8, 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 2021-22 fiscal year (which is due not later than April 1, 2023), 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, 2021, 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 final 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.*

(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.

* 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), (4) and (5) and 5(b)(1) and (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 Federally Taxable Various Purpose General Obligation Bonds
Date of Issuance:	March 15, 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

$1,804,055,000
STATE OF CALIFORNIA
FEDERALLY TAXABLE
VARIOUS PURPOSE
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 $1,804,055,000 aggregate principal amount of State of California Federally Taxable Various Purpose General Obligation 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; 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.

We call attention to the fact that the rights and obligations under the Bonds, the Resolutions 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 March 1, 2023 as supplemented on March 6, 2023, and the Official Statement, dated March 8, 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 AN and AP, 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 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

$1,804,055,000
STATE OF CALIFORNIA
FEDERALLY TAXABLE
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	CT	$1,100,000
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	S	$14,240,000
California Stem Cell Research and Cures Finance Committee	California Stem Cell Research and Cures Bond Act of 2004	Stem Cell Research and Cures Bonds	AH	$6,865,000
California Stem Cell Research and Cures Finance Committee	California Stem Cell Research, Treatments, and Cures Bond Act of 2020	Stem Cell Research, Treatments, and Cures Bonds	C	$146,780,000
Children’s Hospital Bond Act Finance Committee	Children’s Hospital Bond Act of 2008	Children’s Hospital Bonds	AE	$105,000
Disaster Preparedness and Flood Prevention Bond Finance Committee	Disaster Preparedness and Flood Prevention Bond Act of 2006	Disaster Preparedness and Flood Prevention Bonds	BB	$12,815,000
Housing Finance Committee	Housing and Emergency Shelter Trust Fund Act of 2002	Housing and Emergency Shelter Bonds	AS	$2,120,000
Housing Finance Committee	Housing and Emergency Shelter Trust Fund Act of 2006	Housing and Emergency Shelter Bonds	AR	$3,510,000
State School Building Finance Committee	Kindergarten Through Community College Public Education Facilities Bond Act of 2016	Kindergarten Through Community College Public Education Facilities Bonds	AQ	$1,395,000

FINANCE COMMITTEE	BOND ACT	NAME OF BONDS (STATE OF CALIFORNIA)	SERIES	PRINCIPAL AMOUNT
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	BE	$3,385,000
High-Speed Passenger Train Finance Committee	Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century	High-Speed Passenger Train Bonds	AN	$1,100,000,000
High-Speed Passenger Train Finance Committee	Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century	High-Speed Passenger Train Bonds	AP	$427,305,000
Housing Finance Committee	Veterans and Affordable Housing Bond Act of 2018	Veterans and Affordable Housing Bonds	G	$45,255,000
Housing for Veterans Finance Committee	Veterans Housing and Homeless Prevention Bond Act of 2014	Veterans Housing and Homeless Prevention Bonds	S	$16,175,000
Water Quality, Supply, and Infrastructure Improvement Finance Committee	Water Quality, Supply, and Infrastructure Improvement Act of 2014	Water Quality, Supply, and Infrastructure Improvement Bonds	AF	$21,265,000
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	CQ	$1,740,000

FORM OF OPINION OF THE ATTORNEY GENERAL

[Closing Date]

The Honorable Fiona Ma
State Treasurer
Sacramento, California

$1,804,055,000
STATE OF CALIFORNIA
FEDERALLY TAXABLE
VARIOUS PURPOSE
GENERAL OBLIGATION 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 $1,804,055,000 aggregate principal amount of State of California Federally Taxable Various Purpose General Obligation 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 AN and AP, 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 March 1, 2023 as supplemented on March 6, 2023, or the Official Statement dated March 8, 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

$1,804,055,000
STATE OF CALIFORNIA
FEDERALLY TAXABLE
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	CT	$1,100,000
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	S	$14,240,000
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FINANCE COMMITTEE	BOND ACT	NAME OF BONDS (STATE OF CALIFORNIA)	SERIES	PRINCIPAL AMOUNT
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High-Speed Passenger Train Finance Committee	Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century	High-Speed Passenger Train Bonds	AN	$1,100,000,000
High-Speed Passenger Train Finance Committee	Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century	High-Speed Passenger Train Bonds	AP	$427,305,000
Housing Finance Committee	Veterans and Affordable Housing Bond Act of 2018	Veterans and Affordable Housing Bonds	G	$45,255,000
Housing for Veterans Finance Committee	Veterans Housing and Homeless Prevention Bond Act of 2014	Veterans Housing and Homeless Prevention Bonds	S	$16,175,000
Water Quality, Supply, and Infrastructure Improvement Finance Committee	Water Quality, Supply, and Infrastructure Improvement Act of 2014	Water Quality, Supply, and Infrastructure Improvement Bonds	AF	$21,265,000
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	CQ	$1,740,000

APPENDIX E

LETTERS FROM CERTAIN UNDERWRITERS

WELLS FARGO

Corporate & Investment Banking
Public Finance

February 23, 2023

Blake Fowler
Director, Public Finance Division
State Treasurer's Office of the State of California
915 Capitol Mall, Room 261
Sacramento, CA 95814

Re: Disclosures by Wells Fargo Corporate & Investment Banking
State of California
Various Purpose Taxable General Obligation Bonds, March 2023 Sale (the "Bonds")

Dear Blake:

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 (which may be referred to elsewhere as "CIB," "Wells Fargo Securities" or "WFS") is the trade name used for the corporate banking, capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association ("WFBNA"), a member of the National Futures Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, N.A. Municipal Finance Group, a separately identifiable department of WFBNA, registered with the U.S. Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

TD Securities (USA) LLC
Public Finance Investment Banking
One Vanderbilt Ave
New York, NY 10017
www.tdsecurities.com

February 17, 2023

Mr. Blake Fowler
Director, Public Finance Division
Office of the Treasurer of the State of California
Public Finance Division, Room 261
915 Capitol Mall
Sacramento, CA 95814

Re: Distribution Agreement and Other Disclosures
State of California
Federally Taxable Various Purpose 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

BofA SECURITIES

March 3, 2023

State of California
Office of the State Treasurer
915 Capitol Mall, Room 261
Sacramento, CA 95814

Attn: Blake Fowler

Re: State of California Federally Taxable Various Purpose General Obligation Bonds, March 2023 Sale (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.

February 24, 2023

Blake Fowler
Director, Public Finance
Office of the Treasurer of the State of California
915 Capitol Mall, Room 110
Sacramento, CA 95814

RE: State of California
Federally Taxable General Obligation Bonds (March 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.

CC: State Treasurer's Office

J.P.Morgan

February 23, 2023

Mr. Blake Fowler
Director, Public Finance Division
Office of the Treasurer of the State of California
915 Capitol Mall, Room 261
Sacramento, CA 95814

RE: State of California Federally Taxable Various Purpose General Obligation Bonds, March 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

February 16, 2023

Mr. Blake Fowler
Director, Public Finance Division
Office of the Treasurer of the State of California
915 Capitol Mall, Room 261
Sacramento, CA 95814

RE: State of California General Obligation Bonds, Series 2023, March Sale (Federally Taxable) (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

UBS

February 15, 2023

Mr. Blake Fowler
Director, Public Finance Division
Office of the Treasurer of the State of California
915 Capitol Mall
Sacramento, CA 95814

Re: The State of California, Federally Taxable General Obligation Bonds, 2023 Series

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 Federally Taxable General Obligation Bonds, 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.

APPENDIX F

STATE OF CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

State of California

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2020

BETTY T. YEE

California State Controller's Office

STATE OF CALIFORNIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2020

Prepared by
The Office of the State Controller

BETTY T. YEE
California State Controller

Contents

INTRODUCTORY SECTION

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

COMBINING FINANCIAL STATEMENTS AND SCHEDULES – NONMAJOR AND OTHER FUNDS

STATISTICAL SECTION

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Introductory Section

BETTY T. YEE
California State Controller

BETTY T. YEE
California State Controller

February 2, 2022

To the Citizens, Governor, and Members of the Legislature of the State of California:

I hereby submit the State of California's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2020, in accordance with the requirements set forth in Government Code section 12460. This annual report is prepared in accordance with accounting principles generally accepted in the United States. The ability of the State Controller's Office (SCO) to produce this report is dependent on timely receipt of accurate financial statements by each and every state department. It is intended to provide timely and accurate information to help readers gain a reasonable understanding of the state's financial activities. Although there is no statutory deadline for completion and submission of this report, its lateness warrants an explanation that I provide below.

Beginning in March 2020, the COVID-19 pandemic caused immediate disruption to the daily lives of Californians, triggering sudden severe economic consequences for many of the state's residents and businesses while threatening the onset of a recession. In spite of mandated economic shutdowns in response to the pandemic, California closed the fiscal year ended June 30, 2020, with General Fund revenues of $155.9 billion, a $15.4 billion increase over the previous fiscal year. While the state primary government experienced a slight decrease in net position of $338 million for the fiscal year, California's revenue exceeded expenses by $9.4 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.

California has embarked upon a remarkable economic recovery since the initial stages of the pandemic. Revenue collections for fiscal year 2020-21 were higher than expected by approximately $4.8 billion; the 2021 Budget Act allocated an estimated $47.0 billion General Fund surplus; and preliminary estimates predict a surplus of $31.0 billion for fiscal year 2022-23. I commend the Governor and the Legislature for their attentiveness in developing budget solutions to close the gaps between projected revenues and expenditures, maintain and build upon reserves, and secure and allocate essential federal resources to statewide programs.

Since 2018, my office has raised increasing concerns with various stakeholders about California's ability to release a timely and accurate ACFR. Prior to fiscal year 2017-18, the ACFR was published annually near the end of March following each fiscal year in compliance with the state's bond disclosure requirements. In recent years, the ACFR for fiscal year 2017-18 was published in June; the fiscal year 2018-19 ACFR was published in October; and now, the fiscal year 2019-20 report in February. The progressive delay of these reports is attributable in large part to reporting challenges experienced by departments in their transition to the Fiscal Information System for California (FI$Cal). These challenges have been underscored by deficiencies in business processes, human resource planning, and system functional design. For the fiscal year ended June 30, 2020, over one-third of the more than 1,700 departmental financial statements was submitted to SCO in excess of 90 days late. More than 10 months after the departmental reporting deadline, dozens of significant financial reports from large state departments still had not been submitted to SCO. Not much improvement has been made in the timeliness and level of accuracy of departmental financial reporting for the fiscal year ended June 30, 2021, either, as hundreds of financial reports still have not been submitted to SCO as of the date of this ACFR transmittal. Despite extensive training provided to departments by the FI$Cal project, SCO staff has been stretched to provide an increasing amount of support to FI$Cal departments struggling to comply with statewide accounting guidelines and fulfill their annual reporting responsibilities.

I have consistently emphasized the need for accountability, transparency, and accuracy in the State's financial reporting process. To provide value to stakeholders, financial reporting must be both timely and accurate. The challenges the state has experienced in its transition to FI$Cal have been thoroughly documented and are now readily apparent. In its recent *FI$Cal Status* report, dated January 4, 2022, the California State Auditor (CSA) highlighted missed FI$Cal project dates, insufficient staffing for project completion and maintenance, and continued financial reporting delays that potentially compromise the state's credit rating and access to federal funds. In addition, CSA's *Internal Control and Compliance Audit Report for the Fiscal Year Ended June 30, 2020*, which should be read in conjunction with this report, identified multiple departments that failed to consistently reconcile their FI$Cal accounting records to supporting information and to the accounts of SCO prior to submitting their year-end financial reports for inclusion in the ACFR, a practice that my office adamantly opposes. Such reconciliations should be an inherent requirement of a viable stand-alone accounting system, and unsatisfactory reconciliations have been a large contributor to reporting delays. The CSA's report also identified "pervasive" findings in the overall information technology general controls environment of FI$Cal, which present a considerable risk to the state if unaddressed. Finally, CSA's report identified material and pervasive accounting and reporting deficiencies involving the State's unemployment programs, linked to a large state department's transition to FI$Cal. These deficiencies resulted in the modified audit opinions expressed by CSA on the accompanying financial statements of the state for the year ended June 30, 2020, the first modified opinion received on California's ACFR in nearly two decades.

While my office remains committed to full implementation of FI$Cal, I must emphasize again that the project is far from complete. The vast majority of the functionalities that support the Controller's constitutional duties, statewide accounting internal control procedures, and other crucial standard accounting best practices currently embedded into the SCO legacy accounting systems to promote fiscal governance and oversight are not included within the scope of the FI$Cal project. This poses the most significant risk to the SCO transition to FI$Cal as the accounting Book of Record, because it undermines the reliability of FI$Cal as a statewide comprehensive accounting system. While collective efforts continue from the administration, SCO, Department of Finance, and other stakeholders to remedy delinquent departmental financial reporting statewide and bring the FI$Cal project to completion, these goals cannot be pursued at the expense of the integrity and accuracy of this report.

I extend my sincere gratitude to all state government agencies for their support and cooperation in submitting the required information for the ACFR. Thank you to the California State Auditor's office for maintaining the highest standards of professionalism in overseeing the accountability of the state's finances. Finally, I wish to thank my entire team in the State Controller's Office for their skill, effort, and persistence in completing this complex financial report notwithstanding formidable challenges.

Sincerely,

Original signed by

BETTY T. YEE

Report 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, 2020, 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 the additional description provided below:

- An *unmodified opinion* has been issued for governmental activities within the government-wide Statement of Net Position and Statement of Activities, 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*, comprised of a *disclaimer of opinion*, has been issued for the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Fund Net Position, and Statement of Cash Flows of the Unemployment Programs Fund.
- A *modified opinion*, comprised of a *qualified opinion*, has been issued for the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances of the Federal Fund, 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 (FI$Cal) accounting system. The State Controller's Office is aware that other significant accounting issues involving FI$Cal exist but have not impacted the State's reporting to this magnitude.

The State of California is also 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, 2020, and its economic performance and outlook for the year ended June 30, 2021, and beyond. The MD&A complements this transmittal letter 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 2020, is estimated to be almost 40 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 also is 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 to 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 14.8% of the U.S. Gross Domestic Product (GDP) in 2020 and was ranked fifth largest in the world (in terms of GDP) at the end of the year. The sectors of the California's diverse economy include high technology, trade, entertainment, manufacturing, government, tourism, construction, and services. California's real GDP totaled $2.8 trillion at fiscal year-end, and, as the nation's leader in agricultural production, the State's farming operations generated over $50.0 billion in cash receipts for the 2019 crop year. In 2020, California exported $156.0 billion in products; its three largest export markets are Mexico ($24.1 billion), Canada ($15.9 billion), and China ($15.0 billion). California's six largest exports are computer and electronic products, transportation equipment, machinery (except electrical), chemicals, miscellaneous manufactured commodities, and food and kindred products. California also enjoys one of the finest and most diverse collections of natural, cultural, and recreational resources in the nation. In 2020, California's travel and tourism industry was struck particularly hard by the COVID-19 pandemic. Revenues from travel and tourism declined by 55% from the prior year to $65.1 billion, while travel-generated state and local tax revenues declined by 50% from the previous year to $6.1 billion.

Budget Outlook

Fiscal Year 2020-21

The Governor's enacted 2020-21 Budget aspired to close an estimated $54.3 billion funding gap caused by the COVID-19 pandemic, and significantly reduce the State's structural deficit. The State's prudent fiscal management—including its structurally balanced budgets and record reserves—put it in a strong position to contend with the challenges related to the economic crisis caused by the pandemic. The enacted Budget projected General Fund revenues of $137.7 billion after a $7.8 billion transfer from the Budget Stabilization Account (BSA), the State's rainy day fund. As the COVID-19 pandemic impacted every sector of the State's economy, the Budget made investments to save lives, support job creation, promote economic recovery, protect public education, and support Californians facing the greatest hardships.

Fiscal Year 2021-22

The State has laid the foundation for a strong economic recovery amid the uncertainty of the pandemic. On June 28, 2021, the State enacted the 2021-22 Budget Act. The Budget strives to maintain the State's economic resiliency by building reserves and paying down debt, providing immediate relief for families and small businesses, developing the State's workforce and expanding job opportunities for all Californians, confronting homelessness, promoting housing affordability, improving health care equity, reducing poverty, investing in the State's infrastructure, and proactively addressing environmental issues. By the end of fiscal year 2021-22, the Budget projects an increase in reserves to a total of $25.2 billion—$15.8 billion in the BSA, $4.5 billion in the Public School System Stabilization Account, $4.0 billion in the Special Fund for Economic Uncertainties, and $900 million in the Safety Net Reserve.

The 2021-22 Budget projects General Fund revenue of $175.3 billion ($203.6 billion after transfers) and expenditures of $196.4 billion. The Budget anticipates decreased revenue from personal income taxes and corporation taxes, and increased revenue from sales and use taxes. Personal income taxes contribute the majority of General Fund revenue at 70% ($123.3 billion), sales and use taxes contribute 17% ($29.0 billion), and corporation taxes contribute 10% ($18.1 billion).

Long-term Financial Planning

Financial planning issues and initiatives that will affect the State's long-term financial goals include the following:

- The State continues its financial recovery from the impact of the COVID-19 pandemic with strong revenue projections. The 2020-21 Budget reflected a surge in expected revenues of 23.8% over the prior year. The 2021-22 Budget estimates that future personal income tax revenues will decline slightly, from $124.2 billion in fiscal year 2020-21 to $123.3 billion in fiscal year 2021-22. The Budget estimates an increase in sales and use tax revenues from $27.9 billion to $29.0 billion over the same period. Personal income tax revenues and sales and use tax revenues are projected to rise to $133.6 billion and $30.5 billion, respectively, in the 2024-25 fiscal year.
- In response to the financial uncertainties of the pandemic, the State negotiated in the enacted 2020-21 Budget temporary salary reductions of approximately 10% for its employees, the deferral of scheduled pay increases, and a temporary freeze on employee prefunding contributions for other post-employment benefits (OPEB), for a savings of $2.8 billion. The State revisited collective bargaining negotiations following improvements in its financial condition during the year, which resulted in an end to the temporary salary reductions and pay increase deferrals, and resumption of employee OPEB contributions in fiscal year 2021-22.
- The Budget Act of 2021 reflects the State's commitment to addressing its unfunded pension liabilities over the long term. The Budget includes $2.5 billion in supplementary pension payments to further reduce the unfunded liabilities. The State's employee collective bargaining units and excluded and exempt employees have agreed to prefund retiree health benefits. As a result, more than $3.9 billion is currently set aside in a prefunding trust fund to pay future retiree health benefits. The trust fund is expected to approach $5.9 billion in assets by the end of the 2021-22 fiscal year.
- California continues to face 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 almost 2.6 million acres burned. The 2021-22 Budget includes significant investments to advance wildfire prevention and all-hazard emergency preparedness and response efforts.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of California for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2019. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. While we believe that our current ACFR continues to meet the technical reporting requirements of the Certificate of Achievement Program, California is ineligible for an award for the fiscal year ended June 30, 2020, due to its significantly late reporting date and the receipt of modified auditor's opinions on the report. We intend to submit the fiscal year 2019-20 ACFR to the GFOA to receive technical feedback to benefit future reporting years.

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of California

For its Comprehensive Annual Financial Report For the Fiscal Year Ended

June 30, 2019

Christopher P. Morrill

Executive Director/CEO

Principal Officials of the State of California

Executive Branch

Gavin Newsom
Governor

Eleni Kounalakis
Lieutenant Governor

Betty T. Yee
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
Malia M. Cohen, Member, Second District
Antonio Vazquez, Member, Third District
Mike Schaefer, Member, Fourth District

Legislative Branch

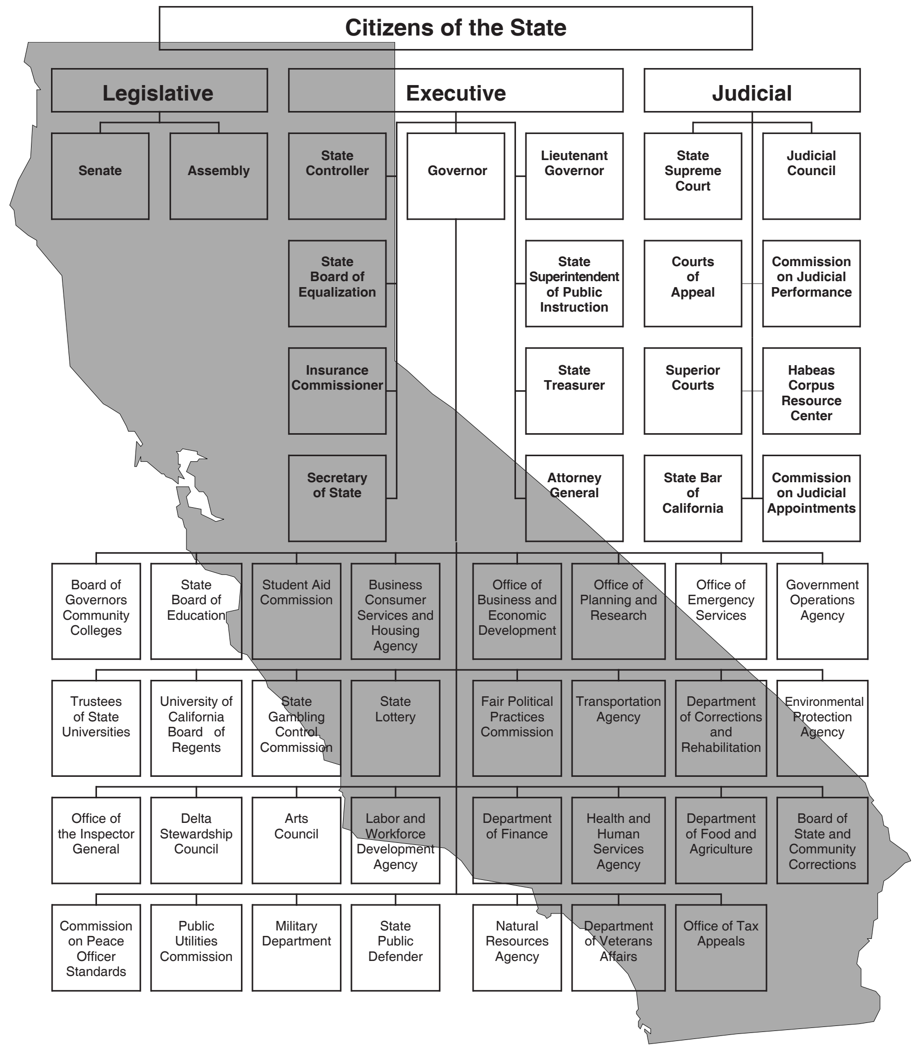
Toni G. Atkins
President pro Tempore, Senate

Anthony Rendon
Speaker of the Assembly

Judicial Branch

Tani G. Cantil-Sakauye
Chief Justice, State Supreme Court

Organization Chart of the State of California



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Financial Section

Michael S. Tilden *Acting State Auditor*

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, 2020, 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 one percent of the assets and deferred outflows, and less than one 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 57 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 fund, Water Resources fund, State Lottery fund, and California State University fund.
- 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 83 percent of the assets and deferred outflows, and 45 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 12 percent of the university's total assets and deferred outflows, and 5 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	Unmodified
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 accounting of money it received and spent related to unemployment benefits. As a result, the department was unable to provide complete and accurate accounting information supporting transfers from the Federal Fund to the Unemployment Programs Fund, and the amount of expenditures associated with the State's unemployment program and with federally-funded unemployment programs. 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 Due to Other Funds, Loans Payable and Distributions to Beneficiaries 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 contributed to material misstatements of $1 billion in Unemployment and Disability Insurance Revenue and $1.4 billion in Operating Transfers In that the department could not correct.

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 and the Federal Fund

The issues we discuss in the *Basis of 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 24 percent of Internal Balances, 100 percent of Loans Payable, and 100 percent of Unemployment Programs Expenses within Business-Type Activities. Similarly, there are material misstatements of $1 billion in Unemployment Programs Revenues and $1.4 billion in Transfers that the department could not correct.

The department's inadequate internal control 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 revenue and benefit payments. In addition, the department used incomplete data to calculate adjustments related to potentially fraudulent unemployment claims. We were therefore unable to obtain sufficient appropriate evidence about these adjustments. Together, these issues affected department balances representing 30 percent of Due From Other Governments, 100 percent of Benefits Payable, 29 percent of Intergovernmental Revenues, and 33 percent of Health and Human Services Expenditures within the Federal Fund. As a result of these matters, we were unable to determine whether further audit adjustments to these accounts were necessary.

Qualified Opinions on Business-Type Activities and the Federal Fund

In our opinion, based on our audit and the reports of other auditors, except for the effect of the matters described in the *Basis for Qualified Opinions on Business-Type Activities and the Federal Fund* paragraphs, the financial statements of the Business-Type Activities and the Federal Fund of the State present fairly, in all material respects, their respective financial position, as of June 30, 2020, 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 present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2020, 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 described in Note 1 to the financial statements, the financial statements for the fiscal year ended June 30, 2019, have been restated to correct a misstatement related to the Unemployment Programs Fund. This matter did not contribute to the modification of our opinion related to this fund.

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 the 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 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 January 26, 2022 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

Michael Tilden

MICHAEL S. TILDEN, CPA
Acting California State Auditor

Sacramento, California

January 26, 2022

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, 2020. 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

In the wake of the economic disruption caused by the COVID-19 pandemic during the last quarter of the fiscal year, California continued its decade-long trend of revenue growth during the year ended June 30, 2020. General revenues, comprised primarily of taxes, showed only modest growth, increasing by $5.2 billion (3.0%) for fiscal year 2019-20, compared to an increase of $11.2 billion (6.9%) in fiscal year 2018-19. For the first nine months of the fiscal year, the administration maintained its strategy of paying down liabilities and building reserves. By the end of the fiscal year, the spending focus shifted to using reserves responsibly and securing additional funding sources to address the State's mounting emergency financial needs stemming from the pandemic. In total, expenses and transfers for the State's governmental activities increased by $59.2 billion (20.4%), but still remained less than total revenues received, resulting in an $9.4 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 $9.7 billion decrease in the business-type activities' net position, as restated, for fiscal year 2019-20.

Net Position – The primary government ended fiscal year 2019-20 with a net deficit position of $54.8 billion, a decrease of $338 million (0.6%) from the previous year, as restated. The total net deficit position is reduced by $119.7 billion for net investment in capital assets and by $54.4 billion for restricted net position, yielding a negative unrestricted net position of $228.9 billion. Restricted net position is dedicated for specified uses and is not available to fund current activities. More than 81.6%, or $186.8 billion, of the negative $228.9 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 $65.0 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.

Fund Highlights

Governmental Funds – As of June 30, 2020, the primary government's governmental funds reported a combined ending fund balance of $66.0 billion, which was an increase of $11.0 billion over the prior fiscal year fund balance, as restated. The unrestricted fund balance, comprised of committed, assigned, and unassigned balances, was $17.3 billion, an increase of $4.7 billion from the prior fiscal year unrestricted fund balance of $12.6 billion. The nonspendable and restricted fund balances were $2.1 billion and $46.5 billion, respectively.

Proprietary Funds – As of June 30, 2020, the primary government's proprietary funds reported a combined ending net deficit position of $12.4 billion, a decrease of $9.6 billion from the prior fiscal year, as restated. The total net position is reduced by $3.4 billion for net investment in capital assets, expendable restrictions of $7.9 billion, and nonexpendable restrictions of $2 million, yielding a negative unrestricted net position of $23.7 billion.

Noncurrent Assets and Liabilities

As of June 30, 2020, the primary government's noncurrent assets totaled $177.8 billion, of which $153.2 billion is related to capital assets. State highway infrastructure assets of $79.6 billion represent the largest portion of the State's capital assets.

The primary government's noncurrent liabilities totaled $304.7 billion, which consists of $186.8 billion in unfunded employee-related future obligations, $75.3 billion in general obligation bonds, $28.1 billion in revenue bonds, and $14.5 billion in other noncurrent liabilities. During fiscal year 2019-20, the primary government's noncurrent liabilities increased by $11.3 billion (3.8%) over the previously reported noncurrent liabilities. The net increase in noncurrent liabilities includes an increase of $6.3 billion in net OPEB liability, an increase of $2.2 billion in loans payable, and an increase of $2.1 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 net deficit position (governmental and business-type activities) decreased by $338 million (0.6%), from a negative $54.5 billion, as restated, to a negative $54.8 billion at June 30, 2020.

The primary government's $119.7 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 net deficit position includes another $54.4 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, 2020, the primary government's combined unrestricted net deficit position was $228.9 billion—$208.0 billion for governmental activities and $20.9 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, 2020, the primary government recognized $186.8 billion (81.6% of the $228.9 billion unrestricted net deficit) in unfunded employee-related obligations—net pension liability, net OPEB liability, and compensated absences. In addition, the primary government recognized $65.0 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 net deficit 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, 2020 and 2019
(amounts in millions)

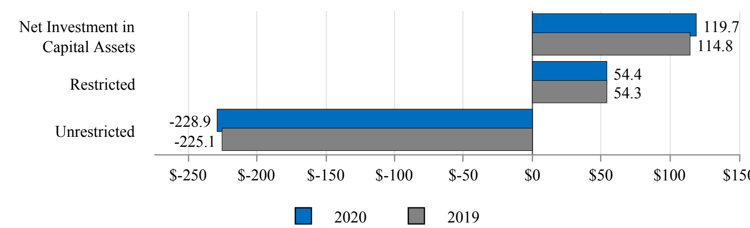
	Governmental Activities		Business-type Activities		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
ASSETS						
Current and other assets	$ 160,907	$ 121,013	$ 26,712	$ 31,812	$ 187,619	$ 152,825
Capital assets	138,808	134,898	14,407	13,377	153,215	148,275
Total assets	**299,715**	**255,911**	**41,119**	**45,189**	**340,834**	**301,100**
DEFERRED OUTFLOWS OF RESOURCES	30,222	24,865	3,543	3,001	33,765	27,866
Total assets and deferred outflows of resources	**$ 329,937**	**$ 280,776**	**$ 44,662**	**$ 48,190**	**$ 374,599**	**$ 328,966**
LIABILITIES						
Noncurrent liabilities	$ 260,464	$ 253,581	$ 44,192	$ 39,824	$ 304,656	$ 293,405
Other liabilities	97,103	64,452	6,546	5,016	103,649	69,468
Total liabilities	**357,567**	**318,033**	**50,738**	**44,840**	**408,305**	**362,873**
DEFERRED INFLOWS OF RESOURCES	16,895	17,468	4,242	4,588	21,137	22,056
Total liabilities and deferred inflows of resources	**374,462**	**335,501**	**54,980**	**49,428**	**429,442**	**384,929**
NET POSITION						
Net investment in capital assets	116,773	112,280	2,907	2,534	119,680	114,814
Restricted	46,671	41,372	7,724	12,947	54,395	54,319
Unrestricted	(207,969)	(208,377)	(20,949)	(16,719)	(228,918)	(225,096)
Total net position (deficit)	**(44,525)**	**(54,725)**	**(10,318)**	**(1,238)**	**(54,843)**	**(55,963)**
Total liabilities, deferred inflows of resources, and net position	**$ 329,937**	**$ 280,776**	**$ 44,662**	**$ 48,190**	**$ 374,599**	**$ 328,966**

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, 2020 and 2019
(amounts in billions)



Changes in Net Position

The expenses of the primary government totaled $387.0 billion for the fiscal year ended June 30, 2020. Of this amount, $207.3 billion (53.6%) was funded with program revenues (charges for services or program-specific grants and contributions), leaving $179.7 billion to be funded with general revenues (mainly taxes). The primary government's general revenues of $179.4 billion were slightly less than the unfunded expenses. As a result, the total net position, as restated, decreased by $338 million, or 0.6%.

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, 2020 and 2019
(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
REVENUES						
Program Revenues:						
Charges for services	$ 33,922	$ 34,663	$ 24,966	$ 27,415	$ 58,888	$ 62,078
Operating grants and contributions	143,671	94,502	2,593	2,125	146,264	96,627
Capital grants and contributions	2,108	1,561	—	—	2,108	1,561
General Revenues:						
Taxes	178,051	173,011	—	—	178,051	173,011
Investment and interest	690	707	—	—	690	707
Miscellaneous	614	447	—	—	614	447
Total revenues	**359,056**	**304,891**	**27,559**	**29,540**	**386,615**	**334,431**
EXPENSES						
Program Expenses:						
General government	23,489	17,901	—	—	23,489	17,901
Education	75,804	75,644	—	—	75,804	75,644
Health and human services	192,576	144,937	—	—	192,576	144,937
Natural resources and environmental protection	10,111	9,774	—	—	10,111	9,774
Business, consumer services, and housing	2,604	2,133	—	—	2,604	2,133
Transportation	18,425	17,022	—	—	18,425	17,022
Corrections and rehabilitation	16,862	15,153	—	—	16,862	15,153
Interest on long-term debt	3,841	3,996	—	—	3,841	3,996
Electric Power	—	—	905	913	905	913
Water Resources	—	—	1,184	1,200	1,184	1,200
State Lottery	—	—	6,665	7,436	6,665	7,436
Unemployment Programs	—	—	23,622	13,229	23,622	13,229
California State University	—	—	10,593	9,779	10,593	9,779
Other enterprise programs	—	—	272	233	272	233
Total expenses	**343,712**	**286,560**	**43,241**	**32,790**	**386,953**	**319,350**
Excess (deficiency) before transfers	**15,344**	**18,331**	**(15,682)**	**(3,250)**	**(338)**	**15,081**
Gain on early extinguishment of debt	—	—	—	—	—	—
Transfers	(5,963)	(3,931)	5,963	3,931	—	—
Change in net position	9,381	14,400	(9,719)	681	(338)	15,081
Net position (deficit), beginning	**(53,906) ***	**(69,125) ***	**(598) ***	**(1,919) ***	**(54,504)**	**(71,044)**
Net position (deficit), ending	**$ (44,525)**	**$ (54,725)**	**$ (10,317)**	**$ (1,238)**	**$ (54,842)**	**$ (55,963)**

*Restated

Note: Prior-year adjustments recorded in the current year have not been reflected in the prior-year column.

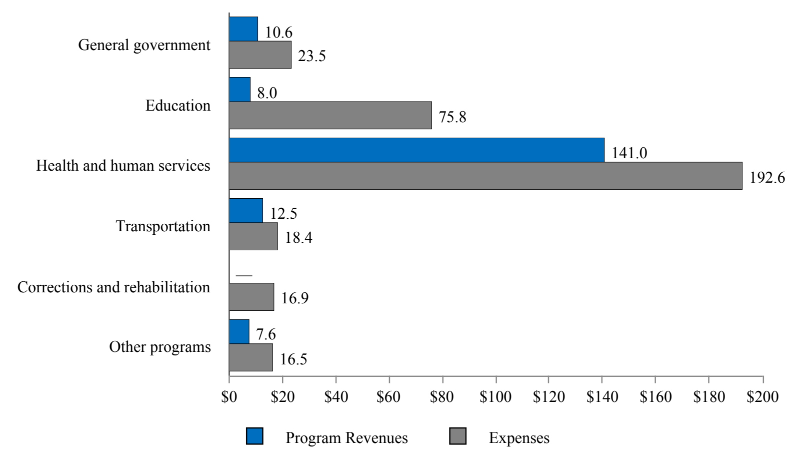
Governmental Activities

During fiscal year 2019-20, governmental activities' expenses and transfers totaled $349.7 billion. Program revenues totaling $179.7 billion, including $145.8 billion in federal grants and contributions, funded 51.4% of expenses and transfers, leaving $170.0 billion to be funded with general revenues (mainly taxes). General revenues for governmental activities ($179.4 billion) exceeded net unfunded expenses and transfers, resulting in the governmental activities' net deficit position of $44.5 billion as of June 30, 2020, an improvement of $9.4 billion (17.4%) over the prior year's restated net deficit position of $53.9 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, 2020
(amounts in billions)



For the fiscal year ended June 30, 2020, total governmental activities' revenue was $359.1 billion, an increase of 17.8% over the prior year. General revenues increased by $5.2 billion (3.0%), to $179.4 billion, and program revenues increased by $49.0 billion (37.5%), to $179.7 billion. The rise in program revenues is due to an increase in federal grants and contributions for health and human services. Personal income taxes increased by $7.7 billion over the prior year, representing a 7.6% increase compared to the fiscal year 2018-19 increase of 6.6%. The surprisingly stable growth in personal income tax revenues can be attributed to minimal job loss among higher-wage earners during the onset of the COVID-19 pandemic, as well as a strong recovery of the stock market at the close of the year from the initial economic shock caused by the pandemic. The Road Repair and Accountability Act of 2017

(Senate Bill 1) yielded moderate growth as motor vehicle excise tax revenues increased by $244 million (3.2%) in the second year after enactment. Corporation taxes decreased by $1.4 billion (9.9%) from the prior year.

Overall expenses for governmental activities increased by $57.2 billion (19.9%) over the prior year. The largest increase in expenditures, $47.6 billion (32.9%), occurred in health and human services programs. The majority of the increase is attributable to the Department of Health Care Services, which administers the California Medical Assistance (Medi-Cal) program.

Chart 3 presents the percentage of total expenses for each governmental activities program.

Chart 3

Expenses by Program
Year ended June 30, 2020
(as a percent)

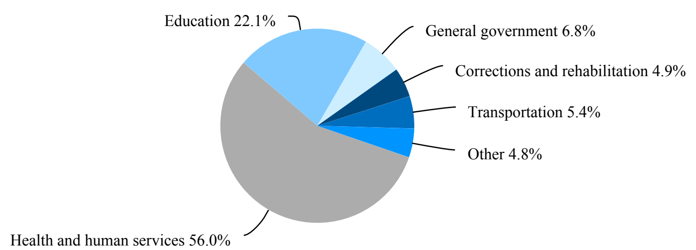
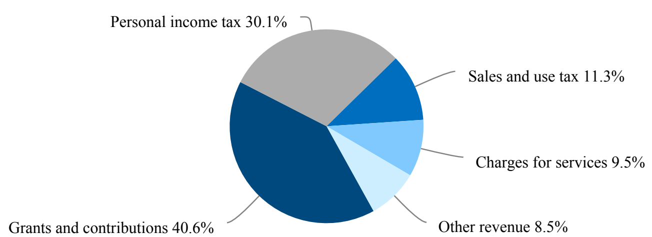


Chart 4 presents the percentage of total revenues by source for each governmental activities program.

Chart 4

Revenues by Source
Year ended June 30, 2020
(as a percent)



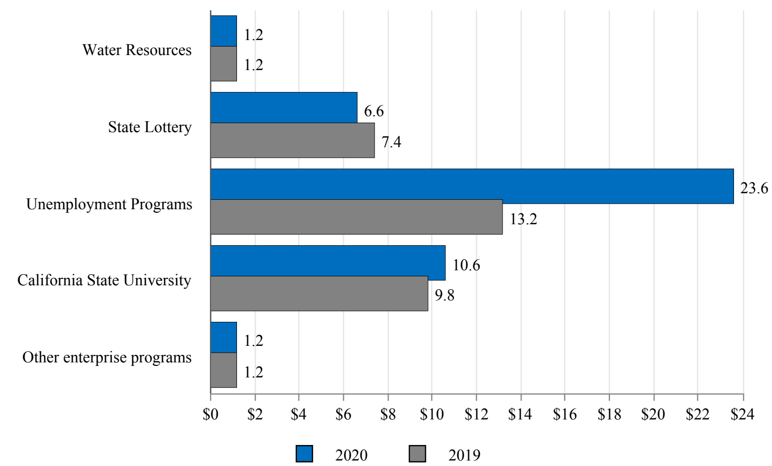
Business-type Activities

As of June 30, 2020, business-type activities' expenses totaled $43.2 billion. Program revenues of $27.5 billion, primarily generated from charges for services, and $6.0 billion in transfers, were not sufficient to cover these expenses. As a result, the business-type activities' total net deficit position declined to $9.7 billion below the prior year's restated net deficit position of $598 million, to a net deficit of $10.3 billion at June 30, 2020.

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, 2020 and 2019
(amounts in billions)



Fund Financial Analysis

The financial position of the State's governmental funds improved in fiscal year 2019-20, with a combined fund balance increase of $11.0 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. Of the State's "Big Three" taxes (personal income, sales and use, and corporation), personal income taxes increased during the fiscal year, while both sales and use and corporation taxes decreased. Proprietary funds' total net position decreased by $9.6 billion during fiscal year 2019-20—comprised of a $9.7 billion decrease for enterprise funds, offset by a $91 million increase for internal service funds.

The decrease in the enterprise funds' net position is attributable to the Unemployment Programs Fund, with its fund balance dropping by $9.7 billion to a deficit balance of $1.0 billion.

Governmental Funds

As of June 30, 2020, the governmental funds' Balance Sheet reported $170.6 billion in assets, $104.6 billion in liabilities and deferred inflows of resources, and fund balances totaling $66.0 billion. Total assets of governmental funds increased by 31.0%, while total liabilities and deferred inflows of resources increased by 39.0%, resulting in a total fund balance increase of $11.0 billion (20.0%) above the prior year's restated balance.

Within the governmental funds' total fund balance, $2.1 billion is classified as nonspendable, as this amount consists of long-term interfund receivables, loans receivable, and legal or contractual requirements. Additionally, $46.5 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, of the total fund balance, $13.0 billion is classified as committed for specific purposes and $3.1 billion is classified as assigned for specific purposes. The remaining unassigned balance of the governmental funds is $1.1 billion—$376 million 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 $362.2 billion in revenues, $356.5 billion in expenditures, and a net $5.3 billion in receipts from other financing sources. The ending fund balance of the governmental funds for the fiscal year ended June 30, 2020, was $66.0 billion, an $11.0 billion increase over the prior year's restated ending fund balance of $55.0 billion.

Governmental funds' revenue consists primarily of taxes (50.3%) and intergovernmental revenue (41.1%). Personal income taxes accounted for 61.4% of tax revenues and increased by $15.0 billion over the prior fiscal year. Sales and use taxes accounted for 22.3% of tax revenues and decreased by $376 million from the prior fiscal year. Corporation taxes accounted for 7.5% of tax revenues and decreased by $316 million from the prior fiscal year. Intergovernmental revenue, primarily from the federal government, increased by $49.1 billion (49.1%) over the prior fiscal year.

Governmental funds' expenditures increased by $59.9 billion (20.2%) over the prior fiscal year, primarily for health and human services, general government, education, and transportation. The increase in health and human services expenditures of $47.3 billion (32.7%) is due to increased spending on Medi-Cal. The general government's increase of $8.1 billion (42.2%) in expenditures can be attributed to payments of outstanding debts and liabilities, in particular additional payments toward the unfunded pension liabilities associated with CalPERS and CalSTRS. Education expenditures increased by $1.3 billion (1.7%) 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 2019-20. Expenditures for transportation increased by $2.1 billion (11.9%) due to the timing of expenditures related to highway projects, as well as an increase in available revenues for capital outlay projects and mass transportation, generated by the Road Repair and Accountability Act of 2017 (Senate Bill 1).

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, 2020 and 2019
(amounts in billions)

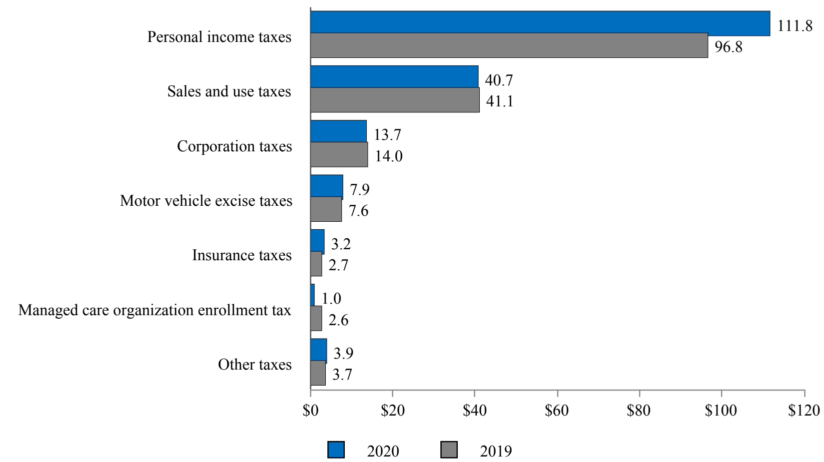
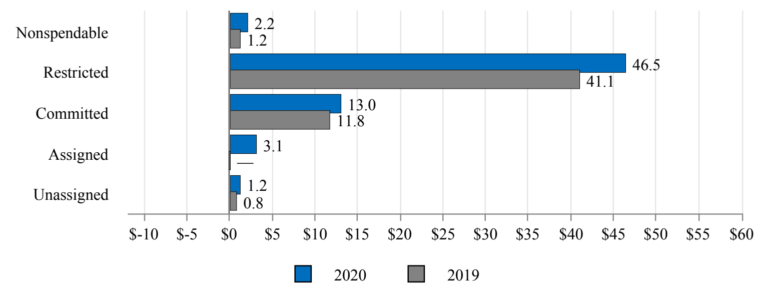


Chart 7 presents a two-year comparison of the components of the governmental funds' balance.

Chart 7

Governmental Funds – Components of Fund Balance – Two-year Comparison
Years ended June 30, 2020 and 2019
(amounts in billions)



Note: Assigned fund balance was $19 million for 2019, which rounded to zero when presented 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 $28.5 billion, an increase of $10.3 billion over the prior year's fund balance, as restated. The Federal Fund ended the year with a negative fund balance of $2.2 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 $9.3 billion, $14.0 billion, and $1.7 billion, respectively. The nonmajor governmental funds ended the fiscal year with a combined fund balance of $14.7 billion.

General Fund: As shown on the Balance Sheet, the General Fund (the State's main operating fund) ended fiscal year 2019-20 with assets of $57.0 billion; liabilities and deferred inflows of resources of $28.5 billion; and nonspendable, restricted, committed, and assigned fund balances of $2.1 billion, $16.7 billion, $3.0 billion, and $3.1 billion, respectively. This left the General Fund with an unassigned fund balance of $3.6 billion, an increase of $2.9 billion over the prior year. Total assets of the General Fund increased by $7.3 billion (14.6%) over the prior fiscal year, and total liabilities and deferred inflows of resources decreased by $2.7 billion (8.5%) from the prior year.

As shown on the Statement of Revenue, Expenditures, and Changes in Fund Balances, the General Fund had revenues exceeding expenditures by $17.4 billion ($155.9 billion in revenues and $138.5 billion in expenditures). Approximately $149.5 billion (95.9%) of General Fund revenue is derived from the State's largest three taxes—personal income taxes ($110.3 billion), sales and use taxes ($25.5 billion), and corporation taxes ($13.7 billion). A total of $489 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 2019-20, total General Fund revenue increased by $15.4 billion (11.0%), attributed primarily to the increase in personal income taxes of $15.3 billion (16.1%). General Fund expenditures increased by $9.4 billion (7.3%). The largest increases were in health and human services and general government, which rose by $4.3 billion and $4.7 billion, respectively. The General Fund ended the fiscal year with a fund balance of $28.5 billion, an improvement of $10.3 billion over the prior year's restated ending fund balance of $18.2 billion. The General Fund's ending fund balance includes $16.1 billion restricted for budget stabilization if the Governor must declare a budget emergency during an economic crisis, such as the COVID-19 pandemic encountered in the last quarter of fiscal year 2019-20.

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 $127.9 billion (87.4%) of the total $146.2 billion in fund expenditures. Education and transportation programs also constituted a large part of the fund's expenditures, amounting to $8.1 billion (5.5%) and $5.2 billion (3.6%) of the total, respectively. The Federal Fund's revenues increased by $49.7 billion, which was offset by the combined increase in expenditures and transfers of $52.1 billion, resulting in a $2.4 billion decrease from the prior year's ending fund balance of $223 million, to a $2.2 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 $394 million (2.6%) and its expenditures increased by $522 million (3.3%), 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 $494 million. The Transportation Fund ended the fiscal year with a $9.3 billion fund balance, a decrease of $22 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 decreased by $1.1 billion (14.4%), and expenditures increased by $1.7 billion (20.8%) 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 $3.9 billion, mainly from bond proceeds, including those sold under Proposition 68. The Environmental and Natural Resources Fund ended the fiscal year with a $14.0 billion fund balance, an increase of $371 million (2.7%) 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 decreased by $2.5 billion (22.3%), and expenditures decreased by $3.1 billion (26.5%). Other financing sources provided net receipts of $345 million. The Health Care Related Programs Fund ended the fiscal year with a $1.7 billion fund balance, an increase of $562 million over the prior year.

Proprietary Funds

Enterprise Funds: The total net deficit position of the enterprise funds at June 30, 2020, was $10.3 billion—a $9.7 billion decline from the prior year's restated net deficit position of $598 million. The Unemployment Programs Fund accounted for effectively all the net decrease, ending the fiscal year with a deficit net position of $1.0 billion. The State Lottery Fund and the nonmajor enterprise funds increased their net positions by $70 million and $275 million, respectively, while the net position of the California State University Fund decreased by $336 million.

As shown on the proprietary funds' Statement of Net Position, total assets and deferred outflows of resources for the enterprise funds were $47.1 billion as of June 30, 2020. Of this amount, current assets totaled $13.8 billion, noncurrent assets totaled $29.8 billion, and deferred outflows of resources totaled $3.5 billion. The total liabilities and deferred inflows of resources for the enterprise funds was $57.3 billion. The three largest liabilities of the enterprise funds were $16.2 billion in net OPEB liability, $14.3 billion in revenue bonds payable, and $9.3 billion in net pension liability. As of June 30, 2020, the Unemployment Programs Fund reported a balance on deposit with the U.S. Treasury of $375 million, and a loan balance of $2.3 billion with the U.S. Department of Labor. The loan balance increased to over $19.5 billion by December 2020.

Total net position consisted of four segments: net investment in capital assets of $2.9 billion, nonexpendable restricted net position of $2 million, restricted expendable net position of $7.7 billion, and unrestricted net deficit of $20.9 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 $23.5 billion, operating expenses of $40.1 billion, and net revenues from other transactions and transfers of $7.0 billion. The largest sources of operating revenues were unemployment and disability insurance receipts of $12.5 billion in the Unemployment Programs Fund, and lottery ticket sales of $6.6 billion collected by the State Lottery Fund. The unemployment and disability insurance receipts in the Unemployment Programs Fund decreased by $1.5 billion (10.6%) from the prior fiscal year. The largest operating expenses were distributions to beneficiaries of $23.3 billion reported in the Unemployment Programs Fund, personal services expense of $7.1 billion reported in the California State University Fund, and lottery prizes of $4.4 billion distributed by the State Lottery Fund.

Internal Service Funds: The total net deficit of the internal service funds was $2.1 billion as of June 30, 2020. The net position consists of three segments: net investment in capital assets of $539 million, restricted expendable net position of $164 million, and unrestricted net deficit position of $2.8 billion.

Fiduciary Funds

The State of California has four types of fiduciary funds: private purpose trust funds, pension and other employee benefit trust funds, investment trust funds, and agency funds. The private purpose trust funds ended the fiscal year with a net position of $10.1 billion. The pension and other employee benefit trust funds ended the fiscal year with a net position of $672.1 billion. The State's only investment trust fund, the Local Agency Investment Fund, ended the fiscal year with a net position of $32.1 billion. Agency funds act as clearing accounts and thus do not have a net position.

For the fiscal year ended June 30, 2020, the fiduciary funds' combined net position was $714.3 billion, a $39.1 billion increase over the prior year net position. The net position increased primarily because contributions received and investment income in pension and other employee benefit trust funds exceeded payments made to participants, despite a 24.9% decrease in net investment income from the prior fiscal year.

General Fund Budget Highlights

The original General Fund budget of $140.8 billion was increased by $7.9 billion during fiscal year 2019-20. This increase is primarily attributed to additional funding for health and human services and general government.

The increase in health and human services funding was mainly due to the expiration of the managed care organization tax and a shift in the timing of payments in relation to the budget year.

Other general government funding increased due to the demand on the State to direct funding to crises through the Office of Emergency Services. The additional funding was to support the State's public health and safety efforts in response to the COVID-19 outbreak.

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, 2020
(amounts in millions)

	Original	Final	Increase/ (Decrease)
Budgeted amounts			
Business, consumer services, and housing	$ 674	$ 1,238	$ 564
Transportation	16	57	41
Natural resources and environmental protection	2,482	3,185	703
Health and human services	40,022	42,498	2,476
Corrections and rehabilitation	12,579	13,318	739
Education	73,174	73,970	796
General government:			
Tax relief	406	414	8
Debt service	4,816	5,238	422
Other general government	6,615	8,736	2,121
Total	**$ 140,784**	**$ 148,654**	**$ 7,870**

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2020, the State's investment in capital assets for its governmental and business-type activities amounted to $152.9 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, 2020, the State's capital assets increased by $4.6 billion, or 3.1% 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, 2020 and 2019
(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	$ 21,147	$ 20,473	$ 330	$ 306	$ 21,477	$ 20,779
State highway infrastructure	79,552	78,418	—	—	79,552	78,418
Collections – nondepreciable	23	23	31	27	54	50
Buildings and other depreciable property	33,493	32,753	16,998	15,808	50,491	48,561
Intangible assets – amortizable	2,681	2,631	442	433	3,123	3,064
Less: accumulated depreciation/amortization	(17,076)	(16,143)	(7,067)	(6,574)	(24,143)	(22,717)
Construction/development in progress	18,142	16,149	3,209	3,258	21,351	19,407
Intangible assets – nonamortizable	846	593	124	119	970	712
Total	**$ 138,808**	**$ 134,897**	**$ 14,067**	**$ 13,377**	**$ 152,875**	**$ 148,274**

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 2019-20, the actual amount spent on preservation was 47.8% 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 13,310 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, 2020, the State had total bonded debt outstanding of $109.9 billion. Of this amount, $79.7 billion (72.5%) 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 $75.3 billion. The remaining $30.2 billion (27.5%) of bonded debt outstanding represents revenue bonds, which are secured solely by specified revenue sources. The current portion of revenue bonds outstanding is $2.1 billion and the long-term portion is $28.1 billion.

During the fiscal year, the State issued a total of $7.8 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, 2020 and 2019
(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Government-wide noncurrent liabilities						
General obligation bonds	$ 74,592	$ 74,762	$ 753	$ 808	$ 75,345	$ 75,570
Revenue bonds payable	15,053	14,913	13,052	13,276	28,105	28,189
Total bonded debt	89,645	89,675	13,805	14,084	103,450	103,759
Net pension liability	82,816	81,300	9,274	8,730	92,090	90,030
Net other postemployment benefits liability	74,263	69,442	16,224	14,766	90,487	84,208
Mandated cost claims payable	1,782	1,815	—	—	1,782	1,815
Loans payable	146	199	2,272	—	2,418	199
Compensated absences payable	3,987	3,667	263	207	4,250	3,874
Workers' compensation benefits payable	4,192	3,958	10	5	4,202	3,963
Capital lease obligations	337	363	336	295	673	658
Commercial paper	1,109	1,033	1,049	778	2,158	1,811
Other noncurrent liabilities	2,187	2,128	958	959	3,145	3,087
Total noncurrent liabilities	**260,464**	**253,580**	**44,191**	**39,824**	**304,655**	**293,404**
Current portion of long-term obligations	5,891	6,240	2,110	2,582	8,001	8,822
Total long-term obligations	**$ 266,355**	**$ 259,820**	**$ 46,301**	**$ 42,406**	**$ 312,656**	**$ 302,226**

During the fiscal year ended June 30, 2020, the primary government's total long-term obligations increased by $10.4 billion from the prior year's balance. The largest increases included $2.1 billion in net pension liability and $6.3 billion in net OPEB liability because the State does not fully fund these benefits. Another large increase in long-term obligations during the fiscal year was a $2.2 billion increase in loans payable resulting from a new loan payable to the U.S. Department of Labor.

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, 2020, the State's general obligation bonds rating from Fitch Ratings was raised to "AA" from "AA-", and the general obligation bonds rating from Moody's Investors Service was raised to "Aa2" from "Aa3." The State's general obligation bonds rating from Standard and Poor's Rating Services remained unchanged at "AA-".

Economic Condition and Future Budgets

The Economy for the Fiscal Year Ending June 30, 2020

The 2019-20 fiscal year was an unprecedented period for California's economy. Economic expansion and low unemployment continued through the first eight months of the year (through February 2020). However, by June 2020, the economic disturbance introduced by the COVID-19 pandemic led to steep declines in economic activity and a dramatic increase in unemployment. As of December 2019, California's real gross domestic product (GDP) had reached $3.1 trillion, an increase of 5.2% compared to December 2018. By June 30, 2020, the State's GDP had declined to $2.8 trillion, an overall decrease of 7.6% for fiscal year 2019-20. By comparison the economy experienced growth of 5.5% during fiscal year 2018-19. The decline in California's economic output after the dawn of the pandemic was less than that of the United States GDP, which decreased by 8.5% during fiscal year 2019-20.

California began the 2019-20 fiscal year with a stable unemployment rate of 4.1%, and in January 2020, the State posted its lowest unemployment rate on record under the methodology used since 1976, with a rate of 3.9%. By March 2020, however, the impact of the COVID-19 pandemic to California's workforce was becoming apparent, with unemployment increasing to 5.5%. By April 2020, the unemployment rate for California increased dramatically, reaching a record high of 16.0%, and holding steady through May before ending the fiscal year at 14.1% in June 2020. Total non-farm employment decreased by 1.8 million jobs during fiscal year 2019-20. Significant job losses were experienced in all of California's 11 major industry sectors. The largest losses were in the leisure and hospitality sector, which includes jobs in arts, entertainment, and recreation, as well as food service and accommodations. Jobs in this sector declined by nearly 36%, with over 727,000 jobs lost.

In spite of the COVID-19 pandemic, California's per capita personal income rose by 9.7%, which coincided with the national increase of 10.7%. Since 2010, California's personal income has grown an average of 5.8% per year, due largely to the low unemployment rate sustained during those years. During the same period, United States personal income grew an average of 5.0%. Effective January 1, 2020, California's minimum wage increased to either $12.00 or $13.00 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 stumbled initially in response to the COVID-19 pandemic, but began to rebound by June 2020, as low interest rates sustained the optimism for home buying. The median price of homes in California increased by 2.5% during the fiscal year to a record high of $626,170 as of June 30, 2020, still more than double the national median price of $294,400. While 30-year fixed mortgage rates dropped to an average of 3.16% in June 2020, compared to 3.80% in June 2019, sales of single-family homes declined by 12.8% during fiscal year 2019-20, compared to a 5.1% decline in fiscal year 2018-19. For the year ended June 30, 2020, commercial construction permits decreased 21.3% from the prior year. The number of residential building permits remained consistent at approximately

106,000 units. This is still well below the projected need to accommodate population growth, which may continue to drive housing prices up and affordability down.

Economic Conditions for the 2020-21 Fiscal Year and Future Outlook

California's economy made an emphatic recovery during the 2020-21 fiscal year. At June 30, 2021, the State's GDP approached $3.3 trillion, an increase of 17.0% over the prior fiscal year. California's economic growth during fiscal year 2020-21 slightly outpaced the United States GDP, which increased by 16.8%. Additionally, California's economic output by the end of fiscal year 2020-21 surpassed its GDP prior to the onset of the COVID-19 pandemic by 6.7% Personal income for Californians showed modest gains as well, increasing by 4.2% during fiscal year 2020-21, and exceeding the U.S. national increase in personal income by 3.1%.

The state unemployment rate steadily recuperated during the fiscal year, dropping from 14.1% at June 30, 2020, to 7.6% by June 30, 2021. The leisure and hospitality sector in particular began to rebound with 265,000 jobs gained during fiscal year 2020-21, an increase of 20.2%. At June 30, 2021, leisure and hospitality was still lacking nearly 500,000 jobs that existed prior to the COVID-19 pandemic, indicating that a long road to recovery still lies ahead for this sector.

The housing market showed encouraging signs of growth in fiscal year 2020-21 as well. Existing home sales in June 2021 totaled 436,020 units, an increase of 28.3% from June 2020. Tight supply and low interest rates contributed to a surge of the June 2021 statewide median home price to a record $819,630, up 30.9% from June 2020. By comparison, the U.S. national median home price increased by 23.4% from June 2020 to June 2021, to $363,300.

New vehicle registrations were another indicator of economic recovery for California, as the number of new vehicle registrations increased from 98,865 in June 2020 to 144,282 in June 2021, an improvement of 45.9%.

At the close of the 2020-21 fiscal year, the State's economy showed encouraging signs of growth and recovery from the initial impact of the COVID-19 pandemic. Sustainability of such recovery and growth still remains uncertain due to continued evolution of the pandemic and state inflation rates that elevated to 4.4% in fiscal year 2020-21, compared to just 1.4% in fiscal year 2019-20. Since June 2021, annual price inflation has exceeded 5.0% each month, compared to an average of about 2.0% over the last decade. Resurgent U.S. consumer demand met with continued frictions in production and transport of many goods has led to higher than normal growth in the prices of many goods and services. The consensus among economic forecasters is that this uptick in inflation should abate during 2022, but the range of potential outcomes varies widely.

California's 2020-21 Budget

California's 2020-21 Budget Act was enacted on June 29, 2020. The Budget Act appropriated $202.1 billion—$133.9 billion from the General Fund, $62.1 billion from special funds, and $6.1 billion from bond funds. The General Fund's budgeted expenditures decreased $13.0 billion, or 8.9% from last year's General Fund budget. The General Fund's revenues were projected to be $137.7 billion after a $7.8 billion transfer from 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 59.7% of total revenue in fiscal year 2020-21. California's major taxes (personal income, sales and use, and corporation taxes) are projected to supply approximately 88.3% of the General Fund's resources in the

2020-21 fiscal year. The General Fund was projected to end the 2020-2021 fiscal year with $10.7 billion in total reserves—$8.3 billion in the BSA, $2.6 billion in the General Fund's Special Fund for Economic Uncertainties (SFEU), $450 million in the Safety Net Reserve (SNR), and an expected deficit of $716 million from in COVID reserve. In addition to the required minimum annual transfer to the BSA, Proposition 2 requires the General Fund to make an equivalent minimum annual amount of debt reduction payments; the 2020-21 spending plan included $2.0 billion of debt reduction expenditures.

The 2020-21 Budget Act decreased total State expenditures by $12.9 billion from the 2019-20 budgeted level, driven by a decrease in budgeted General Fund expenditures of $13.9 billion. Primary decreases in General Fund spending included reductions of $10.2 billion for K-12 education, $1.7 billion for higher education, and $3.6 billion for general government. The General Fund's share of Proposition 98 guaranteed minimum funding level for K-12 schools and community colleges dropped by $7.6 billion to $45.1 billion.

Despite the unprecedented health pandemic in 2020, the 2020-21 Budget Act planned to close a $54.3 billion deficit caused by the COVID-19 recession. Specific deficit reduction strategies included using $8.8 billion in reserves, borrowing $9.3 billion from special funds, temporarily suspending $4.4 billion in incentive tax credits provided to businesses, cancelling $10.6 billion in government program expansions, obtaining $10.1 billion in expanded federal assistance, and initiating $11.1 billion in funding reductions and deferrals that would be restored if certain federal funding targets were met.

Specific 2020-21 Budget provisions included a $15.9 billion increase in Medi-Cal local assistance to address COVID-19 caseload growth, $1.6 billion in additional funding for In-Home Supportive Services, increased CalWORKs costs projected to reach $7.8 billion, and $1.2 billion allocated across multiple departments and programs to aid local governments addressing homelessness.

California's state government received $9.5 billion from the Coronavirus Relief Fund. The 2020-21 Budget Act allocated $4.5 billion of these funds to schools and community colleges to mitigate the effects of school closures related to COVID-19. The Budget also provided $1.3 billion to counties and $500 million to cities to be used to address homelessness, public health, public safety, and other services in the wake of the COVID-19 pandemic. An additional $550 million was allocated to the Department of Housing and Community Development to provide housing for individuals and families who were homeless or at risk of homelessness due to the COVID-19 pandemic.

In June 2021, the 2021-22 Budget Act was enacted, and provided updated estimates of fiscal year 2020-21 General Fund revenues, expenditures, and reserves. The 2021-22 Budget Act projected fiscal year 2020-21 General Fund revenue of $188.8 billion (after transfers), expenditures of $166.1 billion, and total year-end reserves of $14.7 billion—$1.9 billion in the Public School System Stabilization Account, $12.3 billion in the BSA and $450 million in the SNR—which is $4.0 billion more than projected in the 2020-21 Budget Act in June 2020.

California's 2021-22 Budget

In June 2021, the fiscal year 2021-22 Budget Act was enacted. It includes projections of fiscal year 2021-22 General Fund revenues, expenditures, and reserves. The Budget estimates General Fund revenues of $178.8 billion, a decrease of $5.0 billion (2.7%) from fiscal year 2020-21 revenue estimates. Total General Fund sources are anticipated to decline by $13.4 billion (7.1%) from the 2020-21 level, due primarily to a proposed transfer of $3.4 billion from the General Fund to the BSA (a shift of

$8.5 billion from the prior year budget), and projected reductions of personal income tax and corporation income tax revenues totaling $4.5 billion. General Fund expenditures for fiscal year 2021-22 are budgeted at $196.4 billion, an increase of $30.4 billion (18.3%) compared to the fiscal year 2020-21 estimates. The Budget includes $25.2 billion in estimated combined reserves, which is comprised of $15.8 billion in the BSA for fiscal emergencies, $4.5 billion in the Public School System Stabilization Account, $4.0 billion in the state's operating reserve, and $900 million in the Safety Net Reserve.

The fiscal year 2021-22 Budget Act includes historic investments in COVID-19 relief for families and small businesses through provisions such as the Golden State Stimulus and Golden State Grant programs. The Budget features $6.4 billion in state-administered and direct local federal rent relief for individuals and families, as well as $2.0 billion to pay down unpaid utility debt that accumulated during the pandemic. Additionally, the Budget expands relief to small businesses by adding $1.5 billion to the State's earlier $2.5 billion investment in the Small Business COVID-19 Relief Grant Program, which has helped approximately 210,000 businesses stay open and keep Californians employed.

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.

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Basic Financial Statements

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Government-wide Financial Statements

Statement of Net Position

June 30, 2020
(amounts in thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current assets:				
Cash and pooled investments	$ 50,327,811	$ 6,965,381	$ 57,293,192	$ 3,185,108
Amount on deposit with U.S. Treasury	—	374,933	374,933	—
Investments	452,442	2,571,906	3,024,348	10,701,579
Restricted assets:				
Cash and pooled investments	930,291	969,110	1,899,401	336,306
Investments	—	—	—	25,946
Due from other governments	—	182,839	182,839	—
Net investment in direct financing leases	12,349	12,723	25,072	—
Receivables (net)	50,584,339	2,051,446	52,635,785	6,369,717
Internal balances	1,813,175	(1,813,175)	—	—
Due from primary government	—	—	—	261,027
Due from other governments	46,661,936	381,608	47,043,544	174,578
Prepaid items	180,340	68,110	248,450	3,743
Inventories	74,186	22,776	96,962	340,359
Recoverable power costs (net)	—	102,000	102,000	—
Other current assets	101,386	3,609	104,995	470,999
Total current assets	151,138,255	11,893,266	163,031,521	21,869,362
Noncurrent assets:				
Restricted assets:				
Cash and pooled investments	143,195	640,239	783,434	56,075
Investments	—	352,821	352,821	96,303
Loans receivable	—	1,986,034	1,986,034	—
Investments	—	2,864,558	2,864,558	35,097,129
Net investment in direct financing leases	241,485	217,728	459,213	—
Receivables (net)	3,841,037	1,491,935	5,332,972	3,111,817
Loans receivable	5,542,256	5,704,650	11,246,906	3,083,515
Recoverable power costs (net)	—	16,000	16,000	—
Long-term prepaid charges	866	1,512,914	1,513,780	126
Capital assets:				
Land	21,146,866	330,410	21,477,276	1,533,820
State highway infrastructure	79,552,496	—	79,552,496	—
Collections – nondepreciable	22,682	30,956	53,638	617,001
Buildings and other depreciable property	33,493,712	17,337,284	50,830,996	60,271,363
Intangible assets – amortizable	2,681,165	442,447	3,123,612	1,850,861
Less: accumulated depreciation/amortization	(17,076,447)	(7,066,748)	(24,143,195)	(30,454,749)
Construction/development in progress	18,141,559	3,208,596	21,350,155	4,058,936
Intangible assets – nonamortizable	846,344	124,335	970,679	6,753
Other noncurrent assets	—	32,204	32,204	461,285
Total noncurrent assets	148,577,216	29,226,363	177,803,579	79,790,235
Total assets	**299,715,471**	**41,119,629**	**340,835,100**	**101,659,597**
DEFERRED OUTFLOWS OF RESOURCES	30,221,758	3,542,792	33,764,550	14,745,965
Total assets and deferred outflows of resources	**$ 329,937,229**	**$ 44,662,421**	**$ 374,599,650**	**$ 116,405,562**

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
LIABILITIES				
Current liabilities:				
Accounts payable	$ 41,149,796	$ 850,410	$ 42,000,206	$ 3,854,513
Due to component units	261,027	—	261,027	—
Due to other governments	17,149,149	413,819	17,562,968	—
Revenues received in advance	9,630,625	288,073	9,918,698	1,809,465
Tax overpayments	5,440,959	—	5,440,959	—
Deposits	459,055	—	459,055	1,183,257
Contracts and notes payable	5,917	—	5,917	11,541
Unclaimed property liability	897,771	—	897,771	—
Interest payable	1,080,340	51,256	1,131,596	19,937
Securities lending obligations	—	—	—	429,311
Benefits payable	12,337,094	2,153,914	14,491,008	—
Current portion of long-term obligations	5,891,361	2,109,638	8,000,999	5,432,231
Other current liabilities	2,800,253	678,742	3,478,995	3,527,869
Total current liabilities	97,103,347	6,545,852	103,649,199	16,268,124
Noncurrent liabilities:				
Loans payable	145,949	2,271,930	2,417,879	16,265
Lottery prizes and annuities	—	709,190	709,190	—
Compensated absences payable	3,987,389	263,428	4,250,817	518,190
Workers' compensation benefits payable	4,191,575	10,004	4,201,579	495,558
Commercial paper and other borrowings	1,108,720	1,049,154	2,157,874	1,782
Capital lease obligations	336,720	336,175	672,895	378,373
General obligation bonds payable	74,592,076	753,217	75,345,293	—
Revenue bonds payable	15,052,805	13,052,485	28,105,290	23,628,697
Mandated cost claims payable	1,782,370	—	1,782,370	—
Net other postemployment benefits liability	74,263,396	16,223,564	90,486,960	24,158,206
Net pension liability	82,815,664	9,273,959	92,089,623	22,109,878
Revenues received in advance	—	6,980	6,980	6,157
Other noncurrent liabilities	2,187,088	242,282	2,429,370	3,198,953
Total noncurrent liabilities	260,463,752	44,192,368	304,656,120	74,512,059
Total liabilities	**357,567,099**	**50,738,220**	**408,305,319**	**90,780,183**
DEFERRED INFLOWS OF RESOURCES	16,894,716	4,241,953	21,136,669	7,592,521
Total liabilities and deferred inflows of resources	**$ 374,461,815**	**$ 54,980,173**	**$ 429,441,988**	**$ 98,372,704**

(continued)

Statement of Net Position (continued)

June 30, 2020
(amounts in thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
NET POSITION				
Net investment in capital assets	$ 116,773,259	$ 2,907,066	$ 119,680,325	$ 15,107,519
Restricted:				
Nonexpendable – endowments	—	1,677	1,677	8,030,212
Expendable:				
Endowments and gifts	—	—	—	13,449,007
General government	4,537,738	271,586	4,809,324	—
Education	1,589,856	143,620	1,733,476	1,641,754
Health and human services	4,769,332	2,146,595	6,915,927	—
Natural resources and environmental protection	5,623,026	2,616,659	8,239,685	—
Business, consumer services, and housing	4,886,434	22,414	4,908,848	—
Transportation	9,017,193	4,964	9,022,157	—
Corrections and rehabilitation	130,677	—	130,677	—
Unemployment programs	—	2,516,278	2,516,278	—
Indenture	—	—	—	578,610
Statute	—	—	—	2,687,372
Budget stabilization	16,116,422	—	16,116,422	—
Other purposes	—	—	—	17,880
Total expendable	46,670,678	7,722,116	54,392,794	18,374,623
Unrestricted	(207,968,523)	(20,948,611)	(228,917,134)	(23,479,496)
Total net position (deficit)	**(44,524,586)**	**(10,317,752)**	**(54,842,338)**	**18,032,858**
Total liabilities, deferred inflows of resources, and net position	**$ 329,937,229**	**$ 44,662,421**	**$ 374,599,650**	**$ 116,405,562**

(concluded)

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Statement of Activities

Year Ended June 30, 2020
(amounts in thousands)

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
					Primary Government			
FUNCTIONS/PROGRAMS	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**	**Component Units**
Primary government								
Governmental activities:								
General government	$ 23,489,012	$ 5,847,276	$ 4,745,848	$ —	$ (12,895,888)		$ (12,895,888)	
Education	75,803,990	49,780	7,975,206	—	(67,779,004)		(67,779,004)	
Health and human services	192,576,208	13,836,881	127,132,625	—	(51,606,702)		(51,606,702)	
Natural resources and environmental protection	10,110,777	5,551,029	496,137	—	(4,063,611)		(4,063,611)	
Business, consumer services, and housing	2,603,823	1,378,181	150,726	—	(1,074,916)		(1,074,916)	
Transportation	18,424,746	7,244,317	3,087,746	2,107,963	(5,984,720)		(5,984,720)	
Corrections and rehabilitation	16,861,994	14,753	82,354	—	(16,764,887)		(16,764,887)	
Interest on long-term debt	3,841,351	—	—	—	(3,841,351)		(3,841,351)	
Total governmental activities	343,711,901	33,922,217	143,670,642	2,107,963	(164,011,079)		(164,011,079)	
Business-type activities:								
Electric Power	905,115	903,000	—	—		$ (2,115)	(2,115)	
Water Resources	1,184,458	1,155,001	—	—		(29,457)	(29,457)	
State Lottery	6,665,062	6,735,321	—	—		70,259	70,259	
Unemployment Programs	23,622,023	12,564,665	—	—		(11,057,358)	(11,057,358)	
California State University	10,592,814	3,323,307	2,372,546	—		(4,896,961)	(4,896,961)	
State Water Pollution Control Revolving	45,288	87,110	132,847	—		174,669	174,669	
Safe Drinking Water State Revolving	25,007	29,717	87,990	—		92,700	92,700	
Housing Loan	53,656	61,990	—	—		8,334	8,334	
Other enterprise programs	148,450	105,874	—	—		(42,576)	(42,576)	
Total business-type activities	43,241,873	24,965,985	2,593,383	—		(15,682,505)	(15,682,505)	
Total primary government	**$ 386,953,774**	**$ 58,888,202**	**$ 146,264,025**	**$ 2,107,963**	**$ (164,011,079)**	**$ (15,682,505)**	**$ (179,693,584)**	
Component Units								
University of California	44,365,076	26,194,785	11,560,074	67,742				$ (6,542,475)
California Housing Finance Agency	131,190	270,559	49,550	—				188,919
Nonmajor component units	2,004,861	1,014,713	767,395	12,859				(209,894)
Total component units	**$ 46,501,127**	**$ 27,480,057**	**$ 12,377,019**	**$ 80,601**				**$ (6,563,450)**
General revenues:								
Personal income taxes					$ 108,308,455	$ —	$ 108,308,455	$ —
Sales and use taxes					40,703,239	—	40,703,239	—
Corporation taxes					13,180,402	—	13,180,402	—
Motor vehicle excise tax					7,876,545	—	7,876,545	—
Insurance taxes					3,161,634	—	3,161,634	—
Managed care organization enrollment tax					1,031,357	—	1,031,357	—
Other taxes					3,789,610	—	3,789,610	—
Investment and interest income					690,169	—	690,169	1,425,084
Escheat					614,394	—	614,394	—
Other					—	—	—	3,221,885
Transfers					(5,963,068)	5,963,068	—	—
Total general revenues and transfers					**173,392,737**	**5,963,068**	**179,355,805**	**4,646,969**
Change in net position					9,381,658	(9,719,437)	(337,779)	(1,916,481)
Net position (deficit) – beginning, restated					**(53,906,244)**	**(598,315)**	**(54,504,559)**	**19,949,339**
Net position (deficit) – ending					**$ (44,524,586)**	**$ (10,317,752)**	**$ (54,842,338)**	**$ 18,032,858**

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Fund Financial Statements

Balance Sheet

Governmental Funds

June 30, 2020
(amounts in thousands)

	General	Federal	Transportation	Environmental and Natural Resources	Health Care Related Programs	Nonmajor Governmental	Total
ASSETS							
Cash and pooled investments	$ 3,144,406	$ 9,904,033	$ 8,995,097	$ 11,892,552	$ 2,172,498	$ 12,703,874	$ 48,812,460
Investments	—	—	—	—	—	452,442	452,442
Receivables (net)	44,630,713	690,077	1,253,793	556,809	5,094,530	2,031,405	54,257,327
Due from other funds	4,653,184	1,583,436	1,301,468	531,598	52,143	2,365,836	10,487,665
Due from other governments	2,365,596	42,862,341	7,214	11,886	1,293,232	96,009	46,636,278
Interfund receivables	2,122,323	—	101,934	1,317,515	238,981	521,819	4,302,572
Loans receivable	83,982	235,780	482,742	1,119,353	154,364	3,445,928	5,522,149
Other assets	7,426	60,900	16,012	—	—	17,048	101,386
Total assets	**$ 57,007,630**	**$ 55,336,567**	**$ 12,158,260**	**$ 15,429,713**	**$ 9,005,748**	**$ 21,634,361**	**$ 170,572,279**
LIABILITIES							
Accounts payable	$ 1,825,486	$ 1,507,363	$ 895,407	$ 653,604	$ 88,047	$ 868,326	$ 5,838,233
Due to other funds	10,156,799	25,069,673	478,487	36,830	7,217,969	838,471	43,798,229
Due to component units	221,669	—	7,457	3,969	—	27,932	261,027
Due to other governments	4,489,437	7,740,182	749,195	290,136	770	3,933,385	17,203,105
Interfund payables	2,465,536	—	20,713	179,681	—	25,652	2,691,582
Benefits payable	—	12,337,094	—	—	—	—	12,337,094
Revenues received in advance	24,393	8,148,971	15,493	218,726	1,000	196,088	8,604,671
Tax overpayments	5,440,959	—	—	—	—	—	5,440,959
Deposits	3,108	—	2,811	348	—	450,449	456,716
Unclaimed property liability	897,771	—	—	—	—	—	897,771
Other liabilities	628,932	2,019,728	500,924	7,951	—	146,516	3,304,051
Total liabilities	**26,154,090**	**56,823,011**	**2,670,487**	**1,391,245**	**7,307,786**	**6,486,819**	**100,833,438**
DEFERRED INFLOWS OF RESOURCES	2,351,940	689,881	210,342	43,577	—	489,850	3,785,590
Total liabilities and deferred inflows of resources	**28,506,030**	**57,512,892**	**2,880,829**	**1,434,822**	**7,307,786**	**6,976,669**	**104,619,028**
FUND BALANCES							
Nonspendable	2,129,227	—	—	—	—	13,702	2,142,929
Restricted	16,709,782	298,635	9,231,279	5,459,164	1,645,804	13,162,018	46,506,682
Committed	2,965,662	—	46,152	8,535,727	52,158	1,432,104	13,031,803
Assigned	3,080,372	—	—	—	—	49,868	3,130,240
Unassigned	3,616,557	(2,474,960)	—	—	—	—	1,141,597
Total fund balances (deficit)	**28,501,600**	**(2,176,325)**	**9,277,431**	**13,994,891**	**1,697,962**	**14,657,692**	**65,953,251**
Total liabilities, deferred inflows of resources, and fund balances	**$ 57,007,630**	**$ 55,336,567**	**$ 12,158,260**	**$ 15,429,713**	**$ 9,005,748**	**$ 21,634,361**	**$ 170,572,279**

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

(amounts in thousands)

Total fund balances – governmental funds		**$ 65,953,251**
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	21,144,786	
State highway infrastructure	79,552,496	
Collections – nondepreciable	22,682	
Buildings and other depreciable property	32,804,956	
Intangible assets – amortizable	2,645,889	
Less: accumulated depreciation/amortization	(16,572,308)	
Construction/development in progress	16,314,134	
Intangible assets – nonamortizable	846,344	
		136,758,979
• 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.		3,785,590
• 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.		(10,100,911)
• 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.		(7,251,155)
• Deferred inflows and outflows of resources related to pension and OPEB transactions are not reported in the funds.		12,842,842
• 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.		300,689
• General obligation bonds and related accrued interest totaling $72,932,576, revenue bonds totaling $6,700,822, and commercial paper totaling $1,108,720 are not due and payable in the current period and are not reported in the funds.		(80,742,118)
• The following liabilities are not due and payable in the current period and are not reported in the funds:		
Compensated absences	(3,831,873)	
Capital leases	(393,089)	
Net pension liability	(81,516,714)	
Net other postemployment benefits liability	(72,168,396)	
Mandated cost claims	(1,782,370)	
Workers' compensation	(4,143,813)	
Proposition 98 funding guarantee	(708)	
Pollution remediation obligations	(1,293,100)	
Other noncurrent liabilities	(941,690)	
		(166,071,753)
Net position of governmental activities		**$ (44,524,586)**

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 The notes to the financial statements are an integral part of this statement.

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2020

(amounts in thousands)

	General	Federal	Transportation	Environmental and Natural Resources	Health Care Related Programs	Nonmajor Governmental	Total
REVENUES							
Personal income taxes	$ 110,352,220	$ —	$ —	$ —	$ —	$ 1,478,947	$ 111,831,167
Sales and use taxes	25,461,893	—	930,340	—	—	14,317,229	40,709,462
Corporation taxes	13,722,735	—	—	—	—	—	13,722,735
Motor vehicle excise taxes	142,729	—	7,525,199	90,451	—	118,166	7,876,545
Insurance taxes	3,158,183	—	—	—	3,451	—	3,161,634
Managed care organization enrollment tax	—	—	—	—	1,031,357	—	1,031,357
Other taxes	636,243	—	—	179,280	—	3,046,522	3,862,045
Intergovernmental	—	145,778,000	—	—	2,348,817	824,833	148,951,650
Licenses and permits	7,799	—	5,134,179	477,543	—	3,636,933	9,256,454
Charges for services	376,317	—	142,862	118,008	4	335,614	972,805
Fees	19,477	—	1,787,359	2,720,959	5,080,548	3,692,977	13,301,320
Penalties	372,130	326	10,417	51,610	5,941	581,239	1,021,663
Investment and interest	575,818	23,101	220,209	245,347	44,086	220,395	1,328,956
Escheat	614,394	—	—	—	—	1,326	615,720
Other	483,938	—	109,098	2,373,857	278,828	1,349,665	4,595,386
Total revenues	**155,923,876**	**145,801,427**	**15,859,663**	**6,257,055**	**8,793,032**	**29,603,846**	**362,238,899**
EXPENDITURES							
Current:							
General government	10,607,916	4,209,777	436,423	245,601	3,035	11,890,355	27,393,107
Education	67,094,461	8,085,802	10,918	3,500	139,765	1,013,273	76,347,719
Health and human services	39,469,965	127,850,003	2,596	80,541	8,387,110	16,029,783	191,819,998
Natural resources and environmental protection	2,536,666	475,087	198,009	5,795,047	212	239,792	9,244,813
Business, consumer services, and housing	741,404	187,407	125,835	46,613	—	1,355,989	2,457,248
Transportation	30,874	5,185,164	13,980,554	815,483	—	13,773	20,025,848
Corrections and rehabilitation	12,776,235	237,605	—	—	—	1,666,865	14,680,705
Capital outlay	24,082	—	—	250,591	—	126,393	401,066
Debt service:							
Bond and commercial paper retirement	2,548,681	10,835	1,590,421	2,489,297	45,750	3,591,597	10,276,581
Interest and fiscal charges	2,686,389	555	31,230	33,199	406	1,104,611	3,856,390
Total expenditures	**138,516,673**	**146,242,235**	**16,375,986**	**9,759,872**	**8,576,278**	**37,032,431**	**356,503,475**
Excess (deficiency) of revenues over (under) expenditures	17,407,203	(440,808)	(516,323)	(3,502,817)	216,754	(7,428,585)	5,735,424
OTHER FINANCING SOURCES (USES)							
General obligation bonds and commercial paper issued	—	—	527,480	1,780,325	160,050	2,617,735	5,085,590
Revenue bonds issued	—	—	—	—	—	500,000	500,000
Refunding debt issued	—	—	1,377,515	1,584,585	8,125	1,414,670	4,384,895
Premium on bonds issued	150,685	—	207,236	425,378	1,911	432,405	1,217,615
Capital leases	24,082	—	—	—	—	—	24,082
Transfers in	634,307	—	6,788	145,150	175,361	4,814,488	5,776,094
Transfers out	(7,875,660)	(1,958,705)	(1,624,759)	(61,393)	(21)	(210,948)	(11,731,486)
Total other financing sources (uses)	**(7,066,586)**	**(1,958,705)**	**494,260**	**3,874,045**	**345,426**	**9,568,350**	**5,256,790**
Net change in fund balances	10,340,617	(2,399,513)	(22,063)	371,228	562,180	2,139,765	10,992,214
Fund balances – beginning	**18,160,983** *	**223,188**	**9,299,494**	**13,623,663**	**1,135,782**	**12,517,927** *	**54,961,037**
Fund balances (deficit) – ending	**$ 28,501,600**	**$ (2,176,325)**	**$ 9,277,431**	**$ 13,994,891**	**$ 1,697,962**	**$ 14,657,692**	**$ 65,953,251**

* Restated

The notes to the financial statements are an integral part of this statement.

The notes to the financial statements are an integral part of this statement.

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		**$ 10,992,214**

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	4,354,076	
Disposal of assets	(390,084)	
Depreciation expense, net of asset disposal	(1,050,122)	
		2,913,870

- Some revenues in the Statement of Activities do not provide current financial resources and, therefore, are unavailable in governmental funds. (3,223,657)

- 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. 90,994

- 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	(7,763,245)	(500,000)	(1,707,240)	(9,970,485)	
Premium on debt issued	(1,217,614)	—	—	(1,217,614)	
Accreted interest	—	(49,341)	—	(49,341)	
Principal repayments	8,446,635	198,666	1,631,280	10,276,581	
Related expenses not reported in governmental funds:					
Premium/discount amortization	373,010	32,111	—	405,121	
Deferred gain/loss on refunding	(2,760)	(17,493)	—	(20,253)	
Prepaid insurance	—	(82)	—	(82)	
Accrued interest	36,485	(217)	—	36,268	
	(127,489)	(336,356)	(75,960)		(539,805)

(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	(299,956)	
Capital leases	41,787	
Net pension liability	342,085	
Net other postemployment benefits liability	(676,322)	
Mandated cost claims	33,080	
Workers' compensation	(231,662)	
Proposition 98 funding guarantee	(708)	
Pollution remediation obligations	(89,534)	
Other noncurrent liabilities	29,272	
		(851,958)
Change in net position of governmental activities		**$ 9,381,658**

(concluded)

Statement of Net Position

Proprietary Funds

June 30, 2020

(amounts in thousands)

	Business-type Activities – Enterprise Funds							Governmental Activities
	Electric Power	Water Resources	State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
ASSETS								
Current assets:								
Cash and pooled investments	$ —	$ 780,498	$ 408,923	$ 3,091,384	$ 1,436,122	$ 1,248,454	$ 6,965,381	$ 1,515,351
Amount on deposit with U.S. Treasury	—	—	—	374,933	—	—	374,933	—
Investments	—	—	60,508	—	2,511,398	—	2,571,906	—
Restricted assets:								
Cash and pooled investments	609,704	—	—	—	—	359,406	969,110	930,291
Due from other governments	—	—	—	—	—	182,839	182,839	—
Net investment in direct financing leases	—	—	—	—	12,723	—	12,723	517,067
Receivables (net)	2,960	86,099	504,271	1,201,331	211,892	44,893	2,051,446	112,602
Due from other funds	4,040	—	—	11,873	9,964	22,258	48,135	881,200
Due from other governments	—	63,857	—	106,114	—	211,637	381,608	25,658
Prepaid items	—	—	—	—	68,090	20	68,110	180,340
Inventories	—	4,893	12,883	—	—	5,000	22,776	74,186
Recoverable power costs (net)	102,000	—	—	—	—	—	102,000	—
Other current assets	—	—	3,609	—	—	—	3,609	—
Total current assets	718,704	935,347	990,194	4,785,635	4,250,189	2,074,507	13,754,576	4,236,695
Noncurrent assets:								
Restricted assets:								
Cash and pooled investments	480,000	160,038	—	—	201	—	640,239	143,195
Investments	302,000	50,821	—	—	—	—	352,821	—
Loans receivable	—	—	—	—	—	1,986,034	1,986,034	—
Investments	—	—	846,779	—	1,997,755	20,024	2,864,558	—
Net investment in direct financing leases	—	—	—	—	217,728	—	217,728	7,729,792
Receivables (net)	—	—	—	1,116,514	375,421	—	1,491,935	—
Interfund receivables	—	158,355	—	382,291	—	9,192	549,838	42,940
Loans receivable	—	9,337	—	219,324	50,783	5,425,206	5,704,650	20,107
Recoverable power costs (net)	16,000	—	—	—	—	—	16,000	—
Long-term prepaid charges	—	1,512,490	424	—	—	—	1,512,914	380
Capital assets:								
Land	—	209,165	18,798	—	101,175	1,272	330,410	2,080
Collections – nondepreciable	—	—	—	—	30,956	—	30,956	—
Buildings and other depreciable property	—	5,899,296	327,070	21,320	11,063,577	26,021	17,337,284	688,756
Intangible assets – amortizable	—	39,660	—	244,118	156,908	1,761	442,447	35,276
Less: accumulated depreciation/amortization	—	(2,379,296)	(131,349)	(63,479)	(4,471,385)	(21,239)	(7,066,748)	(504,139)
Construction/development in progress	—	1,931,664	—	—	1,276,826	106	3,208,596	1,827,425
Intangible assets – nonamortizable	—	112,928	—	—	11,407	—	124,335	—
Other noncurrent assets	—	—	—	—	25,463	6,741	32,204	—
Total noncurrent assets	798,000	7,704,458	1,061,722	1,920,088	10,836,815	7,455,118	29,776,201	9,985,812
Total assets	**1,516,704**	**8,639,805**	**2,051,916**	**6,705,723**	**15,087,004**	**9,529,625**	**43,530,777**	**14,222,507**
DEFERRED OUTFLOWS OF RESOURCES	43,000	309,206	76,875	114,464	2,984,024	15,223	3,542,792	604,034
Total assets and deferred outflows of resources	**$ 1,559,704**	**$ 8,949,011**	**$ 2,128,791**	**$ 6,820,187**	**$ 18,071,028**	**$ 9,544,848**	**$ 47,073,569**	**$ 14,826,541**

(continued)

Statement of Net Position (continued)

Proprietary Funds

June 30, 2020

(amounts in thousands)

	Electric Power	Water Resources	Business-type Activities – Enterprise Funds: State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Governmental Activities: Internal Service Funds
LIABILITIES								
Current liabilities:								
Accounts payable	$ 2,254	$ 210,245	$ 39,698	$ 296,143	$ 289,594	$ 11,647	$ 849,581	$ 398,476
Due to other funds	456	100,486	349,903	1,729,345	20,071	12,800	2,213,061	319,626
Due to other governments	—	282,893	—	130,745	—	181	413,819	14,307
Revenues received in advance	—	—	2,302	—	285,738	33	288,073	1,025,954
Deposits	—	—	—	—	—	—	—	2,339
Contracts and notes payable	—	—	—	—	—	—	—	21,550
Interest payable	9,725	11,223	—	—	—	30,308	51,256	93,327
Benefits payable	—	—	—	2,153,914	—	—	2,153,914	—
Current portion of long-term obligations	763,000	202,854	662,520	—	319,150	162,114	2,109,638	585,329
Other current liabilities	—	—	277	132,804	545,661	—	678,742	15,234
Total current liabilities	775,435	807,701	1,054,700	4,442,951	1,460,214	217,083	8,758,084	2,476,142
Noncurrent liabilities:								
Interfund payables	9,384	46,963	10,598	—	109,249	22,722	198,916	2,150,801
Loans payable	—	—	—	2,271,930	—	—	2,271,930	—
Lottery prizes and annuities	—	—	709,190	—	—	—	709,190	—
Compensated absences payable	—	28,271	—	29,924	157,195	6,611	222,001	153,420
Workers' compensation benefits payable	—	—	7,202	—	—	2,802	10,004	47,762
Commercial paper and other borrowings	—	920,107	—	—	129,047	—	1,049,154	—
Capital lease obligations	—	—	—	—	336,175	—	336,175	—
General obligation bonds payable	—	2,090	—	—	—	751,127	753,217	—
Revenue bonds payable	765,000	2,877,693	—	—	7,733,521	1,676,271	13,052,485	8,311,261
Net other postemployment benefits liability	5,000	805,535	239,754	637,821	14,498,545	36,909	16,223,564	2,095,000
Net pension liability	3,000	558,713	138,619	344,083	8,190,770	38,774	9,273,959	1,298,950
Revenues received in advance	—	—	—	—	6,980	—	6,980	—
Other noncurrent liabilities	—	164,890	—	—	65,892	11,500	242,282	24,354
Total noncurrent liabilities	782,384	5,404,262	1,105,363	3,283,758	31,227,374	2,546,716	44,349,857	14,081,548
Total liabilities	**1,557,819**	**6,211,963**	**2,160,063**	**7,726,709**	**32,687,588**	**2,763,799**	**53,107,941**	**16,557,690**
DEFERRED INFLOWS OF RESOURCES	4,000	1,600,156	50,185	109,363	2,452,308	25,941	4,241,953	365,076
Total liabilities and deferred inflows of resources	**1,561,819**	**7,812,119**	**2,210,248**	**7,836,072**	**35,139,896**	**2,789,740**	**57,349,894**	**16,922,766**
NET POSITION								
Net investment in capital assets	—	890,438	214,520	201,958	1,596,907	3,243	2,907,066	539,362
Restricted:								
Nonexpendable – endowments	—	—	—	—	1,677	—	1,677	—
Expendable:								
Construction	—	—	—	—	48,952	—	48,952	163,996
Debt service	—	246,454	—	—	28,315	341,425	616,194	—
Security for revenue bonds	—	—	—	—	—	2,028,780	2,028,780	—
Lottery	—	—	163,905	—	—	—	163,905	—
Unemployment programs	—	—	—	2,516,278	—	—	2,516,278	—
Other purposes	—	—	—	—	66,353	2,281,654	2,348,007	—
Total expendable	—	246,454	163,905	2,516,278	143,620	4,651,859	7,722,116	163,996
Unrestricted	(2,115)	—	(459,882)	(3,734,121)	(18,811,072)	2,100,006	(20,907,184)	(2,799,583)
Total net position (deficit)	**(2,115)**	**1,136,892**	**(81,457)**	**(1,015,885)**	**(17,068,868)**	**6,755,108**	**(10,276,325)**	**(2,096,225)**
Total liabilities, deferred inflows of resources, and net position	**$ 1,559,704**	**$ 8,949,011**	**$ 2,128,791**	**$ 6,820,187**	**$ 18,071,028**	**$ 9,544,848**	**$ 47,073,569**	**$ 14,826,541**

(concluded)

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Funds

Year Ended June 30, 2020

(amounts in thousands)

			Business-type Activities – Enterprise Funds					Governmental Activities
	Electric Power	Water Resources	State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
OPERATING REVENUES								
Unemployment and disability insurance	$ —	$ —	$ —	$ 12,491,370	$ —	$ —	$ 12,491,370	$ —
Lottery ticket sales	—	—	6,622,003	—	—	—	6,622,003	—
Power sales	(11,000)	49,435	—	—	—	—	38,435	—
Student tuition and fees	—	—	—	—	2,175,169	—	2,175,169	—
Services and sales	—	1,085,755	—	—	495,562	108,110	1,689,427	4,249,571
Investment and interest	—	—	—	2	—	149,954	149,956	24,155
Rent	—	—	—	—	—	—	—	397,252
Grants and contracts	—	—	—	—	70,304	—	70,304	—
Other	—	—	—	—	247,888	4,020	251,908	—
Total operating revenues	**(11,000)**	**1,135,190**	**6,622,003**	**12,491,372**	**2,988,923**	**262,084**	**23,488,572**	**4,670,978**
OPERATING EXPENSES								
Lottery prizes	—	—	4,403,715	—	—	—	4,403,715	—
Power purchases (net of recoverable power costs)	(16,000)	243,120	—	—	—	—	227,120	—
Personal services	5,000	425,649	111,146	243,698	7,117,432	49,545	7,952,470	913,444
Supplies	—	—	17,123	—	1,595,484	49,189	1,661,796	31,817
Services and charges	2,115	51,808	646,435	91,513	—	45,914	837,785	3,113,662
Depreciation	—	105,345	18,429	10,663	408,784	1,704	544,925	53,197
Scholarships and fellowships	—	—	—	—	1,195,923	—	1,195,923	—
Distributions to beneficiaries	—	—	—	23,275,708	—	—	23,275,708	—
Interest expense	—	—	—	—	—	38,193	38,193	353,821
Amortization of long-term prepaid charges	—	—	—	—	—	—	—	84
Other	—	—	—	—	—	9,491	9,491	—
Total operating expenses	**(8,885)**	**825,922**	**5,196,848**	**23,621,582**	**10,317,623**	**194,036**	**40,147,126**	**4,466,025**
Operating income (loss)	(2,115)	309,268	1,425,155	(11,130,210)	(7,328,700)	68,048	(16,658,554)	204,953
NONOPERATING REVENUES (EXPENSES)								
Donations and grants	—	—	—	—	2,372,546	220,837	2,593,383	—
Private gifts	—	—	—	—	55,714	—	55,714	—
Investment and interest income	914,000	19,811	113,121	73,293	173,420	22,205	1,315,850	5,186
Interest expense and fiscal charges	(914,000)	(110,158)	(31,030)	(441)	(275,191)	(36,938)	(1,367,758)	(1,580)
Lottery payments for education	—	—	(1,437,184)	—	—	—	(1,437,184)	—
Other	—	(248,378)	197	—	105,250	402	(142,529)	(109,889)
Total nonoperating revenues (expenses)	**—**	**(338,725)**	**(1,354,896)**	**72,852**	**2,431,739**	**206,506**	**1,017,476**	**(106,283)**
Income (loss) before capital contributions and transfers	(2,115)	(29,457)	70,259	(11,057,358)	(4,896,961)	274,554	(15,641,078)	98,670
Transfers in	—	—	—	1,402,023	4,560,920	125	5,963,068	43,214
Transfers out	—	—	—	—	—	—	—	(50,890)
Change in net position	(2,115)	(29,457)	70,259	(9,655,335)	(336,041)	274,679	(9,678,010)	90,994
Total net position (deficit) – beginning	**—**	**1,166,349**	**(151,716)**	**8,639,450** *	**(16,732,827)**	**6,480,429**	**(598,315)**	**(2,187,219)**
Total net position (deficit) – ending	**$ (2,115)**	**$ 1,136,892**	**$ (81,457)**	**$ (1,015,885)**	**$ (17,068,868)**	**$ 6,755,108**	**$ (10,276,325)**	**$ (2,096,225)**

* Restated

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2020

(amounts in thousands)

			Business-type Activities – Enterprise Funds					Governmental Activities
	Electric Power	Water Resources	State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from customers/employers	$ (13,000)	$ 1,349,148	$ 6,708,301	$ 12,032,155	$ 2,581,004	$ 417,819	$ 23,075,427	$ 11,889
Receipts from interfund services provided	—	—	—	138,446	—	1,703	140,149	4,252,047
Payments to suppliers	3,000	(378,525)	(236,011)	(1,488)	(1,606,558)	(119,935)	(2,339,517)	(1,424,726)
Payments to employees	(3,296)	(425,649)	(90,445)	(230,115)	(5,718,747)	(30,020)	(6,498,272)	(1,040,423)
Payments for interfund services used	—	—	(10,182)	(21,565)	—	(3,581)	(35,328)	(394,963)
Payments for Lottery prizes	—	—	(4,837,269)	—	—	—	(4,837,269)	—
Claims paid to other than employees	—	—	(460,702)	(21,475,310)	—	—	(21,936,012)	(588,483)
Other receipts (payments)	—	(26,836)	93,847	1,688,872	(868,653)	(373,905)	513,325	(426,241)
Net cash provided by (used in) operating activities	**(13,296)**	**518,138**	**1,167,539**	**(7,869,005)**	**(5,612,954)**	**(107,919)**	**(11,917,497)**	**389,100**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Changes in notes receivable and capital leases receivable	—	—	—	—	(6,158)	—	(6,158)	—
Changes in interfund receivables	—	—	—	(363)	—	(1,569)	(1,932)	(62,979)
Changes in interfund payables and loans payable	9,000	—	—	2,271,912	(116,396)	2,572	2,167,088	1,025,665
Receipt of bond charges	858,000	—	—	—	—	—	858,000	—
Retirement of general obligation bonds	—	—	—	—	—	(44,930)	(44,930)	—
Proceeds from revenue bonds	—	—	—	—	59,245		59,245	—
Retirement of revenue bonds	(970,000)	—	—	—	(81,702)	(98,215)	(1,149,917)	—
Interest received	—	—	—	—	21,179	—	21,179	—
Interest paid	(109,000)	—	—	—	(27,906)	(63,097)	(200,003)	(1,133)
Transfers in	—	—	—	1,402,023	4,172,710	125	5,574,858	43,387
Transfers out	—	—	—	—	—	—	—	(51,063)
Grants received	—	—	—	—	2,440,597	225,610	2,666,207	—
Lottery payments for education	—	—	(1,604,813)	—	—	—	(1,604,813)	—
Net cash provided by (used in) noncapital financing activities	**(212,000)**	**—**	**(1,604,813)**	**3,673,572**	**6,461,569**	**20,496**	**8,338,824**	**953,877**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Acquisition of capital assets	—	(397,801)	(24,032)	—	(1,040,608)	(59)	(1,462,500)	(1,132,653)
Proceeds from sale of capital assets	—	—	36	—	35,928	—	35,964	3,007
Proceeds from notes payable and commercial paper	—	390,527	—	—	—	—	390,527	—
Principal paid on notes payable and commercial paper	—	(160,404)	—	—	—	—	(160,404)	—
Proceeds from capital leases	—	—	—	—	11,747	—	11,747	—
Payment on capital leases	—	—	—	—	(671,412)	—	(671,412)	—
Retirement of general obligation bonds	—	(17,405)	—	—	—	—	(17,405)	—
Proceeds from revenue bonds	—		—	—	1,713,632	—	1,713,632	599,379
Retirement of revenue bonds	—	(147,035)	—	—	(220,708)	—	(367,743)	(635,985)
Interest paid	—	(140,583)	—	(441)	—	—	(141,024)	(285)
Grants received	—	—	—	—	54,092	—	54,092	—
Net cash provided by (used in) capital and related financing activities	**—**	**(472,701)**	**(23,996)**	**(441)**	**(117,329)**	**(59)**	**(614,526)**	**(1,166,537)**
CASH FLOWS FROM INVESTING ACTIVITIES								
Purchase of investments	—	(152,059)	(47,992)	—	(17,346,214)	(2,344)	(17,548,609)	—
Proceeds from maturity and sale of investments	—	152,265	64,290	3,342,309	17,076,364	1,902	20,637,130	—
Change in loans receivable	—	769	—	234,001	—	—	234,770	—
Earnings on investments	45,000	21,500	24,423	73,293	126,571	24,927	315,714	5,283
Net cash provided by (used in) investing activities	**45,000**	**22,475**	**40,721**	**3,649,603**	**(143,279)**	**24,485**	**3,639,005**	**5,283**
Net increase (decrease) in cash and pooled investments	(180,296)	67,912	(420,549)	(546,271)	588,007	(62,997)	(554,194)	181,723
Cash and pooled investments – beginning	**1,270,000**	**872,624**	**829,472**	**3,637,655**	**848,316**	**1,670,857**	**9,128,924**	**2,407,114**
Cash and pooled investments – ending	**$ 1,089,704**	**$ 940,536**	**$ 408,923**	**$ 3,091,384**	**$ 1,436,323**	**$ 1,607,860**	**$ 8,574,730**	**$ 2,588,837**

(continued)

The notes to the financial statements are an integral part of this statement.

Statement of Cash Flows (continued)

Proprietary Funds

Year Ended June 30, 2020

(amounts in thousands)

	Business-type Activities – Enterprise Funds							Governmental Activities
	Electric Power	Water Resources	State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES								
Operating income (loss)	$ (2,115)	$ 309,268	$ 1,425,155	$ (11,130,210)	$ (7,328,700)	$ 68,048	$ (16,658,554)	$ 204,953
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Depreciation	—	105,345	18,429	10,663	408,784	1,704	544,925	53,197
Provisions and allowances	—	—	(45,285)	—	—	192	(45,093)	—
Amortization of premiums and discounts	—	—	—	—	—	(649)	(649)	(88,945)
Amortization of long-term prepaid charges and credits	—	(157,884)	—	—	—	—	(157,884)	84
Other	—	(26,836)	215	—	(28,901)	(14,383)	(69,905)	13,944
Change in account balances:								
Receivables	—	86,172	110,085	(415,685)	4,053	36	(215,339)	(13,724)
Due from other funds	—	—	1,190	1,962	3,598	539	7,289	(201,514)
Due from other governments	—	129,777	—	(65,637)	—	5,035	69,175	(11,651)
Prepaid items	—	—	(1)	—	11,191	9	11,199	35,893
Inventories	—	—	(5,753)	—	—	(1,760)	(7,513)	(4,217)
Net investment in direct financing leases	—	—	—	—	—	—	—	491,492
Recoverable power costs (net)	(11,000)	—	—	—	—	—	(11,000)	—
Other current assets	—	—	88	—	—	(5,016)	(4,928)	—
Loans receivable	—	—	—	—	—	(146,241)	(146,241)	—
Deferred outflow of resources	1,000	—	—	(25,148)	(164,235)	(4,460)	(192,843)	(103,955)
Accounts payable	819	29,938	(16,599)	263,569	22,917	4,795	305,439	492
Due to other funds	—	37,361	(2,207)	1,698,261	—	(10,344)	1,723,071	(95,007)
Due to other governments	—	(6,442)	—	94,108	—	(426)	87,240	2,261
Deposits	—	—	—	—	128	—	128	1,057
Contracts and notes payable	—	—	—	—	—	—	—	(1,891)
Interest payable	(1,000)	—	—	—	—	(651)	(1,651)	(3,211)
Revenues received in advance	—	—	(81)	(48,636)	(79,156)	(17)	(127,890)	17,764
Other current liabilities	—	—	5,076	87,859	(14,069)	566	79,432	(1,941)
Benefits payable	—	—	—	1,626,836	5,649	5,657	1,638,142	(8)
Lottery prizes and annuities	—	—	(339,833)	—	—	—	(339,833)	—
Compensated absences payable	—	—	—	(29,095)	30,084	(2,972)	(1,983)	5,536
Other noncurrent liabilities	—	11,439	17,060	76,615	1,955,360	(9,798)	2,050,676	155,984
Deferred inflow of resources	(1,000)	—	—	(14,467)	(439,657)	2,217	(452,907)	(67,493)
Total adjustments	(11,181)	208,870	(257,616)	3,261,205	1,715,746	(175,967)	4,741,057	184,147
Net cash provided by (used in) operating activities	**$ (13,296)**	**$ 518,138**	**$ 1,167,539**	**$ (7,869,005)**	**$ (5,612,954)**	**$ (107,919)**	**$ (11,917,497)**	**$ 389,100**
Noncash investing, capital, and financing activities:								
State's contribution for pension benefits and OPEB	$ —	$ —	$ —	$ —	$ 388,210	$ —	$ 388,210	$ —
Amortization/defeasance of bond premium and discount	40,000	30,074	—	—	35,562	—	105,636	—
Amortization of deferred loss on refundings	25,000	9,964	—	—	—	—	34,964	—
Unclaimed lottery prizes directly allocated to another entity	—	—	75,397	—	—	—	75,397	—
Interest accreted on annuitized prizes	—	—	31,030	—	—	—	31,030	—
Unrealized gain on investments	—	—	72,257	—	—	—	72,257	—
Interest accreted on zero coupon bonds	—	—	19,304	—	—	—	19,304	—
Contributed capital assets	—	—	—	—	18,726	—	18,726	—
Change in accrued capital asset purchases	—	—	—	—	12,365	—	12,365	—
Other assets paid through long-term debt	—	—	—	—	54,678	—	54,678	—
Other miscellaneous noncash transactions	5,000	—	—	—	73,804	1,058	79,862	117,460

(concluded)

Statement of Fiduciary Net Position

Fiduciary Funds and Similar Component Units

June 30, 2020
(amounts in thousands)

	Private Purpose Trust	Pension and Other Employee Benefit Trust	Investment Trust Local Agency Investment	Agency
ASSETS				
Cash and pooled investments	$ 16,547	$ 3,079,169	$ 32,184,617	$ 3,827,829
Investments, at fair value:				
Short-term	—	40,646,703	—	—
Equity securities	4,672,286	328,953,864	—	—
Debt securities	2,969,038	150,463,743	—	—
Real estate	246,390	77,835,567	—	—
Securities lending collateral	—	25,251,675	—	—
Other	2,131,872	77,870,865	—	—
Total investments	10,019,586	701,022,417	—	—
Receivables (net)	136,966	7,504,870	—	5,006,837
Due from other funds	37	938,540	—	33,975,339
Due from other governments	—	—	—	79,317
Interfund receivable	—	—	—	145,949
Loans receivable	—	2,498,945	—	82,580
Other assets	196,502	728,843	—	39,822
Total assets	**10,369,638**	**715,772,784**	**32,184,617**	**$ 43,157,673**
DEFERRED OUTFLOWS OF RESOURCES	—	209,412	—	
Total assets and deferred outflows of resources	**10,369,638**	**715,982,196**	**32,184,617**	
LIABILITIES				
Accounts payable	65,483	4,515,287	—	$ 27,925,539
Due to other governments	—	1	111,444	12,978,342
Tax overpayments	—	—	—	4,298
Benefits payable	—	3,869,096	—	—
Revenues received in advance	—	—	—	679
Deposits	196,502	—	—	1,423,597
Securities lending obligations	—	25,283,653	—	—
Loans payable	—	2,497,455	—	—
Other liabilities	1,360	7,523,315	—	825,218
Total liabilities	**263,345**	**43,688,807**	**111,444**	**$ 43,157,673**
DEFERRED INFLOWS OF RESOURCES	—	221,747	—	
Total liabilities and deferred inflows of resources	**263,345**	**43,910,554**	**111,444**	
NET POSITION				
Restricted for pension and other postemployment benefits	—	653,302,374	—	
Held in trust for:				
Deferred compensation participants	—	18,757,743	—	
Pool participants	—	—	32,073,173	
Individuals, organizations, or other governments	10,106,293	11,525	—	
Total net position	**$ 10,106,293**	**$ 672,071,642**	**$ 32,073,173**	

Statement of Changes in Fiduciary Net Position

Fiduciary Funds and Similar Component Units

Year Ended June 30, 2020
(amounts in thousands)

	Private Purpose Trust	Pension and Other Employee Benefit Trust	Investment Trust Local Agency Investment
ADDITIONS			
Contributions:			
Employer	$ —	$ 34,031,370	$ —
Plan member	—	9,704,272	—
Non-employer	—	4,446,836	—
Total contributions	—	48,182,478	—
Investment income:			
Net appreciation (depreciation) in fair value of investments	269	18,204,793	—
Interest, dividends, and other investment income	394,985	13,241,617	547,704
Less: investment expense	(3,412)	(1,711,478)	—
Net investment income	391,842	29,734,932	547,704
Receipts from depositors	4,367,212	—	32,307,398
Other	—	154,098	—
Total additions	**4,759,054**	**78,071,508**	**32,855,102**
DEDUCTIONS			
Distributions paid and payable to participants	—	45,240,505	546,102
Refunds of contributions	—	432,471	—
Administrative expense	5,338	791,986	1,601
Interest expense	121	94,689	—
Payments to and for depositors	4,098,282	533,028	24,819,078
Total deductions	**4,103,741**	**47,092,679**	**25,366,781**
Change in net position	655,313	30,978,829	7,488,321
Net position – beginning	**9,450,980** *	**641,092,813**	**24,584,852**
Net position – ending	**$ 10,106,293**	**$ 672,071,642**	**$ 32,073,173**

* Restated

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The notes to the financial statements are an integral part of this statement.

Discretely Presented Component Units Financial Statements

Statement of Net Position

Discretely Presented Component Units – Enterprise Activity

June 30, 2020

(amounts in thousands)

	University of California	California Housing Finance Agency	Nonmajor Component Units	Total
ASSETS				
Current assets:				
Cash and pooled investments	$ 713,597	$ 1,110,300	$ 1,361,211	$ 3,185,108
Investments	10,029,536	—	672,043	10,701,579
Restricted assets:				
Cash and pooled investments	—	—	336,306	336,306
Investments	—	—	25,946	25,946
Receivables (net)	5,621,013	225,358	523,346	6,369,717
Due from primary government	261,027	—	—	261,027
Due from other governments	174,578	—	—	174,578
Prepaid items	—	458	3,285	3,743
Inventories	340,359	—	—	340,359
Other current assets	434,827	211	35,961	470,999
Total current assets	17,574,937	1,336,327	2,958,098	21,869,362
Noncurrent assets:				
Restricted assets:				
Cash and pooled investments	—	—	56,075	56,075
Investments	—	—	96,303	96,303
Investments	32,533,142	258,183	2,305,804	35,097,129
Receivables (net)	2,770,830	—	340,987	3,111,817
Loans receivable	—	2,674,890	408,625	3,083,515
Long-term prepaid charges	—	—	126	126
Capital assets:				
Land	1,370,982	—	162,838	1,533,820
Collections – nondepreciable	603,658	—	13,343	617,001
Buildings and other depreciable property	57,990,893	1,393	2,279,077	60,271,363
Intangible assets – amortizable	1,841,988	—	8,873	1,850,861
Less: accumulated depreciation/amortization	(29,199,768)	(794)	(1,254,187)	(30,454,749)
Construction/development in progress	3,935,419	—	123,517	4,058,936
Intangible assets – nonamortizable	—	—	6,753	6,753
Other noncurrent assets	407,256	1,033	52,996	461,285
Total noncurrent assets	72,254,400	2,934,705	4,601,130	79,790,235
Total assets	**89,829,337**	**4,271,032**	**7,559,228**	**101,659,597**
DEFERRED OUTFLOWS OF RESOURCES	14,622,134	17,090	106,741	14,745,965
Total assets and deferred outflows of resources	**$ 104,451,471**	**$ 4,288,122**	**$ 7,665,969**	**$ 116,405,562**

	University of California	California Housing Finance Agency	Nonmajor Component Units	Total
LIABILITIES				
Current liabilities:				
Accounts payable	$ 2,925,007	$ 54,575	$ 874,931	$ 3,854,513
Revenues received in advance	1,700,815	—	108,650	1,809,465
Deposits	955,911	225,528	1,818	1,183,257
Contracts and notes payable	—	—	11,541	11,541
Interest payable	—	16,089	3,848	19,937
Securities lending obligations	429,311	—	—	429,311
Current portion of long-term obligations	5,179,340	40,513	212,378	5,432,231
Other current liabilities	3,346,158	5,130	176,581	3,527,869
Total current liabilities	14,536,542	341,835	1,389,747	16,268,124
Noncurrent liabilities:				
Compensated absences payable	498,475	1,931	17,784	518,190
Workers' compensation benefits payable	477,492	—	18,066	495,558
Loans payable	—	4,172	12,093	16,265
Commercial paper and other borrowings	—	—	1,782	1,782
Capital lease obligations	142,369	—	236,004	378,373
Revenue bonds payable	22,468,049	683,152	477,496	23,628,697
Net other postemployment benefits liability	23,852,872	72,556	232,778	24,158,206
Net pension liability	21,779,120	43,432	287,326	22,109,878
Revenues received in advance	—	—	6,157	6,157
Other noncurrent liabilities	2,259,852	328,743	610,358	3,198,953
Total noncurrent liabilities	71,478,229	1,133,986	1,899,844	74,512,059
Total liabilities	**86,014,771**	**1,475,821**	**3,289,591**	**90,780,183**
DEFERRED INFLOWS OF RESOURCES	7,463,894	20,982	107,645	7,592,521
Total liabilities and deferred inflows of resources	**93,478,665**	**1,496,803**	**3,397,236**	**98,372,704**
NET POSITION				
Net investment in capital assets	14,443,373	599	663,547	15,107,519
Restricted:				
Nonexpendable – endowments	6,590,231	—	1,439,981	8,030,212
Expendable:				
Endowments and gifts	13,435,728	—	13,279	13,449,007
Education	439,697	—	1,202,057	1,641,754
Indenture	—	578,610	—	578,610
Statute	—	2,255,858	431,514	2,687,372
Other purposes	—	—	17,880	17,880
Total expendable	13,875,425	2,834,468	1,664,730	18,374,623
Unrestricted	(23,936,223)	(43,748)	500,475	(23,479,496)
Total net position	**10,972,806**	**2,791,319**	**4,268,733**	**18,032,858**
Total liabilities, deferred inflows of resources, and net position	**$ 104,451,471**	**$ 4,288,122**	**$ 7,665,969**	**$ 116,405,562**

(concluded)

Statement of Activities

Discretely Presented Component Units – Enterprise Activity

Year Ended June 30, 2020
(amounts in thousands)

	University of California	California Housing Finance Agency	Nonmajor Component Units	Total
OPERATING EXPENSES				
Personal services	$ 29,067,261	$ 21,451	$ 409,384	$ 29,498,096
Scholarships and fellowships	1,039,128	—	95,159	1,134,287
Supplies	4,218,056	—	14,236	4,232,292
Services and charges	318,494	13,764	1,311,613	1,643,871
Department of Energy laboratories	1,075,559	—	—	1,075,559
Depreciation	2,184,431	213	82,747	2,267,391
Interest expense and fiscal charges	921,796	34,483	33,210	989,489
Other	5,540,351	61,279	58,512	5,660,142
Total operating expenses	**44,365,076**	**131,190**	**2,004,861**	**46,501,127**
PROGRAM REVENUES				
Charges for services	26,194,785	270,559	1,014,713	27,480,057
Operating grants and contributions	11,560,074	49,550	767,395	12,377,019
Capital grants and contributions	67,742	—	12,859	80,601
Total program revenues	**37,822,601**	**320,109**	**1,794,967**	**39,937,677**
Net revenues (expenses)	(6,542,475)	188,919	(209,894)	(6,563,450)
GENERAL REVENUES				
Investment and interest income	1,076,880	239,084	109,120	1,425,084
Other	2,667,425	82,357	472,103	3,221,885
Total general revenues	**3,744,305**	**321,441**	**581,223**	**4,646,969**
Change in net position	(2,798,170)	510,360	371,329	(1,916,481)
Net position – beginning	**13,770,976**	**2,280,959**	**3,897,404**	**19,949,339**
Net position – ending	**$ 10,972,806**	**$ 2,791,319**	**$ 4,268,733**	**$ 18,032,858**

The notes to the financial statements are an integral part of this statement.

Notes to the Financial Statements – Index

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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, 2020:

GASB Statement No. 83, *Certain Asset Retirement Obligations*, as amended, is effective for the fiscal year ended June 30, 2020. This statement addresses accounting and financial reporting for certain asset retirement obligations. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. Implementation of GASB Statement No. 83 resulted in the recognition of asset retirement obligations and the related deferred outflows of resources in the financial statements of the University of California, a discretely presented component unit.

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of the following pronouncements by one year:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*
- GASB Statement No. 84, *Fiduciary Activities*
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- GASB Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*
- GASB Statement No. 91, *Conduit Debt Obligations*
- GASB Statement No. 92, *Omnibus 2020*
- GASB Statement No. 93, *Replacement of Interbank Offered Rates*
- GASB Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- GASB Implementation Guide No. 2018-1, *Implementation Guidance Update-2018*
- GASB Implementation Guide No. 2019-1, *Implementation Guidance Update-2019*
- GASB Implementation Guide No. 2019-2, *Fiduciary Activities*

Additionally, Statement No. 95 postponed the effective dates of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases* by 18 months. The State implemented GASB Statement No. 88, GASB Implementation Guide No. 2018-1, and GASB Implementation Guide No. 2017-3 in previous fiscal years. The State will implement the remaining aforementioned pronouncements according to the postponed effective dates prescribed by GASB Statement No. 95.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*, is effective for fiscal years ending after December 15, 2021. This Statement addresses existing references in authoritative literature to the term *comprehensive annual financial report* and replaces them with *annual comprehensive financial report.* The State implemented GASB Statement No. 98 for the fiscal year ended June 30, 2020.

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.

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, 2019).

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, 2020, CADA had total assets and deferred outflows of resources of $42.6 million, total liabilities and deferred inflows of resources of $23.6 million, and total net position of $19.0 million. Total revenues for the fiscal year were $15.4 million and expenses were $12.6 million, resulting in an increase in net position of $2.8 million. 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, contact Covered California, 1601 Exposition Boulevard, Sacramento, California 95815.

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/cpcfa.

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 activity. 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 an agent 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.

Agency funds account for assets held by the State, which acts as an agent for individuals, private organizations, or other governments. The following are the State's largest agency funds:

The *Receipting and Disbursing Fund* accounts for the collection and disbursement of revenues and receipts on behalf of local governments. This fund also accounts for receipts from numerous state funds, typically for the purpose of writing a single warrant when the warrant is funded by multiple funding sources.

The *Deposit Fund* accounts for various deposits, such as those from condemnation and litigation proceedings.

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, the **investment trust fund**, **private purpose trust funds**, and **pension and other employee benefit trust funds** are accounted for using the economic resources measurement focus. **Agency funds** are custodial in nature and do not measure the results of operations.

The accounts of the proprietary fund types, the investment trust fund, private purpose trust funds, pension and other employee benefit trust funds, and agency funds 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 Derivatives*: Negative changes in the fair value of hedging derivatives 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, 2020, the government-wide financial statements show restricted net position for the primary government of $54.4 billion, of which $10.8 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, 2020, the Budget Stabilization Account had a restricted fund balance of $16.1 billion.

b. Special Fund for Economic Uncertainties

State law established the Special Fund for Economic Uncertainties (SFEU) as a contingency reserve to help the State meet its General Fund obligations in the event of declining revenues or unanticipated expenditures. A control section of the State's Budget Act establishes the annual reserve balance of the SFEU, but that amount would be reduced if certain constitutionally defined excess revenue limits are met during the fiscal year. In addition, SFEU funds may be set aside in a separate account and committed for disaster response operation costs incurred by state agencies as a result of a proclamation of a state of emergency by the Governor. The SFEU is a discretionary budget reserve and is available without additional legislative action to meet the cash needs of the General Fund and to eliminate any General Fund deficit at the end of a fiscal year. The SFEU is reported in the General Fund, and at June 30, 2020, the SFEU represented $1.2 billion of the committed balance of the General Fund.

O. Restatement of Beginning Fund Balances and Net Position

1. Fund Financial Statements

The beginning fund balance of *governmental funds* increased by $37 million due to an increase in the General Fund to adjust accounts receivable for benefit overpayments. An additional $444 million was shifted from the General Fund to a nonmajor special revenue fund for the omission of a prior year accrual and transfer, but had no effect on the beginning fund balance of *governmental funds*.

The beginning fund balance of *enterprise funds* increased by $639 million due to an increase in the Unemployment Programs Fund to adjust accounts receivable for benefit overpayments.

The beginning fund balance of *private purpose trust funds* decreased by $84 thousand to recognize a previously unreported liability within other private purpose trust funds.

2. Government-wide Financial Statements

The beginning net position of *governmental activities* increased by $819 million. In addition to the restatements described in the previous section for governmental funds, the restatement also includes a $495 million increase to recognize understated capital assets, and a $287 million increase to adjust accounts receivable related to prior year benefit payments for Unemployment Programs.

The beginning net position of *business-type activities* was 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, 2020, increased spending authority for the budgetary/legal basis-reported General Fund and the Health Care Related Programs Funds, and decreased spending authority for the budgetary/legal basis-reported Transportation Funds and Environmental and Natural Resources 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, 2020, these discretely presented component units and related organizations account for approximately 2.7% 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, 2020, totaling approximately $7.8 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, 2020, the State Treasurer's Office had on deposit with a fiscal agent amounts totaling $22 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 $427 million in interest revenue received by the General Fund from the pooled investment program in fiscal year 2019-20 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, 2020
(amounts in thousands)

		Fair Value Measurements Using	
	June 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Pooled Investments			
U.S. Treasury bills and notes	$ 53,426,044	$ 53,426,044	$ —
U.S. Agency bonds and discount notes	16,423,647	16,423,647	—
Supranational debentures and discount notes	4,144,163	4,144,163	—
Small Business Administration loans	482,514	482,514	—
Mortgage-backed securities	18,042	18,042	—
Certificates of deposit	13,206,383	—	13,206,383
Bank notes	100,199	—	100,199
Commercial paper	7,741,500	—	7,741,500
Total pooled investments at fair value	**95,542,492**	**$ 74,494,410**	**$ 21,048,082**
Other primary government investments			
U.S. Treasuries and agencies	3,045,752	$ 851,223	$ 2,194,529
Commercial paper	32,077	—	32,077
Corporate debt securities	851,290	—	851,290
Repurchase agreements	19,462	—	19,462
Other	1,579,067	201,216	1,377,851
Total other primary government investments at fair value	**5,527,648**	**$ 1,052,439**	**$ 4,475,209**
Investments measured at the net asset value (NAV)			
Money market funds/2a-7 money market funds	514,079		
Total investments measured at the NAV	**514,079**		
Other investment instruments			
Guaranteed investment contracts[1]	200,000		
Total other investment instruments	**200,000**		
Funds outside primary government included in pooled investments			
Less: investment trust funds	32,065,639		
Less: other trust and agency funds	4,438,461		
Less: discretely presented component units and related organizations	2,568,521		
Total primary government investments	**$ 62,711,598**		

[1] Reported at carrying value.

As of June 30, 2020, the weighted average maturity of the securities in the pooled investment program administered by the State Treasurer's Office was approximately 199 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, 2020, 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, 2020, structured notes and medium-term asset-backed securities comprised approximately 2.3% of the pooled investments. A portion of the structured notes was callable agency securities, which represented 1.1% 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 $5.5 billion of time deposits and $576 million of internal loans to state funds. Repurchase agreements of the California State University system mature in one day. 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, 2020, only $18 million, or 0.02% of the total pooled investments, was invested in mortgage-backed securities.

Table 3

Schedule of Investments – Primary Government – Interest Rate Risk
June 30, 2020
(amounts in thousands)

	Fair Value at Year End	Weighted Average Maturity (in years)
Pooled investments		
U.S. Treasury bills and notes	$ 53,426,044	0.70
U.S. Agency bonds and discount notes	16,423,647	0.48
Supranational debentures and discount notes	4,144,163	0.40
Small Business Administration loans	482,514	0.25
Mortgage-backed securities	18,042	1.36
Certificates of deposit	13,206,383	0.24
Bank notes	100,199	0.17
Commercial paper	7,741,500	0.21
Total pooled investments	**95,542,492**	
Other primary government investments		
U.S. Treasuries and agencies	3,045,752	3.19
Commercial paper	32,077	0.38
Guaranteed investment contracts[1]	200,000	1.83
Corporate debt securities	851,290	1.04
Repurchase agreements	19,462	—
Other	2,093,146	3.66
Total other primary government investments	**6,241,727**	
Funds outside primary government included in pooled investments		
Less: investment trust funds	32,065,639	
Less: other trust and agency funds	4,438,461	
Less: discretely presented component units and related organizations	2,568,521	
Total primary government investments	**$ 62,711,598**	

[1] Reported at carrying value.

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, 2020
(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	$ 22,329,337
A-1/P-1/F-1	AA/Aa/AA	19,004,671
A-2/P-2/F-2	A/A/A	299,926
Not rated		—
Not applicable		53,908,558
Total pooled investments		**$ 95,542,492**
Other primary government investments		
A-1+/P-1/F-1+	AAA/Aaa/AAA	$ 1,334,461
A-1/P-1/F-1	AA/Aa/AA	2,706,372
A-2/P-2/F-2	A/A/A	988,942
A-3/P-3/F-3	BBB/Baa/BBB	15,029
B/NP/B	BB/Ba/BB	19,701
B/NP/B	B2/B	109,818
Not rated		1,067,404
Total other primary government investments		**$ 6,241,727**

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, 2020, one guaranteed investment contract of the Electric Power Fund in the amount of $100 million was uninsured and uncollateralized.

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, 2020, the State had investments in the Federal Home Loan Mortgage Corporation totaling 6.8% and the Federal Home Loan Bank totaling 8.5% 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 96.4% 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 93.3% 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.

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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, 2020
(amounts in thousands)

	Taxes	Licenses, Permits, and Fees	Lottery Retailers	Unemployment Programs	California State University	Other	Total
Current governmental activities							
General Fund	$ 43,072,502	$ —	$ —	$ 702,525	$ —	$ 855,686	$ 44,630,713
Federal Fund	—	—	—	687,652	—	2,425	690,077
Transportation Fund	830,928	241,122	—	—	—	181,743	1,253,793
Environmental and Natural Resources Fund	15,298	424,371	—	—	—	117,140	556,809
Health Care Related Programs Fund	1,031,357	3,821,892	—	—	—	241,281	5,094,530
Nonmajor governmental funds	634,870	432,726	—	—	—	963,809	2,031,405
Internal service funds	—	—	—	—	—	112,602	112,602
Adjustment:							
Unavailable revenue[1]	(1,988,075)	(213,032)	—	(1,131,639)	—	(452,844)	(3,785,590)
Total current governmental activities	**$ 43,596,880**	**$ 4,707,079**	**$ —**	**$ 258,538**	**$ —**	**$ 2,021,842**	**$ 50,584,339**
Amounts not scheduled for collection during the subsequent year (unavailable revenue)	**$ 1,988,075**	**$ 213,032**	**$ —**	**$ 1,131,639**	**$ —**	**$ 508,291** [2]	**$ 3,841,037**
Current business-type activities							
Electric Power Fund	$ —	$ —	$ —	$ —	$ —	$ 2,960	$ 2,960
Water Resources Fund	—	—	—	—	—	86,099	86,099
State Lottery Fund	—	—	504,271	—	—	—	504,271
Unemployment Programs Fund	—	—	—	1,201,331	—	—	1,201,331
California State University	—	—	—	—	211,892	—	211,892
Nonmajor enterprise funds	—	—	—	—	—	44,893	44,893
Total current business-type activities	**$ —**	**$ —**	**$ 504,271**	**$ 1,201,331**	**$ 211,892**	**$ 133,952**	**$ 2,051,446**
Amounts not scheduled for collection during the subsequent year (unavailable revenue)	**$ —**	**$ —**	**$ —**	**$ 1,116,514**	**$ 375,421**	**$ —**	**$ 1,491,935**

[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 $55 million that were not included in the governmental fund financial statements.

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, 2020
(amounts in thousands)

	Cash and Pooled Investments	Investments	Due From Other Governments	Loans Receivable	Total
Primary government					
Debt service	$ 1,632,087	$ 352,821	$ 182,839	$ 1,986,034	$ 4,153,781
Construction	1,012,097	—	—	—	1,012,097
Operations	36,704	—	—	—	36,704
Other	1,947	—	—	—	1,947
Total primary government	**2,682,835**	**352,821**	**182,839**	**1,986,034**	**5,204,529**
Discretely presented component units					
Debt service	302,486	122,249	—	—	424,735
Other	89,895	—	—	—	89,895
Total discretely presented component units	**392,381**	**122,249**	**—**	**—**	**514,630**
Total restricted assets	**$ 3,075,216**	**$ 475,070**	**$ 182,839**	**$ 1,986,034**	**$ 5,719,159**

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 $8.0 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)

	State Public Works Board			
Year Ending June 30	**Primary Government Agencies**	**Local Agencies**	**Total**	**California State University**
2021	$ 15,960	$ 12,754	$ 28,714	$ 25,938
2022	15,966	12,739	28,705	21,400
2023	15,954	12,720	28,674	23,573
2024	15,952	12,701	28,653	23,616
2025	15,930	12,689	28,619	23,515
2026-2030	79,162	61,454	140,616	119,789
2031-2035	78,551	15,558	94,109	54,946
2036-2040	—	—	—	22,901
2041-2045	—	—	—	6,723
2046-2050	—	—	—	4,037
Total minimum lease payments	**237,475**	**140,615**	**378,090**	**326,438**
Less: unearned income	91,874	32,382	124,256	95,987
Net investment in direct financing leases	**145,601**	**108,233**	**253,834**	**230,451**
Less: current portion	4,570	7,779	12,349	12,723
Noncurrent net investment in direct financing leases	**$ 141,031**	**$ 100,454**	**$ 241,485**	**$ 217,728**

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, 2020
(amounts in thousands)

	Beginning Balance	Additions	Deductions	Ending Balance
Governmental activities				
Capital assets not being depreciated/amortized				
Land	$ 20,780,336 *	$ 402,761	$ 36,231	$ 21,146,866
State highway infrastructure	78,418,144	1,187,569	53,217	79,552,496
Collections	22,682	—	—	22,682
Construction/development in progress	15,824,573 *	4,171,020	1,854,034	18,141,559
Intangible assets	617,776 *	228,568	—	846,344
Total capital assets not being depreciated/amortized	**115,663,511**	**5,989,918**	**1,943,482**	**119,709,947**
Capital assets being depreciated/amortized				
Buildings and improvements	26,860,289 *	325,449	137,454	27,048,284
Infrastructure	749,288	3,719	6	753,001
Equipment and other depreciable assets	5,492,524 *	362,487	162,584	5,692,427
Intangible assets	2,682,040 *	76,058	76,933	2,681,165
Total capital assets being depreciated/amortized	**35,784,141**	**767,713**	**376,977**	**36,174,877**
Less accumulated depreciation/amortization for:				
Buildings and improvements	10,027,757 *	665,552	87,546	10,605,763
Infrastructure	425,799	15,124	6	440,917
Equipment and other depreciable assets	4,422,362 *	401,079	159,284	4,664,157
Intangible assets	1,178,866 *	252,072	65,328	1,365,610
Total accumulated depreciation/amortization	**16,054,784**	**1,333,827**	**312,164**	**17,076,447**
Total capital assets being depreciated/amortized, net	**19,729,357**	**(566,114)**	**64,813**	**19,098,430**
Governmental activities, capital assets, net	**$ 135,392,868**	**$ 5,423,804**	**$ 2,008,295**	**$ 138,808,377**
Business-type activities				
Capital assets not being depreciated/amortized				
Land	$ 306,207	$ 24,742	$ 539	$ 330,410
Collections	27,473	3,483	—	30,956
Construction/development in progress	3,257,564	1,329,879	1,378,847	3,208,596
Intangible assets	118,807	6,123	595	124,335
Total capital assets not being depreciated/amortized	**3,710,051**	**1,364,227**	**1,379,981**	**3,694,297**
Capital assets being depreciated/amortized				
Buildings and improvements	14,283,941 *	1,468,012	23,848	15,728,105
Infrastructure	504,529	48,415	698	552,246
Equipment and other assets	1,007,613 *	81,080	31,760	1,056,933
Intangible assets	433,466	9,740	759	442,447
Total capital assets being depreciated/amortized	**16,229,549**	**1,607,247**	**57,065**	**17,779,731**
Less accumulated depreciation/amortization for:				
Buildings and improvements	5,527,407 *	410,790	2,851	5,935,346
Infrastructure	166,385	25,657	416	191,626
Equipment and other assets	656,976 *	90,801	30,262	717,515
Intangible assets	205,292 *	17,733	764	222,261
Total accumulated depreciation/amortization	**6,556,060**	**544,981**	**34,293**	**7,066,748**
Total capital assets being depreciated/amortized, net	**9,673,489**	**1,062,266**	**22,772**	**10,712,983**
Business-type activities, capital assets, net	**$ 13,383,540**	**$ 2,426,493**	**$ 1,402,753**	**$ 14,407,280**

* 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, 2020
(amounts in thousands)

	Amount
Governmental activities	
General government	$ 314,725
Education	145,030
Health and human services	172,948
Natural resources and environmental protection	88,513
Business, consumer services, and housing	10,024
Transportation	222,194
Corrections and rehabilitation	327,196
Internal service funds (charged to the activities that utilize the fund)	53,197
Total governmental activities	**1,333,827**
Business-type activities	544,925
Total primary government	**$ 1,878,752**

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, 2020
(amounts in thousands)

	Beginning Balance	Additions	Deductions	Ending Balance
Capital assets not being depreciated/amortized				
Land	$ 1,442,899	$ 96,412	$ 5,491	$ 1,533,820
Collections	554,898	76,185	14,082	617,001
Construction/development in progress	4,360,384	84,367	385,815	4,058,936
Intangible assets	10,344	1,796	5,387	6,753
Total capital assets not being depreciated/amortized	**6,368,525**	**258,760**	**410,775**	**6,216,510**
Capital assets being depreciated/amortized				
Buildings and improvements	43,015,708	3,774,501	59,104	46,731,105
Infrastructure	938,961	71,594	—	1,010,555
Equipment and other depreciable assets	12,123,766	753,623	347,686	12,529,703
Intangible assets	1,784,908	262,067	196,114	1,850,861
Total capital assets being depreciated/amortized	**57,863,343**	**4,861,785**	**602,904**	**62,122,224**
Less accumulated depreciation/amortization for:				
Buildings and improvements	18,555,793	1,366,068	28,652	19,893,209
Infrastructure	452,722	32,275	—	484,997
Equipment and other depreciable assets	8,787,228	564,854	311,887	9,040,195
Intangible assets	903,272	304,212	171,136	1,036,348
Total accumulated depreciation/amortization	**28,699,015**	**2,267,409**	**511,675**	**30,454,749**
Total capital assets being depreciated/amortized, net	**29,164,328**	**2,594,376**	**91,229**	**31,667,475**
Capital assets, net	**$ 35,532,853**	**$ 2,853,136**	**$ 502,004**	**$ 37,883,985**

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, 2020
(amounts in thousands)

	General Government	Education	Health and Human Services	Natural Resources and Environmental Protection	Transportation	Other	Total
Governmental activities							
General Fund	$ 191,229	$ 463,577	$ 449,148	$ 354,041	$ 7,249	$ 360,242	$ 1,825,486
Federal Fund	531,525	224,455	434,225	58,719	133,271	125,168	1,507,363
Transportation Fund	10,934	7,504	18	16,964	857,234	2,753	895,407
Environmental and Natural Resources Fund	9,982	—	13,147	473,094	154,140	3,241	653,604
Health Care Related Programs Fund	—	354	87,693	—	—	—	88,047
Nonmajor governmental funds	619,336	46,508	96,380	6,410	1,976	97,716	868,326
Internal service funds	118,002	160	230,877	34,266	—	15,171	398,476
Adjustment:							
Fiduciary funds	2,142,976	4,127,466	28,549,475	—	93,170	—	34,913,087
Total governmental activities	**$ 3,623,984**	**$ 4,870,024**	**$ 29,860,963**	**$ 943,494**	**$ 1,247,040**	**$ 604,291**	**$ 41,149,796**
Business-type activities							
Electric Power Fund	$ —	$ —	$ —	$ 2,254	$ —	$ —	$ 2,254
Water Resources Fund	—	—	—	210,245	—	—	210,245
State Lottery Fund	39,698	—	—	—	—	—	39,698
Unemployment Programs Fund	—	—	296,143	—	—	—	296,143
California State University	—	289,594	—	—	—	—	289,594
Nonmajor enterprise funds	203	1,233	161	2,465	—	7,585	11,647
Adjustment:							
Fiduciary funds	—	—	—	—	—	829	829
Total business-type activities	**$ 39,901**	**$ 290,827**	**$ 296,304**	**$ 214,964**	**$ —**	**$ 8,414**	**$ 850,410**

NOTE 9: LONG-TERM OBLIGATIONS

As of June 30, 2020, the primary government had long-term obligations totaling $312.7 billion. Of that amount, $8.0 billion is due within one year. Governmental activities had a net increase in long-term obligations of $6.5 billion. Significant increases included $1.5 billion in net pension liability, $4.8 billion in net other postemployment benefits (OPEB) liability, and $317 million in compensated absences payable. Other notable changes in governmental activities' long-term obligation included a significant decrease of $671 million in Proposition 98 funding guarantees.

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, 2020, pollution remediation obligations increased by $92 million, to $1.3 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, 2020, the State estimates that remediation costs at Stringfellow will total $492 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, 2020, the State estimates that the oil field abandonment liability is $910 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 $63 million to settle lawsuits, Technology Services Revolving Fund notes payable of $25 million, and Water Resources Revolving Fund notes payable of $15 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 $3.9 billion. Significant increases included $2.3 billion for loans payable to the U.S. Department of Labor to cover shortfalls in the Unemployment Programs Fund, $1.5 billion in net OPEB liability, and $544 million in net pension liability. Significant decreases included $384 million in lottery prizes and annuities, and $244 million in revenue bonds payable.

Table 12 summarizes the changes in long-term obligations during the fiscal year ended June 30, 2020.

Table 12

Schedule of Changes in Long-term Obligations
(amounts in thousands)

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due Within One Year	Noncurrent Liabilities
Governmental activities						
Loans payable adjustment for fiduciary funds	$ 199,063	$ —	$ 53,114	$ 145,949	$ —	$ 145,949
Compensated absences payable	3,681,908	1,585,112	1,267,959	3,999,061	11,672	3,987,389
Workers' compensation benefits payable	4,431,589	772,732	526,312	4,678,009	486,434	4,191,575
Commercial paper and other borrowings	1,032,760	1,707,240	1,631,280	1,108,720	—	1,108,720
Capital lease obligations	434,876	24,082	65,869	393,089	56,369	336,720
General obligation bonds outstanding	72,651,425	7,763,245	8,446,635	71,968,035	3,533,840	68,434,195
Premiums	6,121,425	1,217,614	423,328	6,915,711	757,830	6,157,881
Total general obligation bonds payable	78,772,850	8,980,859	8,869,963	78,883,746	4,291,670	74,592,076
Revenue bonds outstanding	14,237,729	987,500	834,651	14,390,578	737,926	13,652,652
Accreted interest	602,521	49,341	—	651,862	—	651,862
Premiums	873,435	111,879	121,118	864,196	114,583	749,613
Discounts	(2,025)	—	(653)	(1,372)	(50)	(1,322)
Total revenue bonds payable	15,711,660	1,148,720	955,116	15,905,264	852,459	15,052,805
Mandated cost claims payable	1,869,746	132,906	167,242	1,835,410	53,040	1,782,370
Net other postemployment benefits liability	69,441,716	8,743,332	3,921,652	74,263,396	—	74,263,396
Net pension liability	81,299,874	27,993,886	26,478,096	82,815,664	—	82,815,664
Other long-term obligations:						
Oil field abandonment liability	902,100	7,683	—	909,783	—	909,783
Proposition 98 funding guarantee	686,592	—	670,661	15,931	15,223	708
Pollution remediation obligations	1,206,369	215,250	123,422	1,298,197	77,861	1,220,336
Other	149,738	14,493	61,337	102,894	46,633	56,261
Total other long-term obligations	2,944,799	237,426	855,420	2,326,805	139,717	2,187,088
Total governmental activities	**$ 259,820,841**	**$ 51,326,295**	**$ 44,792,023**	**$ 266,355,113**	**$ 5,891,361**	**$ 260,463,752**
Business-type activities						
Loans payable	$ —	$ 2,271,930	$ —	$ 2,271,930	$ —	$ 2,271,930
Lottery prizes and annuities	1,746,721	4,528,466	4,912,666	1,362,521	653,331	709,190
Compensated absences payable	359,151	154,619	111,434	402,336	138,908	263,428
Workers' compensation benefits payable	5,131	4,873	—	10,004	—	10,004
Commercial paper and other borrowings	799,643	618,445	368,862	1,049,226	72	1,049,154
Capital lease obligations	315,322	73,803	32,053	357,072	20,897	336,175
General obligation bonds outstanding	841,255	—	62,335	778,920	34,835	744,085
Premiums	10,733	—	470	10,263	—	10,263
Discounts	(1,226)	—	(95)	(1,131)	—	(1,131)
Total general obligation bonds payable	850,762	—	62,710	788,052	34,835	753,217
Revenue bonds outstanding	13,168,778	1,425,430	1,633,708	12,960,500	1,162,065	11,798,435
Premiums	1,353,138	114,509	150,358	1,317,289	62,812	1,254,477
Discounts	(456)	—	(29)	(427)	—	(427)
Total revenue bonds payable	14,521,460	1,539,939	1,784,037	14,277,362	1,224,877	13,052,485
Net other postemployment benefits liability	14,765,563	2,029,422	571,421	16,223,564	—	16,223,564
Net pension liability	8,730,246	3,338,205	2,794,492	9,273,959	—	9,273,959
Other long-term obligations	311,571	34,457	60,048	285,980	36,718	249,262
Total business-type activities	**$ 42,405,570**	**$ 14,594,159**	**$ 10,697,723**	**$ 46,302,006**	**$ 2,109,638**	**$ 44,192,368**

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, 2019, included the primary government and certain discretely presented component units; 1,319 school employers, including charter schools; and 1,612 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, 2018 Actuarial Valuation Report, which may be found at www.CalPERS.ca.gov/docs/forms-publications/2018-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, 2019 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, 2019

	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol	Total PERF Plans
Inactive employees or beneficiaries currently receiving benefits	197,691	15,345	26,866	41,657	9,301	**290,860**
Inactive employees entitled to but not yet receiving benefits	63,003	3,730	7,706	7,545	482	**82,466**
Active employees	214,664	20,769	35,169	47,433	7,531	**325,566**
Total	**475,358**	**39,844**	**69,741**	**96,635**	**17,314**	**698,892**

***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, 2019.

Table 14

Contribution Rates – PERF Plans
June 30, 2019

	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol
Average active employee rate	6.901 %	7.969 %	10.485 %	11.456 %	10.523 %
Employer rate of annual payroll	29.370	20.431	21.534	45.371	55.124
Total	**36.271 %**	**28.400 %**	**32.019 %**	**56.827 %**	**65.647 %**

***Actuarial Methods and Assumptions*:** The total pension liability for PERF plans was measured as of June 30, 2019 (measurement date), by rolling forward the total pension liability determined by the June 30, 2018 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, 2018
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-2019.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 – 10 [1]	Real Return Years 11+ [2]
Global 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 Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2018	$ 111,518,010	$ 80,103,319	$ 31,414,691	$ 4,477,222	$ 3,584,595	$ 892,627
Changes recognized for the measurement period:						
Service cost	2,042,862	—	2,042,862	127,006	—	127,006
Interest on total pension liability	7,970,572	—	7,970,572	324,909	—	324,909
Changes of assumptions	—	—	—	—	—	—
Difference between expected and actual experience	2,032,459	—	2,032,459	106,233	—	106,233
Plan to plan resource movement	—	(1,344)	1,344	—	(754)	754
Employer contributions	—	3,777,484	(3,777,484)	—	148,494	(148,494)
Employee contributions	—	942,980	(942,980)	—	61,338	(61,338)
Net investment income	—	5,163,147	(5,163,147)	—	233,027	(233,027)
Benefit payments, including refunds of employee contributions	(6,190,738)	(6,190,738)	—	(205,544)	(205,544)	—
Administrative expense	—	(57,163)	57,163	—	(2,558)	2,558
Other Miscellaneous Income/(Expense)	—	185	(185)	—	8	(8)
Net changes	**5,855,155**	**3,634,551**	**2,220,604**	**352,604**	**234,011**	**118,593**
Balance at June 30, 2019 (Measurement Date)	**$ 117,373,165**	**$ 83,737,870**	**$ 33,635,295**	**$ 4,829,826**	**$ 3,818,606**	**$ 1,011,220**

	State Safety			State Peace Officers and Firefighters		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2018	$ 13,119,814	$ 10,543,433	$ 2,576,381	$ 47,213,094	$ 33,301,642	$ 13,911,452
Changes recognized for the measurement period:						
Service cost	536,173	—	536,173	1,044,955	—	1,044,955
Interest on total pension liability	951,075	—	951,075	3,381,608	—	3,381,608
Changes of assumptions	—	—	—	—	—	—
Difference between expected and actual experience	227,078	—	227,078	664,430	—	664,430
Plan to plan resource movement	—	1,482	(1,482)	—	350	(350)
Employer contributions	—	523,076	(523,076)	—	1,665,872	(1,665,872)
Employee contributions	—	257,071	(257,071)	—	437,937	(437,937)
Net investment income	—	691,911	(691,911)	—	2,175,528	(2,175,528)
Benefit payments, including refunds of employee contributions	(626,451)	(626,451)	—	(2,209,557)	(2,209,557)	—
Administrative expense	—	(7,524)	7,524	—	(23,765)	23,765
Other Miscellaneous Income/(Expense)	—	24	(24)	—	77	(77)
Net changes	**1,087,875**	**839,589**	**248,286**	**2,881,436**	**2,046,442**	**834,994**
Balance at June 30, 2019 (Measurement Date)	**$ 14,207,689**	**$ 11,383,022**	**$ 2,824,667**	**$ 50,094,530**	**$ 35,348,084**	**$ 14,746,446**

(continued)

Table 17 (continued)

Changes in Net Pension Liability – PERF Plans (continued)
(amounts in thousands)

	California Highway Patrol			Total PERF Plans		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2018	$ 12,994,141	$ 8,534,222	$ 4,459,919	**$ 189,322,281**	**$ 136,067,211**	**$ 53,255,070**
Changes recognized for the measurement period:						
Service cost	257,384	—	257,384	**4,008,380**	—	**4,008,380**
Interest on total pension liability	926,056	—	926,056	**13,554,220**	—	**13,554,220**
Changes of assumptions	—	—	—	—	—	—
Difference between expected and actual experience	135,148	—	135,148	**3,165,348**	—	**3,165,348**
Plan to plan resource movement	—	265	(265)	—	**(1)**	**1**
Employer contributions	—	507,055	(507,055)	—	**6,621,981**	**(6,621,981)**
Employee contributions	—	100,080	(100,080)	—	**1,799,406**	**(1,799,406)**
Net investment income	—	556,379	(556,379)	—	**8,819,992**	**(8,819,992)**
Benefit payments, including refunds of employee contributions	(612,298)	(612,298)	—	**(9,844,588)**	**(9,844,588)**	—
Administrative expense	—	(6,090)	6,090	—	**(97,100)**	**97,100**
Other Miscellaneous Income/(Expense)	—	20	(20)	—	**314**	**(314)**
Net changes	**706,290**	**545,411**	**160,879**	**10,883,360**	**7,300,004**	**3,583,356**
Balance at June 30, 2019 (Measurement Date)	**$ 13,700,431**	**$ 9,079,633**	**$ 4,620,798**	**$ 200,205,641**	**$ 143,367,215**	**$ 56,838,426**

Reported in governmental activities	$ 45,489,278
Reported in business-type activities	9,273,959
Reported by discretely presented component units	191,511
Not reported in government-wide Statement of Net Position [1]	1,883,678
Total net pension liability – PERF plans	**$ 56,838,426**

(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, 2019; 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, 2020
(amounts in thousands)

	Current Rate -1%	Current Rate 7.15%	Current Rate +1%
State Miscellaneous	$ 47,926,601	$ 33,635,295	$ 21,663,798
State Industrial	1,673,549	1,011,220	465,331
State Safety	4,705,728	2,824,667	1,267,585
State Peace Officers and Firefighters	21,713,385	14,746,446	9,034,127
California Highway Patrol	6,555,488	4,620,798	3,037,947
Total PERF plans	**$ 82,574,751**	**$ 56,838,426**	**$ 35,468,788**

***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, 2020, the State recognized pension expense of $10.7 billion. At June 30, 2020, 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, 2019, but prior to the fiscal year ended June 30, 2020. 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, 2020
(amounts in thousands)

	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol	Total PERF Plans
Pension Expense	$ 6,120,776	$ 269,766	$ 777,216	$ 2,762,843	$ 787,425	**$ 10,718,026**
Deferred Outflows of Resources:						
Employer contributions	5,032,209	245,757	759,505	3,234,348	560,538	**9,832,357**
Changes of assumptions	1,416,890	35,064	203,520	1,103,703	305,133	**3,064,310**
Difference between expected and actual experience	1,765,045	78,955	177,713	753,881	212,928	**2,988,522**
Deferred Inflows of Resources:						
Difference between expected and actual experience	(96,760)	(7,850)	(44,692)	(121,223)	(65,221)	**(335,746)**
Changes of assumptions	(705,578)	(22,261)	(21,594)	(15,062)	—	**(764,495)**
Net difference between projected and actual earnings on pension plan investments	(250,476)	(10,949)	(31,757)	(111,220)	(25,095)	**(429,497)**

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
2021	$ 1,933,602	$ 61,503	$ 206,105	$ 786,201	$ 219,495	**$ 3,206,906**
2022	(343,174)	(4,818)	(2,178)	399,109	101,546	**150,485**
2023	389,629	11,757	36,416	252,664	48,755	**739,221**
2024	149,064	4,517	42,847	172,105	47,938	**416,471**
2025	—	—	—	—	10,011	**10,011**

***Payable to the Pension Plans*:** At June 30, 2020, the State reported a payable of $930 million for the outstanding amount of contributions to the PERF pension plans required for the fiscal year ended June 30, 2020.

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, 2019 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, 2019

	Judges'	Judges' II	Legislators'	Total
Inactive employees or beneficiaries currently receiving benefits	1,767	264	214	**2,245**
Inactive employees entitled to but not yet receiving benefits	4	1	6	**11**
Active employees	146	1,645	2	**1,793**
Total	**1,917**	**1,910**	**222**	**4,049**

***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, 2019 actuarial valuation as 32.104%. 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, 2019.

Table 22

Contribution Rates – Single-employer Plans
June 30, 2019

	Judges'	Judges' II	Legislators'
Average active employee rate	"Pay-	8.815 %	7.370 %
Employer rate of annual payroll	as-you-	24.660	38.145
Total	go"	**33.475 %**	**45.515 %**

***Actuarial Methods and Assumptions*:** The total pension liability for single-employer plans was measured as of June 30, 2019 (measurement date), by rolling forward the total pension liability determined by the June 30, 2018 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, 2018
Actuarial cost method:	Entry age normal in accordance with the requirements of GASB 68
Actuarial assumptions:	
Discount rate	Judges' 3.13%, 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' 3.13%, 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' – 3.13%, reflecting the short-term nature of the assets. As the plan is insufficiently funded, CalPERS uses a discount rate of 3.13%, 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**			**Legislators'**			**Total Single-employer Plans**		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability/(Asset)**	**Total Pension Liability**	**Plan Fiduciary Net Position**	**Net Pension Liability/(Asset)**	**Total Pension Liability**	**Plan Fiduciary Net Position**	**Net Pension Liability/(Asset)**	**Total Pension Liability**	**Plan Fiduciary Net Position**	**Net Pension Liability/(Asset)**
Balance at June 30, 2018 (Valuation Date)	$ 3,036,999	$ 39,631	$ 2,997,368	$ 1,498,154	$ 1,525,515	$ (27,361)	$ 96,780	$ 113,876	$ (17,096)	**$ 4,631,933**	**$ 1,679,022**	**$ 2,952,911**
Changes recognized for the measurement period:												
Service cost	20,073	—	20,073	103,791	—	103,791	268	—	268	**124,132**	**—**	**124,132**
Interest on total pension liability	99,427	—	99,427	103,889	—	103,889	4,873	—	4,873	**208,189**	**—**	**208,189**
Difference between expected and actual experience	86,873	—	86,873	30,292	—	30,292	(427)	—	(427)	**116,738**	**—**	**116,738**
Changes of assumptions	153,651	—	153,651	—	—	—	—	—	—	**153,651**	**—**	**153,651**
Employer contributions	—	195,903	(195,903)	—	84,099	(84,099)	—	250	(250)	**—**	**280,252**	**(280,252)**
Employee contributions	—	2,679	(2,679)	—	31,375	(31,375)	—	92	(92)	**—**	**34,146**	**(34,146)**
Net investment income	—	1,166	(1,166)	—	106,781	(106,781)	—	7,860	(7,860)	**—**	**115,807**	**(115,807)**
Benefit payments, including refunds of employee contributions	(221,954)	(221,954)	—	(36,204)	(36,204)	—	(7,350)	(7,350)	—	**(265,508)**	**(265,508)**	**—**
Administrative expense	—	(10,032)	10,032	—	(1,477)	1,477	—	(324)	324	**—**	**(11,833)**	**11,833**
Other miscellaneous income	—	2,776	(2,776)	—	—	—	—	—	—	**—**	**2,776**	**(2,776)**
Net changes	**138,070**	**(29,462)**	**167,532**	**201,768**	**184,574**	**17,194**	**(2,636)**	**528**	**(3,164)**	**337,202**	**155,640**	**181,562**
Balance at June 30, 2019 (Measurement Date)	**$ 3,175,069**	**$ 10,169**	**$ 3,164,900**	**$ 1,699,922**	**$ 1,710,089**	**$ (10,167)**	**$ 94,144**	**$ 114,404**	**$ (20,260)**	**$ 4,969,135**	**$ 1,834,662**	**$ 3,134,473**
											Reported in governmental activities	**$ 3,134,473**

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate*:** Judges' net pension liability was calculated using a discount rate of 3.13%; 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, 2020
(amounts in thousands)

	Current Rate -1%	Current Rate	Current Rate +1%
Judges' (3.13%)	$ 3,508,926	$ 3,164,900	$ 2,873,062
Judges' II (6.65%)	199,030	(10,167)	(178,722)
Legislators' (5.25%)	(9,368)	(20,260)	(29,173)
Total Single-employer Plans	**$ 3,698,588**	**$ 3,134,473**	**$ 2,665,167**

***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, 2019, the State recognized pension expense of $444 million. At June 30, 2020, 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, 2019, but prior to the fiscal year ended June 30, 2020, 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, 2020
(amounts in thousands)

	Judges'	Judges' II	Legislators'	Total
Pension Expense	$ 362,968	$ 80,395	$ 1,081	**$ 444,444**
Deferred Outflows of Resources:				
Employer contributions subsequent to the measurement date	241,993	83,872	100	**325,965**
Changes of assumptions	—	43,271	—	**43,271**
Difference between expected and actual experience	—	26,025	—	**26,025**
Net difference between projected and actual earnings on pension plan investments	760	—	(490)	**270**
Deferred Inflows of Resources:				
Difference between expected and actual experience	—	(46,334)	—	**(46,334)**
Changes of assumptions	—	(38,407)	—	**(38,407)**
Net difference between projected and actual earnings on pension plan investments	—	(9,927)	—	**(9,927)**

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)

	Deferred Outflows of Resources	Deferred Inflows of Resources		
Year Ending June 30	Judges'	Judges' II	Legislators'	Total
2021	$ 484	$ (907)	$ 380	**$ (43)**
2022	292	(12,733)	(126)	**(12,567)**
2023	65	(5,773)	(329)	**(6,037)**
2024	(81)	(2,316)	(415)	**(2,812)**
2025	—	985	—	**985**
Thereafter	—	(4,628)	—	**(4,628)**

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 1,788 contributing employers, 448,513 active and 213,127 inactive program members, and 314,405 benefit recipients as of June 30, 2020. The payroll for employees covered by the DB Program for the fiscal year ended June 30, 2019, was approximately $35.8 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 16.28% of creditable compensation, respectively. The General Fund contributed an additional 5.311% of total creditable compensation of the fiscal year ending in the prior calendar year. Contributions will increase to 5.811% in the next year and continue to increase until fiscal year 2045-46. Accordingly, the State contributed $3.3 billion for fiscal year 2019-20. Additionally, the State made a $1.1 billion supplemental contribution to reduce the State's unfunded actuarial obligation pursuant to Senate Bill 90. CalSTRS' June 30, 2018 Defined Benefit Actuarial Valuation Report may be found on CalSTRS' website at www.CalSTRS.com/sites/main/files/file-attachments/2018_db_valuation_report.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, 2019, the CBB Program had 29 contributing school districts and 40,652 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, 2019, 349 individuals were receiving benefits from the RB program.

***Actuarial Methods and Assumptions*:** The total pension liability in the June 30, 2018 actuarial valuation (valuation date) was determined using the actuarial methods and assumptions shown in Table 29, applied to the measurement period ended June 30, 2019.

Table 29

Actuarial Methods and Assumptions – CalSTRS

Valuation date	June 30, 2018
Experience study	July 1, 2010 through June 30, 2015
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 2017 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
Global equity	47.0 %	4.80 %
Fixed Income	12.0	1.30
Real estate	13.0	3.60
Private equity	13.0	6.30
Risk mitigating strategies	9.0	1.80
Inflation sensitive	4.0	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, 2019 (measurement date), by applying update procedures and rolling forward the total pension liability determined by the actuarial valuation as of June 30, 2018 (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, 2019, the State's proportionate share of the CalSTRS' net pension liability was 35.30%, or $31.9 billion; this amount is reported in the governmental activities column of the government-wide Statement of Net Position as of June 30, 2020.

As a result of its requirement to contribute to CalSTRS, the State recognized expense of $3.7 billion for the fiscal year ended June 30, 2020, 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, 2020
(amounts in thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 4,032,205	$ —
Net difference between projected and actual earnings on pension plan investments	—	1,228,052
Difference between expected and actual experiences	80,482	898,360
Proportionate share change	923,235	1,848,199
State contributions subsequent to the measurement date	4,446,836	—
Total	**$ 9,482,758**	**$ 3,974,611**

The $4.4 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, 2021.

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
2021	$ 420,116
2022	(432,355)
2023	726,513
2024	885,431
2025	(315,184)
Thereafter	(223,211)

***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, 2020
(amounts in thousands)

	Current Rate –1%	Current Rate 7.10%	Current Rate +1%
State's proportionate share of net pension liability	$ 47,472,919	$ 31,880,645	$ 18,951,680

***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, 2019, and valued as of June 30, 2018. For 12 of the cost-sharing multiple-employer defined benefit plans, the net pension liability was measured as of June 30, 2019, and valued as of June 30, 2018. Five of the cost-sharing multiple-employer plans had a measurement date of December 31, 2019; three of these plans had an actuarial valuation date of December 31, 2018, and two had a valuation date of January 1, 2019.

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, 2019, and five plans had an actuarial valuation and measurement date of June 30, 2019.

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, 2018	Twelve plans as of June 30, 2018. Three plans as of December 31, 2018. Two plans as of January 1, 2019. Five plans as of June 30, 2019. One plan as of December 31, 2019.
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 $10.9 billion and fiduciary net position of $8.6 billion, which resulted in a net pension liability of $2.3 billion as of June 30, 2020. For the fiscal year ended June 30, 2020, the State recognized pension expense of $393 million. At June 30, 2020, the State reported deferred outflows of resources of $731 million and deferred inflows of resources of $373 million. The reported deferred outflows of resources included $307 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, 2021.

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, 2020 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 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.

Annuitants 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, 2019* (June 30, 2019 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, 2019

OPEB Plan	Inactive employees or beneficiaries currently receiving benefits	Active Employees	Total
Service Employees International Union (SEIU) Plan	70,106	112,123	182,229
Bargaining Unit 5 Plan	6,776	7,392	14,168
Bargaining Unit 6 Plan	24,717	31,412	56,129
Bargaining Unit 9 Plan	7,137	13,265	20,402
Bargaining Unit 12 Plan	9,920	13,053	22,973
Other Funded Plans	30,358	45,542	75,900
Unfunded Plan	43,687	53,530	97,217
Total	**192,701**	**276,317**	**469,018**

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 2019 monthly State contribution was $734 for one-party coverage, $1,398 for two-party coverage, and $1,788 for family coverage. For the fiscal year ended June 30, 2019, the State contributed $2.7 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, 2019 (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, 2019
Actuarial cost method:	Entry age normal in accordance with the requirements of GASB 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 3.13%
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 2020, increasing to 7.50% in 2021, decreasing 0.50% per year to an ultimate rate of 4.50% for 2027 through 2036, then to 4.25% for 2037 and later years Post-Medicare coverage: Actual rates for 2020, increasing to 7.50% in 2021, then decreasing 0.50% per year to an ultimate rate of 4.50% for 2027 through 2036, then to 4.25% for 2037 and later years Dental coverage: 0.01% in 2020 and 4.50% for 2021 through 2036, then 4.25% thereafter
Mortality	Derived using CalPERS' membership data for all members

Other demographic assumptions used in the June 30, 2019 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 nominal 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, 2019 total OPEB liability consist of the 20-year Municipal G.O. Bond AA Index rate of 3.13% as of June 30, 2019, 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 in future years. 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, 2019*, on the State Controller s Office website, at www.sco.ca.gov.

Blended rates for the June 30, 2020 valuation will be determined using the Fidelity Index 20-year Municipal G.O. Bond AA Index rate of 2.45% 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[1]			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**	**Total OPEB Liability**	**Plan Fiduciary Net Position**	**Net OPEB Liability**
Balance at June 30, 2018	$ 29,485,488	$ —	$ 29,485,488	$ 4,560,540	$ 331,052 *	$ 4,229,488	$ 14,699,258	$ 332,511 *	$ 14,366,747
Changes recognized for the measurement period:									
Service cost	1,078,364	—	1,078,364	140,545	—	140,545	503,829	—	503,829
Interest on total OPEB liability	1,201,673	—	1,201,673	199,637	—	199,637	622,325	—	622,325
Difference between expected and actual experiences	(525,007)	—	(525,007)	41,288	—	41,288	(460,414)	—	(460,414)
Changes of assumptions	1,213,332	—	1,213,332	318,292	—	318,292	912,754	—	912,754
Employer contributions	—	928,206	(928,206)	—	136,068	(136,068)	—	400,805	(400,805)
Employee contributions	—	71,712	(71,712)	—	3,943	(3,943)	—	106,592	(106,592)
Net investment income	—	8,202	(8,202)	—	23,834	(23,834)	—	33,447	(33,447)
Benefit payments	(856,494)	(856,494)	—	(78,501)	(78,501)	—	(294,213)	(294,213)	—
Administrative expense	—	(14)	14	—	(77)	77	—	(94)	94
Net changes	2,111,868	151,612	1,960,256	621,261	85,267	535,994	1,284,281	246,537	1,037,744
Balance at June 30, 2019 (Measurement Date)	**$ 31,597,356**	**$ 151,612**	**$ 31,445,744**	**$ 5,181,801**	**$ 416,319**	**$ 4,765,482**	**$ 15,983,539**	**$ 579,048**	**$ 15,404,491**

[1] SEIU and EEE began prefunding in the 2018-19 measurement period and shifted from the Unfunded plan from the prior year. SEIU is presented discretely while EEE is included in "Other Funded Plans."

(continued)

*Restated

Table 38 (continued)

Changes in Net OPEB Liability (continued)

(amounts in thousands)

	Bargaining Unit 9 Plan			Bargaining Unit 12			Other Funded Plans[1]		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2018	$ 4,098,926	$ 53,391 *	$ 4,045,535	$ 3,994,063	$ 27,788 *	$ 3,966,275	$ 14,074,765	$ 128,914 *	$ 13,945,851
Changes recognized for the measurement period:									
Service cost	127,060	—	127,060	129,311	—	129,311	528,502	—	528,502
Interest on total OPEB liability	165,399	—	165,399	162,948	—	162,948	581,170	—	581,170
Difference between expected and actual experiences	(88,806)	—	(88,806)	(97,510)	—	(97,510)	(221,816)	—	(221,816)
Changes of assumptions	145,634	—	145,634	152,849	—	152,849	506,543	—	506,543
Employer contributions	—	97,833	(97,833)	—	137,101	(137,101)	—	435,583	(435,583)
Employee contributions	—	13,311	(13,311)	—	16,268	(16,268)	—	71,376	(71,376)
Net investment income	—	4,789	(4,789)	—	3,552	(3,552)	—	16,116	(16,116)
Benefit payments	(84,522)	(84,522)	—	(120,833)	(120,833)	—	(364,207)	(364,207)	—
Administrative expense	—	(14)	14	—	(9)	9	—	(43)	43
Net changes	264,765	31,397	233,368	226,765	36,079	190,686	1,030,192	158,825	871,367
Balance at June 30, 2019 (Measurement Date)	**$ 4,363,691**	**$ 84,788**	**$ 4,278,903**	**$ 4,220,828**	**$ 63,867**	**$ 4,156,961**	**$ 15,104,957**	**$ 287,739**	**$ 14,817,218**

(continued)

Table 38 (continued)

Changes in Net OPEB Liability (continued)
(amounts in thousands)

	Unfunded Plan[1]			Total		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2018	$ 15,556,199	$ —	$ 15,556,199	$ 86,469,239	$ 873,656 *	$ 85,595,583
Changes recognized for the measurement period:						
Service cost	651,082	—	651,082	3,158,693	—	3,158,693
Interest on total OPEB liability	576,896	—	576,896	3,510,048	—	3,510,048
Difference between expected and actual experiences	(41,161)	—	(41,161)	(1,393,426)	—	(1,393,426)
Changes of assumptions	863,523	—	863,523	4,112,927	—	4,112,927
Employer contributions	—	546,742	(546,742)	—	2,682,338	(2,682,338)
Employee contributions	—	—	—	—	283,202	(283,202)
Net investment income	—	—	—	—	89,940	(89,940)
Benefit payments	(546,742)	(546,742)	—	(2,345,512)	(2,345,512)	—
Administrative expense	—	—	—	—	(251)	251
Net changes	1,503,598	—	1,503,598	7,042,730	709,717	6,333,013
Balance at June 30, 2019 (Measurement Date)	**$ 17,059,797**	**$ —**	**$ 17,059,797**	**$ 93,511,969**	**$ 1,583,373**	**$ 91,928,596**

Reported in governmental activities	$ 72,579,409
Reported in business-type activities	16,223,564
Reported by discretely presented component units	140,656
Not reported in government-wide Statement of Net Position[2]	2,984,967
Total net OPEB liability	**$ 91,928,596**

(concluded)

[2] 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, 2019; and minor differences related to amounts reported in separately issued financial statements of proprietary funds and discretely presented component units.

***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 3.13% to 3.85%, 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, 2020
(amounts in thousands)

OPEB Plan	Blended Rate	Blended Discount Rates -1%	Blended Discount Rates	Blended Discount Rates +1%
Service Employees International Union (SEIU) Plan	3.60%	$ 37,038,559	$ 31,445,744	$ 26,978,518
Bargaining Unit 5 Plan	3.85%	5,832,270	4,765,482	3,942,154
Bargaining Unit 6 Plan	3.73%	18,523,905	15,404,491	12,978,078
Bargaining Unit 9 Plan	3.59%	5,047,122	4,278,903	3,664,301
Bargaining Unit 12 Plan	3.60%	4,871,048	4,156,961	3,584,831
Other Funded Plans	3.52% to 3.78%	17,552,553	14,817,218	12,650,986
Unfunded Plan	3.13%	19,901,785	17,059,797	14,778,679
Total		**$ 108,767,242**	**$ 91,928,596**	**$ 78,577,547**

***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, 2020
(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	$ 26,649,969	$ 31,445,744	$ 37,595,207
Bargaining Unit 5 Plan	3,901,073	4,765,482	5,900,167
Bargaining Unit 6 Plan	12,863,462	15,404,491	18,699,103
Bargaining Unit 9 Plan	3,620,852	4,278,903	5,117,036
Bargaining Unit 12 Plan	3,559,767	4,156,961	4,912,788
Other Funded Plans	12,506,798	14,817,218	17,793,696
Unfunded Plan	14,632,981	17,059,797	20,152,620
Total	**$ 77,734,902**	**$ 91,928,596**	**$ 110,170,617**

***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 $3.7 billion for the fiscal year ended June 30, 2020. 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 inflows 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, 2020, 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, 2020
(amounts in thousands)

Description	Service Employees International Union (SEIU) Plan	Bargaining Unit 5 Plan	Bargaining Unit 6 Plan	Bargaining Unit 9 Plan	Bargaining Unit 12 Plan	Other Funded Plans	Unfunded Plan	Total
OPEB Expense	$ 1,262,456	$ 258,649	$ 599,119	$ 116,551	$ 120,217	$ 610,743	$ 758,566	$ 3,726,301
Deferred Outflows of Resources:								
Employer contributions subsequent to the measurement date	1,077,554	139,230	477,342	131,031	153,368	492,373	512,702	2,983,600
Difference between expected and actual experiences	—	35,154	—	—	—	24,673	35,116	94,943
Changes of assumptions	1,045,282	271,001	770,729	123,254	128,618	471,130	722,178	3,532,192
Deferred Inflows of Resources:								
Difference between expected and actual experiences	(2,387,500)	(77,147)	(1,207,775)	(303,463)	(326,343)	(1,062,375)	(937,514)	(6,302,117)
Changes of assumptions	(2,669,982)	(364,836)	(1,003,391)	(369,051)	(320,746)	(1,173,852)	(1,322,954)	(7,224,812)
Net difference between projected and actual earnings on OPEB plan investments	(2,614)	(2,275)	(4,601)	(858)	(330)	(1,420)	—	(12,098)

The $3.0 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, 2021.

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)

	Year Ending June 30					
OPEB Plan	**2021**	**2022**	**2023**	**2024**	**2025**	**Thereafter**
Service Employees International Union (SEIU) Plan	$ (940,949)	$ (940,949)	$ (940,949)	$ (830,278)	$ (449,062)	$ 87,373
Bargaining Unit 5	(52,380)	(52,380)	(50,888)	(41,139)	19,654	39,030
Bargaining Unit 6	(389,929)	(389,931)	(388,492)	(281,540)	(25,182)	30,036
Bargaining Unit 9	(157,958)	(157,960)	(146,059)	(76,333)	(16,238)	4,430
Bargaining Unit 12	(152,719)	(152,721)	(135,654)	(77,557)	(2,851)	2,701
Other Funded Plans	(413,662)	(398,345)	(375,649)	(306,656)	(162,368)	(85,164)
Unfunded Plan	(390,452)	(325,437)	(379,092)	(346,193)	(136,793)	74,793
Total	**$ (2,498,049)**	**$ (2,417,723)**	**$ (2,416,783)**	**$ (1,959,696)**	**$ (772,840)**	**$ 153,199**

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, 2019 (measurement date), and the remaining 52 valuations had a measurement date of June 30, 2019. One of the courts had an actuarial valuation date of December 31, 2019, 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, 2019.
Actuarial assumptions:			
Discount rate	Blended and single rates ranging from 3.13% to 7.00%.	Blended rate of 3.27%.	Single rates ranging from 7.00% to 7.25%.
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 6.00 to 7.50%, 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, 2019 total OPEB liability consist of the 20-year Municipal G.O. Bond AA Index rate of 3.13% as of June 30, 2019, when prefunding assets are not available to pay benefits, and full funding discount rates ranging from 4.75% to 7.25% when prefunding assets are available to pay benefits. Single rates range from 3.13% to 7.25%. 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 $1.9 billion and fiduciary net position of $244 million, which resulted in a net OPEB liability of $1.7 billion as of June 30, 2020, reported in governmental activities. For the fiscal year ended June 30, 2020, the State recognized OPEB expense of $107 million. At June 30, 2020, the State reported deferred outflows of resources of $91 million and deferred inflows of resources of $220 million. Deferred outflows of resources included $56 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, 2021.

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, 2020, 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, 2020, the general obligation commercial paper program had $1.1 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, 2020, the enterprise fund commercial paper program had $920 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, 2020, $129 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, 2020, was approximately $2.3 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, 2020, amounted to approximately $288 million for governmental activities and $42 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 $750 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 $143 million, which are included in the capital lease commitments. This amount represents 19.1% 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 $160 million for business-type activities.

The capital lease commitments do not include $8.0 billion in lease-purchase agreements with SPWB and $38 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)

	Governmental Activities		Business-type Activities		
Year Ending June 30	**Operating Leases**	**Capital Leases**	**Operating Leases**	**Capital Leases**	**Total**
2021	$ 248,119	$ 97,409	$ 38,795	$ 39,272	$ 423,595
2022	195,328	77,382	32,585	36,790	342,085
2023	145,147	59,805	20,925	36,492	262,369
2024	88,474	35,345	18,519	34,812	177,150
2025	56,638	28,378	18,155	33,969	137,140
2026-2030	107,362	117,331	63,904	157,807	446,404
2031-2035	42,742	94,430	27,222	139,036	303,430
2036-2040	1,445	42,282	24,476	36,930	105,133
2041-2045	747	3,048	18,789	19,484	42,068
2046-2050	467	—	2,444	12,369	15,280
2051-2055	107	—	—	—	107
2056-2060	59	—	—	—	59
Total minimum lease payments	**$ 886,635**	**555,410**	**$ 265,814**	**546,961**	**$ 2,254,820**
Less: amount representing interest		162,321		189,889	
Present value of net minimum lease payments		**393,089**		**357,072**	
Less: current portion		56,369		20,897	
Capital lease obligation, net of current portion		**$ 336,720**		**$ 336,175**	

NOTE 14: COMMITMENTS

As of June 30, 2020, the primary government had commitments of $6.9 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 $6.0 billion from proceeds of approved federal grants and $909 million 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 $858 million for various education programs, $604 million for terrorism prevention and disaster-preparedness response projects, $252 million for services provided under various public health programs, $36 million for community service programs, $31 million for services provided under the child support program, and $5 million for services under the workforce development program.

The primary government had other commitments, totaling $16.8 billion, that are not included as a liability on the Balance Sheet or the Statement of Net Position. The $16.8 billion in commitments includes grant agreements totaling approximately $11.2 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 $16.8 billion in commitments includes $2.3 billion for undisbursed loan commitments to qualified agencies for clean water projects and $377 million in undisbursed loan commitments for various programs aimed at providing housing and emergency shelter to persons in need.

The $16.8 billion in commitments also includes contracts of $945 million 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 $983 million for CSU construction projects. In addition, CSU participates in forward-purchase contracts of electricity. As of June 30, 2020, CSU's obligation under these special purchase arrangements requires it to purchase at fixed prices an estimated total of $16 million in electricity through December 2021. The primary government also had commitments of $9 million to veterans for the purchase of properties under contracts of sale. The California State Lottery Commission had commitments of $980 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, 2020, the primary government encumbered expenditures of $3.1 billion for the General Fund, $4.2 billion for the Transportation Fund, $2.7 billion for the Environmental and Natural Resources Fund, $29 million for the Health Care Related Programs Fund, and $1.5 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, 2020, 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, 2020, the State had $72.0 billion in outstanding general obligation bonds related to governmental activities and $779 million related to business-type activities. In addition, $32.9 billion in long-term general obligation bonds had been authorized but not issued, of which $31.8 billion is related to governmental activities and $1.1 billion is related to business-type activities. The total amount authorized but not issued includes $12.6 billion authorized by the applicable finance committees for issuance in the form of commercial paper notes. Of this amount, $1.1 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, 2020, the State had $2.9 billion in variable-rate general obligation bonds outstanding, consisting of $878 million in daily-rate bonds with credit enhancement, $1.0 billion in weekly-rate bonds with credit enhancement, and $1.0 billion 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 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. 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 daily if the bonds are in a daily-rate mode and weekly if the bonds are in a weekly-rate mode. Upon a tender, the remarketing agent 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 2019-20.

The letters of credit for the Series 2003 variable-rate bonds have expiration dates of January 15, 2021; September 7, 2021; March 25, 2022; August 26, 2022; and August 28, 2023. The letters of credit for the Series 2004 variable-rate bonds have expiration dates of September 7, 2021; October 1, 2021; and January 16, 2024. The letters of credit for the Series 2005 variable-rate bonds have expiration dates of March 26, 2021; and September 22, 2023. The Series 2012A index floating rate bonds have a mandatory redemption date on May 1, 2021. The Series 2013B, 2013C, 2013D, and 2013E index floating rate bonds have scheduled mandatory purchase dates on December 1, 2020 (Series 2013C and Series 2013D); December 1, 2022 (Series 2013B); and December 1, 2023 (Series 2013E). The Series 2016B and 2017C index floating rate bonds have scheduled mandatory purchase dates on December 1, 2021 (Series 2016B) and April 1, 2022 (Series 2017C).

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 2019-20.

B. Mandatory Tender Bonds

As of June 30, 2020, the State had $1.2 billion in outstanding general obligation bonds with scheduled mandatory tender dates, including $250 million with a fixed interest rate and $925 million with an index floating rate (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 December 1, 2020; December 1, 2021; 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, 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, 2020, the State had $12.5 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 will mature between 2020 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 6.2% for the federal fiscal year ending September 30, 2019, and by 5.9% for the federal fiscal year ending September 30, 2020. 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, 2020. The estimated debt service requirements for the $2.9 billion variable-rate general obligation bonds are calculated using the actual interest rates in effect on June 30, 2020. 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)

	Governmental Activities			Business-type Activities		
Year Ending June 30	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**
2021	$ 3,533,840	$ 3,472,534	$ 7,006,374	$ 34,835	$ 26,015	$ 60,850
2022	3,492,610	3,331,473	6,824,083	19,235	25,203	44,438
2023	3,082,330	3,169,911	6,252,241	15,720	24,760	40,480
2024	3,092,775	3,037,752	6,130,527	8,235	24,487	32,722
2025	3,048,695	2,907,684	5,956,379	11,100	24,255	35,355
2026 - 2030	16,552,345	12,455,979	29,008,324	132,500	114,278	246,778
2031 - 2035	15,702,965	8,843,609	24,546,574	195,730	84,303	280,033
2036 - 2040	14,042,225	4,842,563	18,884,788	149,230	52,054	201,284
2041 - 2045	6,604,250	1,322,158	7,926,408	143,235	26,452	169,687
2046 - 2050	2,816,000	283,294	3,099,294	69,100	5,295	74,395
Total	**$ 71,968,035**	**$ 43,666,957**	**$ 115,634,992**	**$ 778,920**	**$ 407,102**	**$ 1,186,022**

E. General Obligation Bond Defeasances

1. Current Year Activity

On September 17, 2019, the primary government issued $1.7 billion in general obligation bonds to current refund $2.0 billion in outstanding general obligation bonds with principal redemptions scheduled in the fiscal years ended June 30, 2020 to 2023, 2026 to 2030, 2032, 2033, 2035 to 2038, and 2040. 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 $690 million and resulted in an economic gain of $588 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 1.91% per year over the life of the new bonds.

On October 24, 2019, the primary government issued $457 million in general obligation bonds to current refund $464 million in outstanding general obligation bonds with principal redemptions scheduled in the fiscal years ended June 30, 2021 to 2030, 2035 to 2038, 2040, and 2047. 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 $38 million and resulted in an economic gain of $32 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 2.37% per year over the life of the new bonds.

On November 20, 2019, the primary government issued $288 million in general obligation bonds to current refund $353 million in outstanding general obligation bonds with principal redemptions scheduled in the fiscal years ended June 30, 2021 to 2023, 2026 to 2030, 2035, 2037, 2038, and 2040. 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 $155 million and resulted in an economic gain of $123 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 1.86% per year over the life of the new bonds.

On March 19, 2020, the primary government issued $1.1 billion in general obligation bonds to current refund $1.3 billion in outstanding general obligation bonds with principal redemptions scheduled in the fiscal years ended June 30, 2032, 2033, 2035 to 2038, and 2040. 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 $695 million and resulted in an economic gain of $562 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 1.7% per year over the life of the new bonds.

On April 22, 2020, the primary government issued $821 million in general obligation bonds to current refund $938 million in outstanding general obligation bonds with principal redemptions scheduled in the fiscal years ended June 30, 2021 to 2025, 2031 to 2033, 2037, 2038, and 2040. 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 $334 million and resulted in an economic gain of $275 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 2.08% 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, 2020, there are no outstanding defeased general obligation bonds.

NOTE 16: REVENUE BONDS

A. Governmental Activities

The State Treasurer is authorized by state law to issue Federal Highway Grant Anticipation Revenue Vehicles (GARVEE bonds). The purpose of these bonds is to accelerate the funding and construction of critical transportation infrastructure projects to provide congestion relief benefits to the public significantly sooner than with traditional funding mechanisms. These bonds are secured and payable from the annual federal appropriation for the State's federal-aid transportation projects. The primary government has no legal liability for the payment of principal and interest on these revenue bonds. All principal and interest remaining on the bonds was fully paid during fiscal year 2019-20. In addition, 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. Both of 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 $500 million, payable through 2034. Interest paid in the current year totaled $4 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 $13.5 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 $420 million, while Tobacco Settlement Revenue and interest earned totaled $423 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 $12.1 billion, payable through 2045. 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 2019-20, 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. 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 2019-20, 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, 2020
(amounts in thousands)

Primary government	
Governmental activities	
Transportation Fund	$ 1,705
Public Buildings Construction Fund	8,890,984
Nonmajor governmental funds:	
Golden State Tobacco Securitization Corporation Fund	6,438,512
No Place Like Home Program	500,000
Building authorities	74,063
Total governmental activities	**15,905,264**
Business-type activities	
Electric Power Fund	1,528,000
Water Resources Fund	3,045,468
California State University	7,903,636
Nonmajor enterprise funds	1,800,258
Total business-type activities	**14,277,362**
Total primary government	**30,182,626**
Discretely presented component units	
University of California	24,225,911
California Housing Finance Agency	721,257
Nonmajor component units	497,044
Total discretely presented component units	**25,444,212**
Total revenue bonds payable	**$ 55,626,838**

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)

	Primary Government				Discretely Presented Component Units	
	Governmental Activities		Business-type Activities			
Year Ending June 30	Principal	Interest	Principal	Interest	Principal	Interest *
2021	$ 737,926	$ 682,532	$ 1,162,065	$ 572,776	$ 729,546	$ 1,084,430
2022	666,336	649,548	1,237,610	516,944	518,840	1,058,737
2023	547,766	619,051	494,770	465,748	573,990	1,034,412
2024	622,328	605,728	502,735	441,524	585,413	1,009,567
2025	642,433	581,799	505,365	418,295	611,004	983,496
2026-2030	3,515,733	2,443,873	2,516,155	1,738,152	4,395,720	4,385,037
2031-2035	3,554,055	1,567,685	2,338,290	1,165,410	3,737,193	3,455,353
2036-2040	1,950,105	893,859	1,564,275	706,643	3,943,955	2,505,698
2041-2045	1,214,930	602,862	1,309,840	403,447	3,400,697	1,550,802
2046-2050	1,590,828	2,575,203	1,043,145	144,390	2,621,730	910,188
2051-2055	—	—	286,250	9,974	275,896	570,470
2056-2117	—	—	—	—	2,585,990	4,680,082
Total	**$ 15,042,440**	**$ 11,222,140**	**$ 12,960,500**	**$ 6,583,303**	**$ 23,979,974**	**$ 23,228,272**

* Includes interest on variable-rate bonds based on rates in effect on June 30, 2020.

D. Revenue Bond Defeasances

1. Current Year – Governmental Activities

During the 2019-20 fiscal year, the SPWB issued $104 million in lease revenue refunding bonds. The bond proceeds were used to refund $130 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 $35 million and resulted in an economic gain of $31 million. The lease revenue bonds are reported in the Public Buildings Construction Fund, an internal service fund.

2. Current Year – Business-type Activities

In August 2019, the California State University issued $269 million in systemwide revenue bonds to current and 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 $65 million and resulted in an economic gain of $50 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, 2020, the outstanding balance of defeased revenue bonds was $549 million for business-type activities. All defeased revenue bonds for governmental activities were redeemed by June 30, 2020.

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 $4.7 billion as of June 30, 2020. 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 $6.6 billion is discounted to $4.7 billion using a 3.5% interest rate. Of the total discounted liability, $486 million is a current liability, of which $350 million is included in the General Fund, $133 million in the special revenue funds, and $3 million in the internal service funds. The remaining $4.2 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)

	2020	2019
Unpaid claims, beginning	$ 4,436,720	$ 4,307,537
Incurred claims	777,605	641,653
Claim payments	(526,312)	(512,470)
Unpaid claims, ending	**$ 4,688,013**	**$ 4,436,720**

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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, the majority of the fiduciary funds' amount due from the General Fund, the Federal Trust Fund, and the Health Care Related Programs Fund is to pay for Medi-Cal and other health-care related expenditures accrued in the Health Care Deposit 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, 2020
(amounts in thousands)

	Due To					
Due From	**General Fund**	**Federal Fund**	**Transportation Fund**	**Environmental and Natural Resources Fund**	**Health Care Related Programs Fund**	**Nonmajor Governmental Fund**
Governmental funds						
General Fund	$ —	$ —	$ 51,031	$ 385,071	$ —	$ 1,470,692
Federal Fund	1,782,371	—	1,205,851	79,407	48,304	18,385
Transportation Fund	—	—	—	—	2,504	396,599
Environmental and Natural Resources Fund	—	—	909	—	—	327
Health Care Related Programs Fund	2,217,095	—	—	103	—	9,477
Nonmajor governmental funds	467,216	3	12,117	30,598	31	83,437
Total governmental funds	**4,466,682**	**3**	**1,269,908**	**495,179**	**50,839**	**1,978,917**
Enterprise funds						
Electric Power Fund	223	—	—	—	—	—
Water Resources Fund	761	—	—	—	—	—
State Lottery Fund	261	—	—	—	—	349,051
Unemployment Programs Fund	146,280	1,583,065	—	—	—	—
California State University Fund	—	—	5,353	7,986	1,304	2,349
Nonmajor enterprise funds	4,286	—	—	7,344	—	1,080
Total enterprise funds	**151,811**	**1,583,065**	**5,353**	**15,330**	**1,304**	**352,480**
Internal service funds	34,691	368	26,207	21,089	—	34,439
Total due from other funds	**$ 4,653,184**	**$ 1,583,436**	**$ 1,301,468**	**$ 531,598**	**$ 52,143**	**$ 2,365,836**

	Due To						
Due From	**Electric Power Fund**	**Unemployment Programs Fund**	**California State University Fund**	**Nonmajor Enterprise Funds**	**Internal Service Funds**	**Fiduciary Funds**	**Total Due To Other Funds**
Governmental funds							
General Fund	$ —	$ —	$ 3,078	$ 755	$ 354,785	$ 7,891,387	$ 10,156,799
Federal Fund	—	—	—	15,415	81,450	21,838,490	25,069,673
Transportation Fund	—	4,203	—	117	17,217	57,847	478,487
Environmental and Natural Resources Fund	—	—	—	1,987	25,550	8,057	36,830
Health Care Related Programs Fund	—	—	—	—	225	4,991,069	7,217,969
Nonmajor governmental funds	—	—	6,886	460	123,889	113,834	838,471
Total governmental funds	**—**	**4,203**	**9,964**	**18,734**	**603,116**	**34,900,684**	**43,798,229**
Enterprise funds							
Electric Power Fund	—	—	—	—	233	—	456
Water Resources Fund	—	—	—	—	99,725	—	100,486
State Lottery Fund	—	—	—	—	591	—	349,903
Unemployment Programs Fund	—	—	—	—	—	—	1,729,345
California State University Fund	—	2,189	—	61	36	793	20,071
Nonmajor enterprise funds	—	—	—	—	54	36	12,800
Total enterprise funds	**—**	**2,189**	**—**	**61**	**100,639**	**829**	**2,213,061**
Internal service funds	4,040	5,481	—	3,463	177,445	12,403	**319,626**
Total due from other funds	**$ 4,040**	**$ 11,873**	**$ 9,964**	**$ 22,258**	**$ 881,200**	**$ 34,913,916**	**$ 46,330,916**

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, nonmajor governmental funds, and the Unemployment Programs Fund—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 $2.7 billion of interfund loans. There is an additional $170 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, 2020
(amounts in thousands)

	Interfund Payables										
Interfund Receivables	**General Fund**	**Transportation Fund**	**Environmental and Natural Resources Fund**	**Health Care Related Programs Fund**	**Nonmajor Governmental Funds**	**Water Resources Fund**	**Unemployment Programs Fund**	**Nonmajor Enterprise Funds**	**Internal Service Funds**	**Fiduciary Funds**	**Total Interfund Payables**
Governmental funds											
General Fund	$ —	$ 82,612	$ 1,202,874	$ 218,186	$ 451,392	$ —	$ 349,027	$ 8,392	$ 19,803	$ 133,250	$ 2,465,536
Transportation Fund	—	—	—	—	20,000	—	—	—	713	—	20,713
Environmental and Natural Resources Fund	159,586	10,000	—	—	7,406	—	—	—	2,689	—	179,681
Nonmajor governmental funds	19,387	1,611	2,369	430	889	—	687	17	—	262	25,652
Total governmental funds	**178,973**	**94,223**	**1,205,243**	**218,616**	**479,687**	**—**	**349,714**	**8,409**	**23,205**	**133,512**	**2,691,582**
Enterprise funds											
Electric Power Fund	9,000	13	189	34	71	—	55	1	—	21	9,384
Water Resources Fund	—	1,586	23,097	4,190	8,668	—	6,702	161	—	2,559	46,963
State Lottery Fund	—	358	5,212	946	1,956	—	1,512	36	—	578	10,598
California State University Fund	—	3,690	53,731	9,746	20,163	—	15,591	376	—	5,952	109,249
Nonmajor enterprise funds	21,220	51	739	134	277	—	214	5	—	82	22,722
Total enterprise funds	30,220	5,698	82,968	15,050	31,135	—	24,074	579	—	9,192	198,916
Internal service funds	1,913,130	2,013	29,304	5,315	10,997	158,355	8,503	204	19,735	3,245	2,150,801
Total interfund receivables	**$ 2,122,323**	**$ 101,934**	**$ 1,317,515**	**$ 238,981**	**$ 521,819**	**$ 158,355**	**$ 382,291**	**$ 9,192**	**$ 42,940**	**$ 145,949**	**$ 5,041,299**

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, 2020
(amounts in thousands)

Due From	Due To University of California
Governmental funds	
General Fund	$ 221,669
Transportation Fund	7,457
Environmental and Natural Resources Fund	3,969
Nonmajor governmental funds	27,932
Total governmental funds	**261,027**
Total due from primary government	**$ 261,027**

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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 $4.6 billion to the California State University, an enterprise fund. The General Fund also transferred $3.0 billion to nonmajor governmental funds, mainly for support of trial courts and local governments. The Transportation Fund transferred $1.6 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 $518 million to the General Fund for administration of the Unemployment Insurance Program and $1.4 billion to the Unemployment Programs Fund.

Table 52 shows interfund transfers of the primary government.

Table 52

Schedule of Interfund Transfers
June 30, 2020
(amounts in thousands)

	Transferred To									
Transferred From	**General Fund**	**Transportation Fund**	**Environmental and Natural Resources Fund**	**Health Care Related Programs Fund**	**Nonmajor Governmental Funds**	**Unemployment Programs Fund**	**California State University Fund**	**Nonmajor Enterprise Funds**	**Internal Service Funds**	**Total Transfers To Other Funds**
Governmental funds										
General Fund	$ —	$ 5,735	$ 91,829	$ 169,599	$ 3,010,613	$ —	$ 4,560,920	$ 6	$ 36,958	$ 7,875,660
Federal Fund	517,863	—	16,389	—	22,430	1,402,023	—	—	—	1,958,705
Transportation Fund	363	—	10,585	—	1,613,811	—	—	—	—	1,624,759
Environmental and Natural Resources Fund	56,317	852	—	—	4,224	—	—	—	—	61,393
Health Care Related Programs Fund	—	8	—	—	13	—	—	—	—	21
Nonmajor governmental funds	46,593	193	26,347	5,762	131,934	—	—	119	—	210,948
Total governmental funds	**621,136**	**6,788**	**145,150**	**175,361**	**4,783,025**	**1,402,023**	**4,560,920**	**125**	**36,958**	**11,731,486**
Internal service funds	13,171	—	—	—	31,463	—	—	—	6,256	50,890
Total transfers from other funds	**$ 634,307**	**$ 6,788**	**$ 145,150**	**$ 175,361**	**$ 4,814,488**	**$ 1,402,023**	**$ 4,560,920**	**$ 125**	**$ 43,214**	**$ 11,782,376**

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, 2020
(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	$ 2,122,322	$ —	$ —	$ —	$ —	$ —
Long-term loans receivable	6,905	—	—	—	—	—
Other	—	—	—	—	—	13,702
Total nonspendable	**2,129,227**	**—**	**—**	**—**	**—**	**13,702**
Restricted						
General government	23,193	—	—	3,779	1	4,346,769
Education	174,133	106	1,226	—	94,174	1,320,217
Health and human services	291,015	62,197	—	76,669	1,551,629	2,787,822
Natural resources and environmental protection	558	1,497	—	5,355,297	—	265,674
Business, consumer services, and housing	1,981	234,835	234,744	23,419	—	4,391,455
Transportation	—	—	8,995,309	—	—	21,884
Corrections and rehabilitation	102,480	—	—	—	—	28,197
Budget stabilization	16,116,422	—	—	—	—	—
Total restricted	**16,709,782**	**298,635**	**9,231,279**	**5,459,164**	**1,645,804**	**13,162,018**
Committed						
General government	1,964,721	—	—	22,479	—	423,925
Education	84,775	—	—	—	—	77,646
Health and human services	904,043	—	260	—	52,158	239,009
Natural resources and environmental protection	4,807	—	3	8,427,480	—	559,063
Business, consumer services, and housing	—	—	—	85,768	—	127,124
Transportation	—	—	45,889	—	—	4,742
Corrections and rehabilitation	7,316	—	—	—	—	595
Total committed	**2,965,662**	**—**	**46,152**	**8,535,727**	**52,158**	**1,432,104**
Assigned						
General government	579,332	—	—	—	—	49,868
Education	83,505	—	—	—	—	—
Health and human services	1,315,656	—	—	—	—	—
Natural resources and environmental protection	724,339	—	—	—	—	—
Business, consumer services, and housing	8,354	—	—	—	—	—
Transportation	1,758	—	—	—	—	—
Corrections and rehabilitation	367,428	—	—	—	—	—
Total assigned	**3,080,372**	**—**	**—**	**—**	**—**	**49,868**
Unassigned	3,616,557	(2,474,960)	—	—	—	—
Total fund balances	**$ 28,501,600**	**$ (2,176,325)**	**$ 9,277,431**	**$ 13,994,891**	**$ 1,697,962**	**$ 14,657,692**

B. Net Position Deficits

Table 54 shows the net position deficit balances.

Table 54

Schedule of Net Position Deficits
June 30, 2020
(amounts in thousands)

	Governmental Funds	Internal Service Funds	Enterprise Funds
Federal Fund	$ 2,176,325	$ —	$ —
Architecture Revolving Fund	—	112,360	—
Service Revolving Fund	—	1,095,871	—
Technology Services Revolving Fund	—	433,145	—
Water Resources Revolving Fund	—	8,789	—
Other Internal Service Programs Fund	—	982,997	—
Electric Power Fund	—	—	2,115
State Lottery Fund	—	—	81,457
Unemployment Programs Fund	—	—	1,015,885
California State University Fund	—	—	17,068,868
Total net position deficits	**$ 2,176,325**	**$ 2,633,162**	**$ 18,168,325**

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, 2020, the value of restricted endowments and gifts totaled $20.0 billion, and unrestricted endowments and gifts totaled $6.1 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 $2.8 billion at June 30, 2020. 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 $1.4 billion and $13 million, respectively.

NOTE 20: DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

In the fund financial statements, governmental funds reported deferred inflows of resources of $3.8 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, 2020
(amounts in thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Deferred outflows of resources:				
Loss on refunding of debt	$ 849,767	$ 249,490	$ 1,099,257	$ 292,579
Decrease in fair value of hedging derivatives	—	—	—	259,944
Net pension liability	24,010,037	2,099,100	26,109,137	7,052,672
Net other postemployment benefits liability	5,361,954	1,194,202	6,556,156	7,046,817
Deferred asset retirement obligation	—	—	—	87,599
Other deferred outflows	—	—	—	6,354
Total deferred outflows of resources	**$ 30,221,758**	**$ 3,542,792**	**$ 33,764,550**	**$ 14,745,965**
Deferred inflows of resources:				
Gain on refunding of debt	$ 410,369	$ 3,825	$ 414,194	$ 2,700
Service concession arrangements	55,447	—	55,447	243,271
Irrevocable split-interest agreements	—	—	—	326,998
Net pension liability	5,620,554	307,813	5,928,367	262,212
Net other postemployment benefits liability	10,808,346	2,584,053	13,392,399	6,350,737
Other deferred inflows	—	1,346,262	1,346,262	406,603
Total deferred inflows of resources	**$ 16,894,716**	**$ 4,241,953**	**$ 21,136,669**	**$ 7,592,521**

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, 2020, the CalHFA had $2.0 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, 2020, these component units had approximately $4.3 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, 2020; those in progress as of June 30, 2020, and settled or decided against the primary government as of January 26, 2022; and those having a high probability of resulting in a decision against the primary government as of January 26, 2022, 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:

The primary government is a defendant in two cases, *Bakersfield Mall, LLC v. Franchise Tax Board*, and *CA-Centerside II, LLC v. Franchise Tax Board*, both regarding the constitutionality of a fee imposed on limited-liability companies (LLC). Plaintiffs assert class action and declaratory relief, and seek attorney fees based on alleged violations of the state and federal constitutions. They seek certification of two classes of allegedly similarly situated LLCs and unspecified refunds on behalf of the LLC classes, alleged to be in excess of 50,000 members. On January 30, 2013, Franchise Tax Board's petition to coordinate these cases was granted. The trial court denied class certification and the plaintiffs appealed. On December 17, 2014, the briefing of the appeal was completed. On August 27, 2018, the Court of Appeal reversed the trial court decision, directing the trial court to certify one or more classes. The State filed a petition for review in the California Supreme Court challenging the Court of Appeal's decision. On October 31, 2018, the California Supreme Court denied the State's petition for review. The plaintiffs' underlying challenge to the LLC fee will be tried. On July 2, 2019, the plaintiffs filed a motion for an award of interim attorneys' fees, which was denied. The plaintiffs filed a motion for class certification, which was granted. The parties filed cross-motions for summary judgment, which were denied on September 17, 2020. A trial date is set for April 4, 2022. Actual and expected future claims for refunds from LLCs are estimated to be as high as $1.2 billion.

In a previously settled case, *Northwest Energetic Services, LLC v. Franchise Tax Board*, the Court of Appeal found the fee unconstitutional only as applied to the plaintiff. In another previously settled case, *Ventas Finance I, LLC v. Franchise Tax Board,* the Court of Appeal also ruled that the fee was unconstitutional as applied to the plaintiff, but it awarded only a partial refund because Ventas received income from both inside and outside of California. *Bakersfield Mall, LLC v. Franchise Tax Board* raises the same constitutional issues as Northwest and Ventas, but initially pertained to LLCs that conduct business solely within California. Bakersfield Mall, LLC later amended its complaint to reflect the fact that not all of its income is derived within the State, making it similar to the Ventas case. *CA-Centerside II, LLC v. Franchise Tax Board* raises the same constitutional issues as the Bakersfield case, and alleges that the LLC fee is unconstitutional regarding any activities, whether in-state or out-of-state.

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. CDTFA's opening brief is due February 11, 2022. Briefing should be concluded on or about September 29, 2022. If the sales tax regulation is invalidated, the companion class action could lead to an order requiring CDTFA to refund up to $1.0 billion in sales tax collections.

The primary government is a defendant in a case, *Coast Community College District (District), et al. v. Commission on State Mandates (Commission)*, regarding a claim that various laws and regulations prescribing standards for the formation and basic operation of California community colleges created reimbursable state mandates under Government Code section 17514 and article XII B, section 6, of the California Constitution. The District filed a test claim before the Commission and on May 26, 2011, the Commission ruled that the test claim did not constitute a reimbursable state-mandated program. On May 22, 2014, the District filed a petition for administrative mandate, seeking review of the Commission's decision. On June 12, 2015, the Superior Court held a hearing and denied the petition. On September 15, 2015, the District filed a notice of appeal. In February 2017, the briefing of the appeal was completed. On April 3, 2020, the Court of Appeal reversed and remanded much of the matter to the Commission on State Mandates to determine whether several minimum conditions for state aid constitute new programs or higher levels of service requiring state reimbursement. The Supreme Court granted review and depublished the Court of Appeal's opinion on August 12, 2020. Merits briefing was completed in April 2021, and the parties are awaiting a date for oral argument. The estimated range of loss is not possible to ascertain at this time. As this case is a test claim, other districts could also bring claims for reimbursement for the same reason.

The primary government is a defendant in a case, *640 Tenth LLP, et al. v. Gavin Newsom*, regarding a putative class action complaint filed by a group of Southern California restaurants and gyms against the Governor and state public health officials challenging COVID-19 orders that required them to cease indoor operations. Under an amended complaint, the putative class includes all businesses affected by such orders. Plaintiffs allege that the Governor and health officials violated various state and federal provisions, and that the restrictions on the operation of their businesses constitutes both a regulatory and physical taking of plaintiffs' property without just compensation. Plaintiffs seek appropriate monetary damages to compensate plaintiffs' injuries. In July 2021, the Court sustained the State's demurrer and dismissed the case. Plaintiffs have appealed the dismissal and separately sought relief from the Court of Appeal by filing a writ petition, which the Court of Appeal denied. This case has not been certified as a class action. The estimated range of loss is not possible to ascertain at this time.

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. 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 (DWR)*, 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. The Butte County District Attorney seeks to impose up 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 seven other coordinated cases related to the failure of the Oroville Dam spillway in 2017. The plaintiffs are seeking relief for business losses, property damage (personal and real property), evacuation and relocation costs, and other damages, resulting from the flooding and debris. Class certification motions were filed seeking to certify putative classes, and an opposition was filed. On May 17, 2019, a hearing on the class certification motions was held. On September 25, 2019, the class certification motion was denied and was appealed. Class certification discovery was completed and liability discovery closed on October 30, 2020. On February 18, 2021, plaintiffs filed an opening brief for class certification. The State filed its brief on July 15, 2021. The plaintiffs' reply brief was due on October 4, 2021. Oral argument on the appeal is set for February 23, 2022. It is uncertain if the class representatives' claims will go to trial. Liability and damages on the inverse condemnation claims, alleged by certain plaintiffs in the coordinated matter, will be heard in separate trials prior to any tort claims. On April 16, 2021, expert discovery on inverse condemnation liability and causation was completed. The first liability trial, consisting of eight plaintiffs from this case, was submitted to the court on July 20, 2021. Liability discovery closed October 30, 2020, but for certain cases, the parties agreed to keep discovery open until October 15, 2021. On November 29, 2021, the court issued its statement of decision in the first inverse condemnation trial, finding the State not liable and did not cause plaintiffs' damages asserted under their inverse condemnation cause of action. The court ordered all parties to either a mandatory settlement conference or private mediation with the parties to notify the court of their choices by January 28, 2022. The court continued the stay of further damages discovery, and will not set any new trial dates until the parties have completed settlement conferences or private mediation. The parties have elected to pursue private mediation, which will commence April 27-28, 2022. The estimated range of loss for the coordinated cases is not possible to ascertain at this time.

The primary government is a defendant in two similar cases: *Perea, et al. v. Dooley, et al,* and *Deuschel v. California Health & Human Services Agency*. 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 prepounding 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 has been continued to February 2, 2022. The deadline for petitioners to move for class certification is January 31, 2022 or 30 days after the court rules on the motion for judgment on the pleadings, whichever is later. 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 $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 PEPRA 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 PEPRA. 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 will be heard on February 11, 2022. 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. The State expects to file a renewed demurrer to the amended complaint. The plaintiff is seeking damages of $799 million for the State's cancellation of a contract for delivery of PPE.

The primary government is aware of one unasserted claim against the State of California by Blue Flame Medical, LLC for cancellation of contracts for delivery of PPE. The estimated potential loss of the claim could be in excess of $300 million.

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, 2020, but prior to the date of the auditor's report.

A. Debt Issuances

In July 2020 and February and March 2021, the University of California, a major component unit, through its conduit, issued $5.6 billion in revenue bonds to finance or refinance certain improvements to the University and construction projects, to refund outstanding bonds, and to pay certain working capital projects and related issuance costs.

In July 2020 and May 2021, the Department of Water Resources issued a total of $1.6 billion in revenue bonds to fund construction of water system projects; to repay commercial papers; to refund certain outstanding water system revenue bonds; to fund capitalized interest; to fund a deposit to the debt service reserve account; and to pay related issuance costs.

In August 2020 and July 2021, the California State University (CSU) issued $3.2 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 September 2020 and August 2021, the primary government issued $206 million in veterans home purchase revenue bonds and $97 million in veterans general obligation bonds to build bond reserve accounts and to finance the purchase of homes and farms for California military veterans.

In September and October 2020, and March, April, October, and November 2021, the State Public Works Board issued a total of $2.5 billion in lease revenue bonds to finance and refinance the design and construction costs of various projects; to refund and defease lease revenue bonds; to reimburse interim loans; to fund capitalized interest; to fund a contribution to the Master Indenture Reserve Fund, if necessary; and to pay related issuance costs.

In September, October, and November 2020, and March, April, September, and November 2021, the primary government issued a total of $10.7 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 current refund certain outstanding bonds; and to pay related issuance costs.

In October 2020, the California Health Facilities Financing Authority issued $450 million 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; to fund capitalized interest; and to pay issuance costs.

In December 2020, the California Infrastructure and Economic Development Bank, a component unit, issued $324 million in revenue bonds to advance refund and defease all of the outstanding Infrastructure State Revolving Fund bonds and to pay related issuance costs.

In March, September, and December 2021, the Golden State Tobacco Securitization Corporation, a blended component unit, issued $6.5 billion in asset-backed bonds to refund a portion of its outstanding Tobacco Settlement Asset-backed bonds, to refund and defease Refunded bonds, and to pay issuance costs.

B. COVID-19

In March 2020, the Governor of California proclaimed a state of emergency in response to the worldwide outbreak of the disease caused by the novel coronavirus (COVID-19). In a continued effort to address the COVID-19 outbreak, the State allocated $1.5 billion in its 2020-21 Budget Act to fund expected COVID-19 response at various departments. In addition, the State, in its 2020-21 budget, reserved $716 million in the Special Fund for Economic Uncertainties for response to COVID-19. The COVID-19 emergency quickly developed into an economic crisis that has impacted the State's financial position in three main ways:

- Lower tax revenues due to worker displacement and mandated business closures.
- Increased direct cost to respond to the public health emergency, including expansion of the State's hospitals and laboratory capacity, and the purchase of medical supplies, including ventilators.
- Increased indirect costs due to claims for unemployment, Medi-Cal, food assistance, and other assistance programs.

The Governor's 2020-21 Budget took concerted steps to address the estimated $54.3 billion budget shortfall from the COVID-19 challenges. The Budget's plan to reduce the shortfall included utilizing $8.8 billion in reserves and $9.3 billion in special fund borrowing and transfers, obtaining $10.1 billion in federal funds, generating $4.4 billion in new revenues, reducing or deferring $11.1 billion in school funding, and suspending $10.6 billion in government program expansions.

In response to the nationwide impact of COVID-19, the federal government enacted six federal stimulus bills totaling over $600 billion to help pay for emergency response, testing, tracing, health care, and vaccinations. Included in these bills is $191 billion for the American Rescue Plan Act of 2021, from which California will receive $43 billion in recovery funds to cover costs sustained between March 2021 and December 2024. The 2021-22 State budget will allocate $27 billion of the Coronavirus State Fiscal Recovery Fund in four main ways:

- $1.8 billion – to provide support to state and local health care facilities and assist California citizens suffering from emotional and behavioral health concerns due to COVID-19.
- $12.2 billion – to address various negative economic impacts of COVID-19 on households, individuals, businesses, and industry.
- $9.2 billion – to restore revenue the State lost as a result of the COVID-19 pandemic.
- $3.8 billion – to invest in infrastructure projects that promote access to and affordability of broadband.

Due to the COVID-19 pandemic, California experienced unemployment rates of 14.1% in June 2020 and 7.7% in June 2021. As of January 26, 2022, the State had $19.7 billion in outstanding loans from the U.S. Department of Labor.

The state of emergency proclaimed by the Governor in March 2020 in response to the COVID-19 pandemic has remained in effect and is scheduled to end March 31, 2022.

C. Other

California continues to face a lengthy fire season and catastrophic wildfires. The record-setting 2020 fire season saw nearly 10,000 fires resulting in 10,488 structures damaged or destroyed, and over 4.2 million acres burned. The 2021 fire season saw over 8,800 fires and 2.6 million acres burned. The estimated losses due to these wildfires is not available at this time.

On November 3, 2020, California voters approved Proposition 14, which authorizes $5.5 billion in general obligation bonds primarily for stem cell research and the development of new medical treatments in California.

With the enactment of the 2021-22 Budget in June 2021, the State invested $1.5 billion over the next three years to improve public safety across California's most wildfire-vulnerable communities as part of the Forest Management Task Force's Wildfire and Forest Resilience Action Plan.

In April 2021, the Governor proclaimed a drought emergency for two counties, and later expanded the drought emergency proclamation to cover 50 of the 58 counties in California. The 2021-22 Budget allocated $5.1 billion over four years to combat California's severe drought conditions by funding emergency drought relief, protecting water supplies, investing in flood management, supporting restoration of natural areas and ecosystems, and sustaining groundwater and water conveyance projects.

In September 2021, 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, 2020*, which will be used to measure the State's net OPEB liability as of June 30, 2021. Based on the Actuarial Valuation Report, the State will report a net OPEB liability as of June 30, 2021 of $95.2 billion, a $3.3 billion increase over the net OPEB liability reported as of June 30, 2020. The report is available on the State Controller's Office website, at www.sco.ca.gov.

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios

For the Past Six Fiscal Years[1]
(amounts in thousands)

PUBLIC EMPLOYEES' RETIREMENT FUND PLANS

STATE MISCELLANEOUS[2]	2014[3]	2015[3]	2016[3]	2017[3]	2018[3]	2019[3]
Total pension liability						
Service cost	$ 1,477,762	$ 1,576,695	$ 1,668,682	$ 1,927,531	$ 1,953,761	$ 2,042,862
Interest on total pension liability	6,670,928	6,970,837	7,220,961	7,381,049	7,571,997	7,970,572
Differences between expected and actual experience	—	693,639	(101,381)	(387,041)	445,743	2,032,459
Changes of assumptions	—	—	—	5,667,561	(1,377,556)	—
Benefit payments, including refunds of employee contributions	(4,844,631)	(5,098,222)	(5,346,864)	(5,572,707)	(5,865,849)	(6,190,738)
Net change in total pension liability	3,304,059	4,142,949	3,441,398	9,016,393	2,728,096	5,855,155
Total pension liability – beginning	**88,885,115**	**92,189,174**	**96,332,123**	**99,773,521**	**108,789,914**	**111,518,010**
Total pension liability – ending (a)	**$ 92,189,174**	**$ 96,332,123**	**$ 99,773,521**	**$ 108,789,914**	**$ 111,518,010**	**$ 117,373,165**
Plan fiduciary net position						
Contributions – employer	$ 2,156,312	$ 2,608,785	$ 2,818,406	$ 3,094,941	$ 7,044,360	$ 3,777,484
Contributions – employee	766,896	771,046	801,023	843,772	870,402	942,980
Net investment income	10,370,838	1,505,042	339,588	7,329,859	6,127,761	5,163,147
Benefit payments, including refunds of employee contributions	(4,844,631)	(5,098,222)	(5,346,864)	(5,572,707)	(5,865,849)	(6,190,738)
Net plan to plan resource movement	—	(354)	(1,154)	(2,737)	(1,340)	(1,344)
Administrative expense	(86,473)	(76,678)	(41,497)	(98,419)	(112,592)	(57,163)
Other miscellaneous income/(expense)	—	—	—	—	(213,815)	185
Net change in plan fiduciary net position	8,362,942	(290,381)	(1,430,498)	5,594,709	7,848,927	3,634,551
Plan fiduciary net position – beginning	**60,017,620**	**68,380,562**	**68,090,181**	**66,659,683**	**72,254,392**	**80,103,319**
Plan fiduciary net position – ending (b)	**$ 68,380,562**	**$ 68,090,181**	**$ 66,659,683**	**$ 72,254,392**	**$ 80,103,319**	**$ 83,737,870**
State's net pension liability – ending (a) – (b)	**$ 23,808,612**	**$ 28,241,942**	**$ 33,113,838**	**$ 36,535,522**	**$ 31,414,691**	**$ 33,635,295**
Plan fiduciary net position as a percentage of the total pension liability	74.17 %	70.68 %	66.81 %	66.42 %	71.83 %	71.34 %
Covered payroll	$ 10,019,739	$ 10,640,884	$ 11,189,932	$ 11,591,576	$ 12,254,527	$ 12,913,195
State's net pension liability as a percentage of covered payroll	237.62 %	265.41 %	295.93 %	315.19 %	256.35 %	260.47 %

(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.

[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.

Schedule of Changes in Net Pension Liability and Related Ratios (continued)

For the Past Six Fiscal Years[1]

(amounts in thousands)

PUBLIC EMPLOYEES' RETIREMENT FUND PLANS

	2014[3]	2015[3]	2016[3]	2017[3]	2018[3]	2019[3]
STATE INDUSTRIAL[2]						
Total pension liability						
Service cost	$ 92,324	$ 100,006	$ 107,868	$ 124,792	$ 119,521	$ 127,006
Interest on total pension liability	241,278	257,527	273,308	290,058	301,134	324,909
Differences between expected and actual experience	—	26,976	7,009	21,516	(19,063)	106,233
Changes of assumptions	—	—	—	245,450	(54,062)	—
Benefit payments, including refunds of employee contributions	(146,977)	(157,029)	(167,359)	(177,654)	(190,683)	(205,544)
Net change in total pension liability	186,625	227,480	220,826	504,162	156,847	352,604
Total pension liability – beginning	**3,181,282**	**3,367,907**	**3,595,387**	**3,816,213**	**4,320,375**	**4,477,222**
Total pension liability – ending (a)	**$ 3,367,907**	**$ 3,595,387**	**$ 3,816,213**	**$ 4,320,375**	**$ 4,477,222**	**$ 4,829,826**
Plan fiduciary net position						
Contributions – employer	$ 88,516	$ 107,238	$ 116,730	$ 123,163	$ 241,062	$ 148,494
Contributions – employee	44,459	49,482	52,775	54,114	58,404	61,338
Net investment income	423,076	62,385	14,444	322,150	272,379	233,027
Benefit payments, including refunds of employee contributions	(146,977)	(157,029)	(167,359)	(177,654)	(190,683)	(205,544)
Net plan to plan resource movement	—	30	216	(141)	268	(754)
Administrative expense	(3,583)	(3,252)	(1,758)	(4,282)	(5,014)	(2,558)
Other miscellaneous income/(expense)	—	—	—	—	(9,522)	8
Net change in plan fiduciary net position	405,491	58,854	15,048	317,350	366,894	234,011
Plan fiduciary net position – beginning	**2,420,958**	**2,826,449**	**2,885,303**	**2,900,351**	**3,217,701**	**3,584,595**
Plan fiduciary net position – ending (b)	**$ 2,826,449**	**$ 2,885,303**	**$ 2,900,351**	**$ 3,217,701**	**$ 3,584,595**	**$ 3,818,606**
State's net pension liability – ending (a) – (b)	**$ 541,458**	**$ 710,084**	**$ 915,862**	**$ 1,102,674**	**$ 892,627**	**$ 1,011,220**
Plan fiduciary net position as a percentage of the total pension liability	83.92 %	80.25 %	76.00 %	74.48 %	80.06 %	79.06 %
Covered payroll	$ 532,490	$ 577,711	$ 625,220	$ 643,295	$ 695,014	$ 728,609
State's net pension liability as a percentage of covered payroll	101.68 %	122.91 %	146.49 %	171.41 %	128.43 %	138.79 %

(continued)

Schedule of Changes in Net Pension Liability and Related Ratios (continued)

For the Past Six Fiscal Years[1]
(amounts in thousands)

PUBLIC EMPLOYEES' RETIREMENT FUND PLANS

STATE SAFETY[2]

	2014[3]	2015[3]	2016[3]	2017[3]	2018[3]	2019[3]
Total pension liability						
Service cost	$ 402,902	$ 422,634	$ 438,147	$ 497,129	$ 504,383	$ 536,173
Interest on total pension liability	663,219	734,333	786,096	827,412	877,944	951,075
Differences between expected and actual experience	—	(4,150)	(2,235)	(109,901)	(21,592)	227,078
Changes of assumptions	—	—	—	673,183	(41,225)	—
Benefit payments, including refunds of employee contributions	(429,353)	(469,275)	(502,427)	(538,735)	(578,504)	(626,451)
Net change in total pension liability	636,768	683,542	719,581	1,349,088	741,006	1,087,875
Total pension liability – beginning	**8,682,750**	**9,626,597** *	**10,310,139**	**11,029,720**	**12,378,808**	**13,119,814**
Total pension liability – ending (a)	**$ 9,319,518**	**$ 10,310,139**	**$ 11,029,720**	**$ 12,378,808**	**$ 13,119,814**	**$ 14,207,689**
Plan fiduciary net position						
Contributions – employer	$ 339,232	$ 393,925	$ 401,108	$ 433,232	$ 774,759	$ 523,076
Contributions – employee	196,148	215,482	221,615	231,364	245,021	257,071
Net investment income	1,162,050	175,677	42,258	926,106	797,214	691,911
Benefit payments, including refunds of employee contributions	(429,353)	(469,275)	(502,427)	(538,735)	(578,504)	(626,451)
Net plan to plan resource movement	—	499	548	295	532	1,482
Administrative expense	(9,945)	(9,200)	(4,966)	(12,264)	(14,565)	(7,524)
Other miscellaneous income/(expense)	—	—	—	—	(27,658)	24
Net change in plan fiduciary net position	1,258,132	307,108	158,136	1,039,998	1,196,799	839,589
Plan fiduciary net position – beginning	**6,583,260**	**7,841,392**	**8,148,500**	**8,306,636**	**9,346,634**	**10,543,433**
Plan fiduciary net position – ending (b)	**$ 7,841,392**	**$ 8,148,500**	**$ 8,306,636**	**$ 9,346,634**	**$ 10,543,433**	**$ 11,383,022**
State's net pension liability – ending (a) – (b)	**$ 1,478,126**	**$ 2,161,639**	**$ 2,723,084**	**$ 3,032,174**	**$ 2,576,381**	**$ 2,824,667**
Plan fiduciary net position as a percentage of the total pension liability	84.14 %	79.03 %	75.31 %	75.51 %	80.36 %	80.12 %
Covered payroll	$ 1,901,235	$ 2,003,777	$ 2,100,295	$ 2,167,429	$ 2,339,642	$ 2,468,018
State's net pension liability as a percentage of covered payroll	77.75 %	107.88 %	129.65 %	139.90 %	110.12 %	114.45 %

(continued)

* Restated

Schedule of Changes in Net Pension Liability and Related Ratios (continued)

For the Past Six Fiscal Years[1]
(amounts in thousands)

PUBLIC EMPLOYEES' RETIREMENT FUND PLANS

STATE PEACE OFFICERS AND FIREFIGHTERS[2]

	2014[3]	2015[3]	2016[3]	2017[3]	2018[3]	2019[3]
Total pension liability						
Service cost	$ 816,836	$ 838,628	$ 861,694	$ 980,897	$ 1,011,482	$ 1,044,955
Interest on total pension liability	2,622,406	2,759,982	2,902,900	3,018,186	3,185,628	3,381,608
Differences between expected and actual experience	—	288,526	18,316	(286,527)	354,089	664,430
Changes of assumptions	—	—	—	2,608,752	(25,104)	—
Benefit payments, including refunds of employee contributions	(1,568,738)	(1,697,676)	(1,822,841)	(1,938,027)	(2,065,007)	(2,209,557)
Net change in total pension liability	1,870,504	2,189,460	1,960,069	4,383,281	2,461,088	2,881,436
Total pension liability – beginning	**34,655,771**	**36,219,196** *	**38,408,656**	**40,368,725**	**44,752,006**	**47,213,094**
Total pension liability – ending (a)	**$ 36,526,275**	**$ 38,408,656**	**$ 40,368,725**	**$ 44,752,006**	**$ 47,213,094**	**$ 50,094,530**
Plan fiduciary net position						
Contributions – employer	$ 959,741	$ 1,146,192	$ 1,265,145	$ 1,427,240	$ 3,068,270	$ 1,665,872
Contributions – employee	331,956	366,419	381,185	399,946	421,662	437,937
Net investment income	3,964,754	584,142	137,927	2,954,170	2,522,044	2,175,528
Benefit payments, including refunds of employee contributions	(1,568,738)	(1,697,676)	(1,822,841)	(1,938,027)	(2,065,007)	(2,209,557)
Net plan to plan resource movement	—	194	114	1,628	(104)	350
Administrative expense	(33,334)	(30,069)	(16,295)	(39,395)	(45,950)	(23,765)
Other miscellaneous income/(expense)	—	—	—	—	(87,261)	77
Net change in plan fiduciary net position	3,654,379	369,202	(54,765)	2,805,562	3,813,654	2,046,442
Plan fiduciary net position – beginning	**22,713,610**	**26,367,989**	**26,737,191**	**26,682,426**	**29,487,988**	**33,301,642**
Plan fiduciary net position – ending (b)	**$ 26,367,989**	**$ 26,737,191**	**$ 26,682,426**	**$ 29,487,988**	**$ 33,301,642**	**$ 35,348,084**
State's net pension liability – ending (a) – (b)	**$ 10,158,286**	**$ 11,671,465**	**$ 13,686,299**	**$ 15,264,018**	**$ 13,911,452**	**$ 14,746,446**
Plan fiduciary net position as a percentage of the total pension liability	72.19 %	69.61 %	66.10 %	65.89 %	70.53 %	70.56 %
Covered payroll	$ 3,030,525	$ 3,115,287	$ 3,241,895	$ 3,416,627	$ 3,557,011	$ 3,676,854
State's net pension liability as a percentage of covered payroll	335.20 %	374.65 %	422.17 %	446.76 %	391.10 %	401.06 %

(continued)

* Restated

Schedule of Changes in Net Pension Liability and Related Ratios (continued)

For the Past Six Fiscal Years[1]
(amounts in thousands)

PUBLIC EMPLOYEES' RETIREMENT FUND PLANS

	2014[3]	2015[3]	2016[3]	2017[3]	2018[3]	2019[3]
CALIFORNIA HIGHWAY PATROL						
Total pension liability						
Service cost	$ 191,730	$ 198,665	$ 210,619	$ 237,064	$ 248,531	$ 257,384
Interest on total pension liability	724,474	764,348	809,691	833,062	878,113	926,056
Differences between expected and actual experience	—	75,593	125,614	(158,392)	103,283	135,148
Changes of assumptions	—	—	—	721,972	12,213	—
Benefit payments, including refunds of employee contributions	(460,991)	(487,061)	(516,723)	(543,456)	(579,080)	(612,298)
Net change in total pension liability	455,213	551,545	629,201	1,090,250	663,060	706,290
Total pension liability – beginning	**9,604,872**	**10,060,085**	**10,611,630**	**11,240,831**	**12,331,081**	**12,994,141**
Total pension liability – ending (a)	**$ 10,060,085**	**$ 10,611,630**	**$ 11,240,831**	**$ 12,331,081**	**$ 12,994,141**	**$ 13,700,431**
Plan fiduciary net position						
Contributions – employer	$ 277,702	$ 351,197	$ 375,928	$ 426,603	$ 978,060	$ 507,055
Contributions – employee	83,161	85,791	86,111	91,116	95,482	100,080
Net investment income	1,005,007	146,782	33,918	747,272	639,591	556,379
Benefit payments, including refunds of employee contributions	(460,991)	(487,061)	(516,723)	(543,456)	(579,080)	(612,298)
Net plan to plan resource movement	—	(214)	292	1,050	330	265
Administrative expense	(8,417)	(7,600)	(4,111)	(9,923)	(11,583)	(6,090)
Other miscellaneous income/(expense)	—	—	—	—	(21,997)	20
Net change in plan fiduciary net position	896,462	88,895	(24,585)	712,662	1,100,803	545,411
Plan fiduciary net position – beginning	**5,759,985**	**6,656,447**	**6,745,342**	**6,720,757**	**7,433,419**	**8,534,222**
Plan fiduciary net position – ending (b)	**$ 6,656,447**	**$ 6,745,342**	**$ 6,720,757**	**$ 7,433,419**	**$ 8,534,222**	**$ 9,079,633**
State's net pension liability – ending (a) – (b)	**$ 3,403,638**	**$ 3,866,288**	**$ 4,520,074**	**$ 4,897,662**	**$ 4,459,919**	**$ 4,620,798**
Plan fiduciary net position as a percentage of the total pension liability	66.17 %	63.57 %	59.79 %	60.28 %	65.68 %	66.27 %
Covered payroll	$ 765,283	$ 809,610	$ 808,032	$ 851,427	$ 884,197	$ 933,689
State's net pension liability as a percentage of covered payroll	444.76 %	477.55 %	559.39 %	575.23 %	504.40 %	494.90 %

(continued)

Schedule of Changes in Net Pension Liability and Related Ratios (continued)

For the Past Six Fiscal Years[1]
(amounts in thousands)

SINGLE-EMPLOYER PLANS

	2014[3]	2015[3]	2016[3]	2017[3]	2018[3]	2019[3]
JUDGES'						
Total pension liability						
Service cost	$ 27,581	$ 27,841	$ 29,314	$ 22,733	$ 19,131	$ 20,073
Interest on total pension liability	140,256	133,181	107,514	115,067	109,395	99,427
Differences between expected and actual experience	—	57,568	(59,421)	(366,200)	(121,259)	86,873
Changes of assumptions	—	158,646	384,306	(107,670)	(20,879)	153,651
Benefit payments, including refunds of employee contributions	(193,935)	(201,868)	(199,349)	(200,440)	(207,823)	(221,954)
Net change in total pension liability	(26,098)	175,368	262,364	(536,510)	(221,435)	138,070
Total pension liability – beginning	**3,383,310**	**3,357,212**	**3,532,580**	**3,794,944**	**3,258,434**	**3,036,999**
Total pension liability – ending (a)	**$ 3,357,212**	**$ 3,532,580**	**$ 3,794,944**	**$ 3,258,434**	**$ 3,036,999**	**$ 3,175,069**
Plan fiduciary net position						
Contributions – employer	$ 191,148	$ 180,910	$ 192,287	$ 204,475	$ 199,241	$ 195,903
Contributions – employee	7,248	3,877	3,559	3,398	3,061	2,679
Net investment income	59	88	193	424	846	1,166
Benefit payments, including refunds of employee contributions	(193,935)	(201,867)	(199,349)	(200,440)	(207,823)	(221,954)
Administrative expense	(1,141)	(1,227)	(642)	(1,771)	(2,106)	(10,032)
Other miscellaneous income/(expense)	—	2,198	2,568	2,395	(1,863)	2,776
Net change in plan fiduciary net position	3,379	(16,021)	(1,384)	8,481	(8,644)	(29,462)
Plan fiduciary net position – beginning	**53,820**	**57,199**	**41,178**	**39,794**	**48,275**	**39,631**
Plan fiduciary net position – ending (b)	**$ 57,199**	**$ 41,178**	**$ 39,794**	**$ 48,275**	**$ 39,631**	**$ 10,169**
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**
Plan fiduciary net position as a percentage of the total pension liability	1.70 %	1.17 %	1.05 %	1.48 %	1.30 %	0.32 %
Covered payroll	$ 163,574	$ 28,770	$ 23,537	$ 26,102	$ 24,007	$ 22,117
State's net pension liability as a percentage of covered payroll	2017.44 %	12135.56 %	15954.24 %	12298.52 %	12485.39 %	14309.81 %

(continued)

Schedule of Changes in Net Pension Liability and Related Ratios (continued)

For the Past Six Fiscal Years[1]
(amounts in thousands)

SINGLE-EMPLOYER PLANS

	2014[3]	2015[3]	2016[3]	2017[3]	2018[3]	2019[3]
JUDGES' II						
Total pension liability						
Service cost	$ 78,670	$ 79,641	$ 86,635	$ 97,679	$ 95,843	$ 103,791
Interest on total pension liability	61,044	69,128	78,412	85,654	91,418	103,889
Differences between expected and actual experience	—	(17,319)	(4,546)	(26,382)	(26,875)	30,292
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)
Net change in total pension liability	130,764	100,790	138,797	203,778	86,828	201,768
Total pension liability – beginning	**837,198**	**967,962**	**1,068,752**	**1,207,549**	**1,411,327**	**1,498,154**
Total pension liability – ending (a)	**$ 967,962**	**$ 1,068,752**	**$ 1,207,549**	**$ 1,411,327**	**$ 1,498,155**	**$ 1,699,922**
Plan fiduciary net position						
Contributions – employer	$ 57,027	$ 65,629	$ 65,839	$ 67,102	$ 79,699	$ 84,099
Contributions – employee	20,413	22,242	24,598	25,076	27,514	31,375
Net investment income	150,168	(2,402)	20,810	115,057	101,820	106,781
Benefit payments, including refunds of employee contributions	(8,950)	(14,041)	(21,704)	(22,406)	(31,795)	(36,204)
Administrative expense	(785)	(1,127)	(732)	(1,682)	(2,370)	(1,477)
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
Plan fiduciary net position – beginning	**795,967**	**1,013,840**	**1,084,141**	**1,172,952**	**1,356,099**	**1,525,515**
Plan fiduciary net position – ending (b)	**$ 1,013,840**	**$ 1,084,141**	**$ 1,172,952**	**$ 1,356,099**	**$ 1,525,516**	**$ 1,710,089**
State's net pension liability/(asset) – ending (a) – (b)	**$ (45,878)**	**$ (15,389)**	**$ 34,597**	**$ 55,228**	**$ (27,361)**	**$ (10,167)**
Plan fiduciary net position as a percentage of the total pension liability	104.74 %	101.44 %	97.13 %	96.09 %	101.83 %	100.60 %
Covered payroll	$ 40,476	$ 180,230	$ 192,739	$ 192,786	$ 202,433	$ 220,742
State's net pension liability as a percentage of covered payroll	-113.35 %	-8.54 %	17.95 %	28.65 %	-13.52 %	-4.61 %

(continued)

Schedule of Changes in Net Pension Liability and Related Ratios (continued)

For the Past Six Fiscal Years[1]
(amounts in thousands)

SINGLE-EMPLOYER PLANS

	2014[3]	2015[3]	2016[3]	2017[3]	2018[3]	2019[3]
LEGISLATORS'						
Total pension liability						
Service cost	$ 732	$ 769	$ 608	$ 639	$ 542	$ 268
Interest on total pension liability	6,465	6,268	5,978	5,291	4,987	4,873
Differences between expected and actual experience	—	(4,246)	(3,530)	(5,998)	(2,061)	(427)
Changes of assumptions	—	(2,654)	—	7,857	(2,529)	—
Benefit payments, including refunds of employee contributions	(7,482)	(9,087)	(7,407)	(7,249)	(6,918)	(7,350)
Net change in total pension liability	(285)	(8,950)	(4,351)	540	(5,979)	(2,636)
Total pension liability – beginning	**115,806**	**115,521**	**106,571**	**102,220**	**102,760**	**96,780**
Total pension liability – ending (a)	**$ 115,521**	**$ 106,571**	**$ 102,220**	**$ 102,760**	**$ 96,781**	**$ 94,144**
Plan fiduciary net position						
Contributions – employer	$ 565	$ 590	$ 549	$ 517	$ 467	$ 250
Contributions – employee	113	105	96	94	82	92
Net investment income	15,372	(94)	4,545	5,047	5,486	7,860
Benefit payments, including refunds of employee contributions	(7,482)	(9,087)	(7,407)	(7,249)	(6,918)	(7,350)
Administrative expense	(362)	(399)	(202)	(575)	(670)	(324)
Other miscellaneous income/(expense)	—	—	—	—	(1,454)	—
Net change in plan fiduciary net position	8,206	(8,885)	(2,419)	(2,166)	(3,007)	528
Plan fiduciary net position – beginning	**122,148**	**130,354**	**121,469**	**119,050**	**116,884**	**113,876**
Plan fiduciary net position – ending (b)	**$ 130,354**	**$ 121,469**	**$ 119,050**	**$ 116,884**	**$ 113,877**	**$ 114,404**
State's net pension liability/(asset) – ending (a) – (b)	**$ (14,833)**	**$ (14,898)**	**$ (16,830)**	**$ (14,124)**	**$ (17,096)**	**$ (20,260)**
Plan fiduciary net position as a percentage of the total pension liability	112.84 %	113.98 %	116.46 %	113.74 %	117.66 %	121.52 %
Covered payroll	$ 1,471	$ 1,397	$ 1,298	$ 1,270	$ 1,121	$ 684
State's net pension liability as a percentage of covered payroll	-1008.36 %	-1066.43 %	-1296.61 %	-1112.13 %	-1525.07 %	-2961.99 %

(concluded)

Schedule of State Pension Contributions

For the Past Six Fiscal Years[1]
(amounts in thousands)

PUBLIC EMPLOYEES' RETIREMENT FUND PLANS

	2015	2016	2017	2018	2019	2020
STATE MISCELLANEOUS[2]						
Actuarially determined contribution	$ 2,421,157	$ 2,718,895	$ 3,078,232	$ 3,397,736	$ 3,631,721	$ 4,006,672
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)
Contribution deficiency (excess)	**$ (162,243)**	**$ (95,231)**	**$ (20,073)**	**$ (84,555)**	**$ (162,658)**	**$ (1,025,537)**
Covered payroll	$ 10,655,117	$ 11,197,607	$ 11,591,576	$ 12,254,527	$ 12,913,195	$ 13,579,610
Contributions as a percentage of covered payroll	24.25 %	25.13 %	26.73 %	28.42 %	29.38 %	37.06 %
STATE INDUSTRIAL[2]						
Actuarially determined contribution	$ 92,024	$ 103,293	$ 116,880	$ 131,131	$ 134,969	$ 153,724
Contributions in relation to the actuarially determined contribution	(104,769)	(116,594)	(123,789)	(141,832)	(148,790)	(245,757)
Contribution deficiency (excess)	**$ (12,745)**	**$ (13,301)**	**$ (6,909)**	**$ (10,701)**	**$ (13,821)**	**$ (92,033)**
Covered payroll	$ 577,713	$ 625,220	$ 643,295	$ 695,014	$ 728,609	$ 765,840
Contributions as a percentage of covered payroll	18.14 %	18.65 %	19.24 %	20.41 %	20.42 %	32.09 %
STATE SAFETY[2]						
Actuarially determined contribution	$ 341,509	$ 368,444	$ 400,379	$ 435,662	$ 466,765	$ 526,375
Contributions in relation to the actuarially determined contribution	(387,508)	(404,595)	(431,991)	(481,479)	(531,360)	(759,505)
Contribution deficiency (excess)	**$ (45,999)**	**$ (36,151)**	**$ (31,612)**	**$ (45,817)**	**$ (64,595)**	**$ (233,130)**
Covered payroll	$ 2,003,716	$ 2,100,289	$ 2,167,429	$ 2,339,642	$ 2,468,018	$ 2,566,403
Contributions as a percentage of covered payroll	19.34 %	19.26 %	19.93 %	20.58 %	21.53 %	29.59 %
STATE PEACE OFFICERS AND FIREFIGHTERS[2]						
Actuarially determined contribution	$ 1,086,102	$ 1,197,160	$ 1,343,177	$ 1,462,630	$ 1,581,049	$ 1,755,306
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)
Contribution deficiency (excess)	**$ (62,495)**	**$ (66,276)**	**$ (88,674)**	**$ (110,669)**	**$ (86,790)**	**$ (1,479,042)**
Covered payroll	$ 3,115,364	$ 3,241,763	$ 3,416,627	$ 3,557,011	$ 3,676,854	$ 3,904,615
Contributions as a percentage of covered payroll	36.87 %	38.97 %	41.91 %	44.23 %	45.36 %	82.83 %

(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 Six Fiscal Years[1]
(amounts in thousands)

	2015	2016	2017	2018	2019	2020
PUBLIC EMPLOYEES' RETIREMENT FUND PLANS						
CALIFORNIA HIGHWAY PATROL						
Actuarially determined contribution	$ 323,393	$ 363,634	$ 414,975	$ 447,376	$ 484,056	$ 532,159
Contributions in relation to the actuarially determined contribution	(352,139)	(377,534)	(426,014)	(478,354)	(514,683)	(560,538)
Contribution deficiency (excess)	**$ (28,746)**	**$ (13,900)**	**$ (11,039)**	**$ (30,978)**	**$ (30,627)**	**$ (28,379)**
Covered payroll	$ 809,610	$ 808,032	$ 851,427	$ 884,197	$ 933,689	$ 948,000
Contributions as a percentage of covered payroll	43.49 %	46.72 %	50.04 %	54.10 %	55.12 %	59.13 %
SINGLE-EMPLOYER PLANS						
JUDGES'						
Actuarially determined contribution	$ 1,884,555	$ 463,073	$ 448,636	$ 438,156	$ 415,110	$ 414,849
Contributions in relation to the actuarially determined contribution	(3,598)	(3,252)	(202,368)	(197,017)	(194,189)	(241,993)
Contribution deficiency (excess)	**$ 1,880,957**	**$ 459,821**	**$ 246,268**	**$ 241,139**	**$ 220,921**	**$ 172,856**
Covered payroll	$ 167,542	$ 29,771	$ 23,822	$ 27,003	$ 25,748	$ 16,017
Contributions as a percentage of covered payroll	2.15 %	10.92 %	849.50 %	729.61 %	754.19 %	1,510.85 %
JUDGES' II						
Actuarially determined contribution	$ 63,193	$ 58,362	$ 66,951	$ 79,181	$ 75,862	$ 81,782
Contributions in relation to the actuarially determined contribution	(59,982)	(60,476)	(55,965)	(73,916)	(76,155)	(83,872)
Contribution deficiency (excess)	**$ 3,211**	**$ (2,114)**	**$ 10,986**	**$ 5,265**	**$ (293)**	**$ (2,090)**
Covered payroll	$ 41,458	$ 186,505	$ 195,066	$ 199,438	$ 217,112	$ 246,968
Contributions as a percentage of covered payroll	144.68 %	32.43 %	28.69 %	37.06 %	35.08 %	33.96 %
LEGISLATORS'						
Actuarially determined contribution	$ 260	$ 141	$ —	$ 20	$ —	$ 101
Contributions in relation to the actuarially determined contribution	(544)	(549)	(516)	(467)	(261)	(100)
Contribution deficiency (excess)	**$ (284)**	**$ (408)**	**$ (516)**	**$ (447)**	**$ (261)**	**$ 1**
Covered payroll	$ 1,397	$ 1,298	$ 1,270	$ 1,121	$ 684	$ 284
Contributions as a percentage of covered payroll	38.94 %	42.30 %	40.63 %	41.66 %	38.16 %	35.21 %

(continued)

Schedule of State Pension Contributions (continued)

For the Past Six Fiscal Years[1]
(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, 2018.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	See each plan's June 30, 2017 Actuarial Valuation Report.
Asset valuation method	PERF – Fair value of assets; for details see plan's June 30, 2017 Actuarial Valuation Report.
	Judges' – Market value of assets
	Judges' II – Market value of assets
	Legislators' – Market value of assets
Inflation	PERF – 2.625%
	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 – 2.875%
	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 – 7.25%, which is used for contribution purposes
	Judges' – 3.00%
	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 Six Fiscal Years[1]
(amounts in thousands)

	2014[2]	2015[2]	2016[2]	2017[2]	2018[2]	2019[2]
State's proportion of CalSTRS' net pension liability	37.65 %	34.59 %	36.28 %	37.17 %	36.41 %	35.30 %
State's proportionate share of CalSTRS' net pension liability	$ 22,001,531	$ 23,289,391	$ 29,343,626	$ 34,374,816	$ 33,462,419	$ 31,880,645
Plan fiduciary net position as a percentage of the total pension liability	76.52 %	74.02 %	70.04 %	69.46 %	70.99 %	72.56 %

[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 Six Fiscal Years[1]
(amounts in thousands)

	2015	2016	2017	2018	2019	2020
Statutorily required contribution	$ 1,486,004	$ 1,935,288	$ 2,472,993	$ 2,790,444	$ 3,082,316	$ 4,446,836
Contributions in relation to the statutorily required contribution	1,486,004	1,935,288	2,472,993	2,790,444	3,082,316	4,446,836
Annual contribution deficiency/(excess)	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**

[1] This schedule will be built prospectively until it contains ten years of data.

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 2019-20 include a supplemental contribution of $1.1 billion for the State, pursuant to Senate Bill 90.
Valuation date:	Actuarially determined contribution rates were calculated as of June 30, 2018.
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 Years[1]
(amounts in thousands)

RETIREE HEALTH BENEFITS PROGRAM

	2019[2,6]
SERVICE EMPLOYEES INTERNATIONAL UNION (SEIU)[3]	
Total OPEB liability	
Service cost	$ 1,078,364
Interest on total OPEB liability	1,201,673
Differences between expected and actual experiences[5]	(525,007)
Changes in assumptions	1,213,332
Benefit payments	(856,494)
Net change in total OPEB liability	2,111,868
Total OPEB liability – beginning	**29,485,488**
Total OPEB liability – ending (a)	**$ 31,597,356**
Plan fiduciary net position	
Contributions – employer	$ 856,494
Contributions – prefunding	71,712
Contributions – employee	71,712
Net investment income	8,202
Benefit payments	(856,494)
Administrative expense	(14)
Other expenses	—
Net change in plan fiduciary net position	151,612
Plan fiduciary net position – beginning	**—**
Plan fiduciary net position – ending (b)	**$ 151,612**
State's net OPEB liability – ending (a) – (b)	**$ 31,445,744**
Plan fiduciary net position as a percentage of the total OPEB liability	0.48 %
Covered payroll	$ 7,317,203
State's net OPEB liability as a percentage of covered payroll	429.75 %

[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, 2019*, 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.

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Schedule of Changes in Net OPEB Liability and Related Ratios (continued)

For the Past Fiscal Years[1]
(amounts in thousands)

RETIREE HEALTH BENEFITS PROGRAM

	2017[2]	2018[2]	2019[2]
BARGAINING UNIT 5 PLAN			
Total OPEB liability			
Service cost	$ 168,057	$ 146,042	$ 140,545
Interest on total OPEB liability	179,397	195,713	199,637
Differences between expected and actual experiences[5]	—	(108,271)	41,288
Changes in assumptions	(474,646)	(137,150)	318,292
Benefit payments	(95,517)	(77,897)	(78,501)
Net change in total OPEB liability	(222,709)	18,437	621,261
Total OPEB liability – beginning	**4,764,812**	**4,542,103**	**4,560,540**
Total OPEB liability – ending (a)	**$ 4,542,103**	**$ 4,560,540**	**$ 5,181,801**
Plan fiduciary net position			
Contributions – employer	$ 95,517	$ 77,897	$ 78,501
Contributions – prefunding	77,454	59,697	57,567
Contributions – employee	12,783	4,089	3,943
Net investment income	21,109	20,988	23,834
Benefit payments	(95,517)	(77,897)	(78,501)
Administrative expense	(95)	(144)	(77)
Other expenses	(290)	—	—
Net change in plan fiduciary net position	110,961	84,630	85,267
Plan fiduciary net position – beginning	**135,701**	**246,662**	**331,052** *
Plan fiduciary net position – ending (b)	**$ 246,662**	**$ 331,292**	**$ 416,319**
State's net OPEB liability – ending (a) – (b)	**$ 4,295,441**	**$ 4,229,248**	**$ 4,765,482**
Plan fiduciary net position as a percentage of the total OPEB liability	5.43 %	7.26 %	8.03 %
Covered payroll	$ 866,040	$ 895,430	$ 942,765
State's net OPEB liability as a percentage of covered payroll	495.99 %	472.31 %	505.48 %

* Restated

Schedule of Changes in Net OPEB Liability and Related Ratios (continued)

For the Past Fiscal Years[1]
(amounts in thousands)

RETIREE HEALTH BENEFITS PROGRAM

	2017[2]	2018[2]	2019[2]
BARGAINING UNIT 6 PLAN			
Total OPEB liability			
Service cost	$ 609,551	$ 531,916	$ 503,829
Interest on total OPEB liability	574,853	634,360	622,325
Differences between expected and actual experiences[5]	—	(1,186,530)	(460,414)
Changes in assumptions	(1,637,897)	(164,236)	912,754
Benefit payments	(325,344)	(327,604)	(294,213)
Net change in total OPEB liability	(778,837)	(512,094)	1,284,281
Total OPEB liability – beginning	**15,990,189**	**15,211,352**	**14,699,258**
Total OPEB liability – ending (a)	**$ 15,211,352**	**14,699,258**	**$ 15,983,539**
Plan fiduciary net position			
Contributions – employer	$ 325,344	$ 327,604	$ 294,213
Contributions – prefunding	146,933	65,245	106,592
Contributions – employee	23,181	65,245	106,592
Net investment income	15,089	17,235	33,447
Benefit payments	(325,344)	(327,604)	(294,213)
Administrative expense	(48)	(128)	(94)
Other expenses	—	—	—
Net change in plan fiduciary net position	185,155	147,597	246,537
Plan fiduciary net position – beginning	**—**	**185,155**	**332,511** *
Plan fiduciary net position – ending (b)	**$ 185,155**	**$ 332,752**	**$ 579,048**
State's net OPEB liability – ending (a) – (b)	**$ 15,026,197**	**$ 14,366,506**	**$ 15,404,491**
Plan fiduciary net position as a percentage of the total OPEB liability	1.22 %	2.26 %	3.62 %
Covered payroll	$ 2,653,404	$ 2,726,616	$ 2,819,233
State's net OPEB liability as a percentage of covered payroll	566.30 %	526.90 %	546.41 %

* Restated

Schedule of Changes in Net OPEB Liability and Related Ratios (continued)

For the Past Fiscal Years[1]
(amounts in thousands)

RETIREE HEALTH BENEFITS PROGRAM

	2017[2]	2018[2]	2019[2]
BARGAINING UNIT 9 PLAN[3]			
Total OPEB liability			
Service cost	$ 166,173	$ 142,954	$ 127,060
Interest on total OPEB liability	154,495	174,062	165,399
Differences between expected and actual experiences[5]	—	(334,650)	(88,806)
Changes in assumptions	(475,991)	(200,549)	145,634
Benefit payments	(82,449)	(85,278)	(84,522)
Net change in total OPEB liability	(237,772)	(303,461)	264,765
Total OPEB liability – beginning	**4,640,159**	**4,402,387**	**4,098,926**
Total OPEB liability – ending (a)	**$ 4,402,387**	**$ 4,098,926**	**$ 4,363,691**
Plan fiduciary net position			
Contributions – employer	$ 82,449	$ 85,278	$ 84,522
Contributions – prefunding	35,210	5,688	13,311
Contributions – employee	—	5,688	13,311
Net investment income	3,630	3,246	4,789
Benefit payments	(82,449)	(85,278)	(84,522)
Administrative expense	(11)	(22)	(14)
Other expenses	—	—	—
Net change in plan fiduciary net position	38,829	14,600	31,397
Plan fiduciary net position – beginning	**—**	**38,829**	**53,391** *
Plan fiduciary net position – ending (b)	**$ 38,829**	**$ 53,429**	**$ 84,788**
State's net OPEB liability – ending (a) – (b)	**$ 4,363,558**	**$ 4,045,497**	**$ 4,278,903**
Plan fiduciary net position as a percentage of the total OPEB liability	0.88 %	1.30 %	1.94 %
Covered payroll	$ 1,366,302	$ 1,376,743	$ 1,502,529
State's net OPEB liability as a percentage of covered payroll	319.37 %	293.85 %	284.78 %

* Restated

Schedule of Changes in Net OPEB Liability and Related Ratios (continued)

For the Past Fiscal Years[1]
(amounts in thousands)

RETIREE HEALTH BENEFITS PROGRAM

	2017[2]	2018[2]	2019[2]
BARGAINING UNIT 12 PLAN[3]			
Total OPEB liability			
Service cost	$ 167,689	$ 146,732	$ 129,311
Interest on total OPEB liability	154,036	172,744	162,948
Differences between expected and actual experiences[5]	—	(362,455)	(97,510)
Changes in assumptions	(433,966)	(166,573)	152,849
Benefit payments	(110,860)	(114,235)	(120,833)
Net change in total OPEB liability	(223,101)	(323,787)	226,765
Total OPEB liability – beginning	**4,540,951**	**4,317,850**	**3,994,063**
Total OPEB liability – ending (a)	**$ 4,317,850**	**$ 3,994,063**	**$ 4,220,828**
Plan fiduciary net position			
Contributions – employer	$ 110,860	$ 114,235	$ 120,833
Contributions – prefunding	1,076	8,280	16,268
Contributions – employee	1,076	8,280	16,268
Net investment income	872	1,051	3,552
Benefit payments	(110,860)	(114,235)	(120,833)
Administrative expense	(4)	(9)	(9)
Other expenses	—	—	—
Net change in plan fiduciary net position	3,020	17,602	36,079
Plan fiduciary net position – beginning	**7,186**	**10,206**	**27,788** *
Plan fiduciary net position – ending (b)	**$ 10,206**	**$ 27,808**	**$ 63,867**
State's net OPEB liability – ending (a) – (b)	**$ 4,307,644**	**$ 3,966,255**	**$ 4,156,961**
Plan fiduciary net position as a percentage of the total OPEB liability	0.24 %	0.70 %	1.51 %
Covered payroll	$ 627,283	$ 676,752	$ 723,964
State's net OPEB liability as a percentage of covered payroll	686.71 %	586.07 %	574.19 %

* Restated

Schedule of Changes in Net OPEB Liability and Related Ratios (continued)

For the Past Fiscal Years[1]
(amounts in thousands)

RETIREE HEALTH BENEFITS PROGRAM

	2017[2]	2018[2,4]	2019[2, 4]
OTHER FUNDED PLANS[3]			
Total OPEB liability			
Service cost	$ 92,991	$ 501,028	$ 528,502
Interest on total OPEB liability	74,923	523,258	581,170
Differences between expected and actual experiences[5]	—	(1,033,520)	(221,816)
Changes in assumptions	(197,059)	(304,299)	506,543
Benefit payments	(46,820)	(288,774)	(364,207)
Net change in total OPEB liability	(75,965)	(602,307)	1,030,192
Total OPEB liability – beginning	**2,116,405**	**12,699,917**	**14,074,765**
Total OPEB liability – ending (a)	**$ 2,040,440**	**$ 12,097,610**	**$ 15,104,957**
Plan fiduciary net position			
Contributions – employer	$ 46,820	$ 288,774	$ 364,207
Contributions – prefunding	10,442	32,759	71,376
Contributions – employee	2,323	32,759	71,376
Net investment income	1,589	5,578	16,116
Benefit payments	(46,820)	(288,774)	(364,207)
Administrative expense	(7)	(47)	(43)
Other expenses	—	—	—
Net change in plan fiduciary net position	14,347	71,049	158,825
Plan fiduciary net position – beginning	**4,836**	**57,956** *	**128,914** *
Plan fiduciary net position – ending (b)	**$ 19,183**	**$ 129,005**	**$ 287,739**
State's net OPEB liability – ending (a) – (b)	**$ 2,021,257**	**$ 11,968,605**	**$ 14,817,218**
Plan fiduciary net position as a percentage of the total OPEB liability	0.94 %	1.07 %	1.90 %
Covered payroll	$ 851,868	$ 3,469,855	$ 4,162,765
State's net OPEB liability as a percentage of covered payroll	237.27 %	344.93 %	355.95 %

* Restated

Schedule of Changes in Net OPEB Liability and Related Ratios (continued)

For the Past Fiscal Years[1]
(amounts in thousands)

RETIREE HEALTH BENEFITS PROGRAM

	2017[2]	2018[2,4]	2019[2,4,6]
UNFUNDED PLAN[3]			
Total OPEB liability			
Service cost	$ 2,805,040	$ 2,008,794	$ 651,082
Interest on total OPEB liability	2,112,139	1,959,522	576,896
Differences between expected and actual experiences[5]	—	(4,164,211)	(41,161)
Changes in assumptions	(6,610,919)	(1,766,620)	863,523
Benefit payments	(1,457,705)	(1,352,652)	(546,742)
Net change in total OPEB liability	(3,151,445)	(3,315,167)	1,503,598
Total OPEB liability – beginning	**64,144,931**	**50,334,009**	**15,556,199**
Total OPEB liability – ending (a)	**$ 60,993,486**	**$ 47,018,842**	**$ 17,059,797**
Plan fiduciary net position			
Contributions – employer	$ 1,457,705	$ 1,352,652	$ 546,742
Contributions – prefunding	—	—	—
Contributions – employee	—	—	—
Net investment income	—	—	—
Benefit payments	(1,457,705)	(1,352,652)	(546,742)
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**
Plan fiduciary net position as a percentage of the total OPEB liability	— %	— %	— %
Covered payroll	$ 12,525,617	$ 10,825,049	$ 3,366,371
State's net OPEB liability as a percentage of covered payroll	486.95 %	434.35 %	506.77 %
	(concluded)	(concluded)	(concluded)

Schedule of OPEB Contributions

For the Past Fiscal Years[1]
(amounts in thousands)

RETIREE HEALTH BENEFITS PROGRAM

	2018	2019[3]	2020[3]
SERVICE EMPLOYEES INTERNATIONAL UNION PLAN[2]			
Actuarially determined contribution	$ —	$ —	$ 1,543,231
Contributions in relation to the actuarially determined contribution	—	—	(1,077,554)
Contribution deficiency	**$ —**	**$ —**	**$ 465,677**
Covered payroll	$ —	$ —	$ 7,701,525
Contributions as a percentage of covered payroll	—	—	13.99 %
BARGAINING UNIT 5 PLAN			
Actuarially determined contribution	$ 204,361	$ 210,625	$ 229,183
Contributions in relation to the actuarially determined contribution	(184,456)	(137,475)	(139,230)
Contribution deficiency	**$ 19,905**	**$ 73,150**	**$ 89,953**
Covered payroll	$ 915,549	$ 942,765	$ 958,694
Contributions as a percentage of covered payroll	20.15 %	14.58 %	14.52 %
BARGAINING UNIT 6 PLAN			
Actuarially determined contribution	$ 743,757	$ 671,262	$ 676,241
Contributions in relation to the actuarially determined contribution	(503,636)	(445,061)	(477,342)
Contribution deficiency	**$ 240,121**	**$ 226,201**	**$ 198,899**
Covered payroll	$ 2,805,093	$ 2,819,233	$ 2,989,457
Contributions as a percentage of covered payroll	17.95 %	15.79 %	15.97 %
BARGAINING UNIT 9 PLAN[2]			
Actuarially determined contribution	$ 207,027	$ 191,109	$ 194,353
Contributions in relation to the actuarially determined contribution	(125,471)	(102,971)	(131,031)
Contribution deficiency	**$ 81,556**	**$ 88,138**	**$ 63,322**
Covered payroll	$ 1,444,410	$ 1,502,529	$ 1,596,949
Contributions as a percentage of covered payroll	8.69 %	6.85 %	8.21 %

[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 Years[1]
(amounts in thousands)

RETIREE HEALTH BENEFITS PROGRAM

	2018	2019[3]	2020[3]
BARGAINING UNIT 12 PLAN[2]			
Actuarially determined contribution	$ 217,883	$ 197,202	$ 198,316
Contributions in relation to the actuarially determined contribution	(119,368)	(137,758)	(153,368)
Contribution deficiency	**$ 98,515**	**$ 59,444**	**$ 44,948**
Covered payroll	$ 663,143	$ 723,870	$ 748,801
Contributions as a percentage of covered payroll	18.00 %	19.03 %	20.48 %
OTHER FUNDED PLANS[2]			
Actuarially determined contribution	$ 109,630	$ 608,960	$ 707,352
Contributions in relation to the actuarially determined contribution	(61,064)	(366,050)	(492,373)
Contribution deficiency	**$ 48,566**	**$ 242,910**	**$ 214,979**
Covered payroll	$ 900,567	$ 3,595,234	$ 4,363,200
Contributions as a percentage of covered payroll	6.78 %	10.18 %	11.28 %
UNFUNDED PLAN[2]			
Actuarially determined contribution	$ 3,199,223	$ 2,552,923	$ 977,820
Contributions in relation to the actuarially determined contribution	(1,547,989)	(1,493,023)	(512,702)
Contribution deficiency	**$ 1,651,234**	**$ 1,059,900**	**$ 465,118**
Covered payroll	$ 13,241,681	$ 11,391,811	$ 3,536,386
Contributions as a percentage of covered payroll	11.69 %	13.11 %	14.50 %

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, 2019.
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, 2019 Actuarial Valuation Report
Inflation	2.25%
Healthcare cost trend rates	Pre-Medicare coverage: Actual rates for 2020, increasing to 7.50% in 2021, then decreasing 0.50% per year to an ultimate rate of 4.50% for 2027 through 2036, then to 4.25% for 2037 and later years.
	Post-Medicare coverage: Actual rates for 2020, increasing to 7.50% in 2021, then decreasing 0.50% per year to an ultimate rate of 4.50% for 2027 through 2036, then to 4.25% for 2037 and later years.
	Dental coverage: 0.01% in 2020 and 4.50% for 2021 through 2036, then 4.25% 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, 2020, are in the following categories and amounts: state highway infrastructure, consisting of completed highway projects totaling $79.6 billion; land purchased for highway projects totaling $14.8 billion; infrastructure construction-in-progress (uncompleted highway projects) totaling $10.0 billion; and high-speed rail system infrastructure, consisting of construction-in-progress (uncompleted rail construction projects) totaling $3.5 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, 2020, there were no donations of infrastructure land, and relinquishments were $50 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 2019-20 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
2018	90.0% Fair or Better	95.3% Fair or Better
2019	90.0% Fair or Better	95.4% Fair or Better
2020	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, 2020:

Condition	Number of Bridges/Tunnels	Deck Area (sq. ft.)	Deck Area (%)
Good	7,468	132,533,858	51.09 %
Fair	5,402	115,766,558	44.63
Poor	440	11,109,895	4.28
Total	**13,310**	**259,410,311**	**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
December 2018[1]	18,000	8,975	17.8 %
August 2019[3]	18,000	6,166	12.3
September 2020[1]	18,000	5,890	11.9

[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	35,139	—
Fair	8,643	—
Poor	5,890	5,890
Total	**49,672**	**5,890**

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]
2016	$ 150	$ 150
2017	200	200
2018	268	266
2019	271	244
2020	212	171

[1]Some 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]
2016	$ 4,550	$ 3,765
2017	3,949	3,805
2018	4,065	3,803
2019	4,959	3,795
2020	5,246	2,440

[1]Some 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, 2020
(amounts in thousands)

	General				Federal				Transportation			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget	Original	Final	Amounts	Final Budget	Original	Final	Amounts	Final Budget
REVENUES												
Corporation tax	$ 15,304,879	$ 13,870,000	$ 10,195,787	$ (3,674,213)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Intergovernmental	—	—	—	—	93,454,934	93,454,934	93,454,934	—	—	—	—	—
Cigarette and tobacco taxes	59,923	58,000	59,755	1,755	—	—	—	—	—	—	—	—
Insurance gross premiums tax	3,022,936	3,052,000	3,134,591	82,591	—	—	—	—	—	—	—	—
Vehicle license fees	34,989	34,989	33,995	(994)	—	—	—	—	—	—	—	—
Motor vehicle fuel tax	—	—	—	—	—	—	—	—	8,452,789	7,804,021	7,604,608	(199,413)
Personal income tax	101,681,968	94,773,000	82,426,860	(12,346,140)	—	—	—	—	—	—	—	—
Retail sales and use taxes	27,185,012	24,941,000	25,507,779	566,779	—	—	—	—	—	—	—	—
Other major taxes and licenses	383,305	385,000	383,758	(1,242)	—	—	—	—	6,609,702	6,656,515	6,769,100	112,585
Other revenues	2,725,535	3,721,011	2,466,744	(1,254,267)	104	104	104	—	495,748	607,376	573,229	(34,147)
Total revenues	**150,398,547**	**140,835,000**	**124,209,269**	**(16,625,731)**	**93,455,038**	**93,455,038**	**93,455,038**	**—**	**15,558,239**	**15,067,912**	**14,946,937**	**(120,975)**
EXPENDITURES												
Business, consumer services, and housing	674,527	1,237,599	1,233,101	(4,498)	141,503	141,503	141,503	—	119,597	124,750	124,027	(723)
Transportation	15,794	57,009	34,909	(22,100)	4,701,506	4,701,506	4,701,506	—	15,783,323	14,397,667	13,395,323	(1,002,344)
Natural resources and environmental protection	2,482,498	3,185,266	2,540,747	(644,519)	482,359	482,359	482,359	—	189,344	196,080	177,598	(18,482)
Health and human services	40,021,842	42,497,652	41,143,380	(1,354,272)	75,327,055	75,327,055	75,327,055	—	3,017	3,135	2,620	(515)
Corrections and rehabilitation	12,578,650	13,317,511	13,190,294	(127,217)	72,787	72,787	72,787	—	—	—	—	—
Education	73,129,193	73,970,466	73,448,096	(522,370)	8,060,559	8,060,559	8,060,559	—	9,876	9,876	9,376	(500)
General government:												
Tax relief	405,565	413,706	404,270	(9,436)	—	—	—	—	—	—	—	—
Debt service	4,815,670	5,238,504	4,815,670	(422,834)	—	—	—	—	7,248	6,965	6,520	(445)
Other general government	6,615,547	8,736,298	7,851,592	(884,706)	3,312,277	3,312,277	3,312,277	—	330,982	332,692	323,407	(9,285)
Total expenditures	**140,739,286**	**148,654,011**	**144,662,059**	**(3,991,952)**	**92,098,046**	**92,098,046**	**92,098,046**	**—**	**16,443,387**	**15,071,165**	**14,038,871**	**(1,032,294)**
OTHER FINANCING SOURCES (USES)												
Transfers from other funds	—	—	1,590,985	—	—	—	43,163,015	—	—	—	20,772,326	—
Transfers to other funds	—	—	(8,044,700)	—	—	—	(44,520,574)	—	—	—	(20,240,113)	—
Other additions (deductions)	—	—	(857,178)	—	—	—	488	—	—	—	94,022	—
Total other financing sources (uses)	**—**	**—**	**(7,310,893)**	**—**	**—**	**—**	**(1,357,071)**	**—**	**—**	**—**	**626,235**	**—**
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	—	—	(27,763,683)	—	—	—	(79)	—	—	—	1,534,301	—
Fund balances – beginning	**—**	**—**	**10,205,786**	**—**	**—**	**—**	**693**	**—**	**—**	**—**	**7,223,243**	**—**
Fund balances – ending	**$ —**	**$ —**	**$ (17,557,897)**	**$ —**	**$ —**	**$ —**	**$ 614**	**$ —**	**$ —**	**$ —**	**$ 8,757,544**	**$ —**

(continued)

Budgetary Comparison Schedule (continued)

General Fund and Major Special Revenue Funds

Year Ended June 30, 2020

(amounts in thousands)

	Environmental and Natural Resources				Health Care Related Programs			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget	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	185,195	185,195	185,195	—	350,402	350,402	350,402	—
Other revenues	5,930,595	5,930,595	5,930,595	—	7,278,225	7,278,225	7,278,225	—
Total revenues	**6,115,790**	**6,115,790**	**6,115,790**	**—**	**7,628,627**	**7,628,627**	**7,628,627**	**—**
EXPENDITURES								
Business, consumer services, and housing	192,530	192,954	186,522	(6,432)	—	—	—	—
Transportation	875,988	876,020	875,700	(320)	—	—	—	—
Natural resources and environmental protection	7,441,094	7,394,569	6,173,749	(1,220,820)	214	241	214	(27)
Health and human services	94,577	95,725	80,601	(15,124)	7,296,455	7,363,140	7,343,434	(19,706)
Corrections and rehabilitation	—	—	—	—	—	—	—	—
Education	2,815	2,816	2,814	(2)	152,998	152,998	152,998	—
General government:								
Tax relief	—	—	—	—	—	—	—	—
Debt service	2,300	2,300	2,300	—	127	127	127	—
Other general government	258,822	251,728	227,484	(24,244)	(23,982)	(23,981)	(23,982)	(1)
Total expenditures	**8,868,126**	**8,816,112**	**7,549,170**	**(1,266,942)**	**7,425,812**	**7,492,525**	**7,472,791**	**(19,734)**
OTHER FINANCING SOURCES (USES)								
Transfers from other funds	—	—	780,389	—	—	—	6,551	—
Transfers to other funds	—	—	(463,873)	—	—	—	(991)	—
Other additions (deductions)	—	—	1,472,052	—	—	—	616,408	—
Total other financing sources (uses)	**—**	**—**	**1,788,568**	**—**	**—**	**—**	**621,968**	**—**
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	—	—	355,188	—	—	—	777,804	—
Fund balances – beginning	**—**	**—**	**13,737,140**	**—**	**—**	**—**	**2,109,549**	**—**
Fund balances – ending	**$ —**	**$ —**	**$ 14,092,328**	**$ —**	**$ —**	**$ —**	**$ 2,887,353**	**$ —**

(concluded)

Reconciliation of Budgetary Basis Fund Balances of the General Fund and Major Special Revenue Funds to GAAP Basis Fund Balances

June 30, 2020
(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	$ (17,557,897)	$ 614	$ 8,757,544	$ 14,092,328	$ 2,887,353
Basis difference:					
Interfund receivables	2,114,323	—	11,448	—	—
Loans receivable	31,197	235,780	—	324,058	23,000
Interfund payables	(2,582,938)	—	(985,375)	(361,093)	(4,230)
Escheat property	(987,288)	—	—	—	—
Tax revenues	26,751,626	—	—	—	—
Fund classification changes	18,267,233	8,802,510	—	—	—
Other	3,093,459	—	2,063,397	(57,148)	—
Timing difference:					
Liabilities budgeted in subsequent years	(628,115)	(11,215,229)	(569,583)	(3,254)	(1,208,161)
GAAP fund balance – ending	$ 28,501,600	$ (2,176,325)	$ 9,277,431	$ 13,994,891	$ 1,697,962

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 $2.1 billion in the General Fund and $11 million in the Transportation Fund. The adjustments related to loans receivable caused increases of $31 million in the General Fund, $236 million in the Federal Fund, $324 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 $2.6 billion in the General Fund, $985 million in the Transportation Fund, $361 million in the Environmental and Natural Resources Fund, and $4 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 $987 million decrease in the General Fund.

Tax Revenues: Adjustments related to tax revenues caused an increase of $26.8 billion in the General Fund (GAAP fund balance). Of this amount, $22.2 billion pertains to amounts that would normally have been accrued on a budgetary basis but were omitted, therefore affecting the ending budgetary fund balance. This amount will be restated in the state's 2020-21 budgetary basis financial statements. Additionally, the budgetary fund balance reflects estimated tax revenues, whereas actual tax revenues were accrued on a GAAP basis. Finally, 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.

Fund Classification Changes: The fund balance amounts for governmental funds have been reclassified in accordance with governmental accounting standards. These reclassifications caused increases of $18.3 billion in the General Fund and $8.8 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 $3.1 billion in the General Fund, an increase of $2.1 billion in the Transportation Fund, and a decrease of $57 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 $11.2 billion in the Federal Fund, $1.2 billion in the Health Care Related Programs Fund, $628 million in the General Fund, $570 million in the Transportation Fund, and $3 million in the Environmental and Natural Resources Fund. The large decrease in the Federal Fund consists of $8.8 billion for coronavirus relief and $2.4 billion for unemployment programs. The decrease in the Health Care Related Programs Fund primarily consists of medical assistance.

Combining Financial Statements and Schedules – Nonmajor and Other Funds

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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.

(continued)

(continued)

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, 2020

(amounts in thousands)

	Special Revenue							
	Business and Professions Regulatory and Licensing	**Financing for Local Governments and the Public**	**Cigarette, Tobacco, and Cannabis Tax**	**Local Revenue and Public Safety**	**Trial Courts**	**Golden State Tobacco Securitization Corporation**	**Other Special Revenue Programs**	**Total Nonmajor Special Revenue**
ASSETS								
Cash and pooled investments	$ 1,251,480	$ 1,895,875	$ 1,717,078	$ 2,393,707	$ 997,293	$ 414,937	$ 2,520,699	$ 11,191,069
Investments	—	—	—	—	326,034	126,408	—	452,442
Receivables (net)	134,589	7,228	635,328	482,264	198,551	199,967	373,464	2,031,391
Due from other funds	349,438	595,573	1,463	126,309	185,601	—	730,185	1,988,569
Due from other governments	10,055	841	240	—	44,383	—	37,747	93,266
Interfund receivables	—	105,950	45,988	40,337	71,283	—	253,491	517,049
Loans receivable	157,702	2,898,555	27,195	21,889	40,204	—	213,312	3,358,857
Other assets	—	—	—	—	17,048	—	—	17,048
Total assets	**$ 1,903,264**	**$ 5,504,022**	**$ 2,427,292**	**$ 3,064,506**	**$ 1,880,397**	**$ 741,312**	**$ 4,128,898**	**$ 19,649,691**
LIABILITIES								
Accounts payable	$ 112,540	$ 127,496	$ 48,114	$ 1	$ 194,570	$ 1	$ 384,067	$ 866,789
Due to other funds	126,979	15,781	102,465	48,482	46,501	—	44,372	384,580
Due to component units	—	295	18,795	—	—	—	8,842	27,932
Due to other governments	6,411	432,743	120,267	2,941,987	86,212	—	333,226	3,920,846
Interfund payables	12,581	—	—	—	—	—	13,071	25,652
Revenues received in advance	49,702	1,075	—	—	52,660	—	92,651	196,088
Deposits	—	—	—	—	415,650	—	34,799	450,449
Other liabilities	36,910	229	1	—	92,376	—	16,750	146,266
Total liabilities	**345,123**	**577,619**	**289,642**	**2,990,470**	**887,969**	**1**	**927,778**	**6,018,602**
DEFERRED INFLOWS OF RESOURCES	—	—	315,010	—	—	—	174,840	489,850
Total liabilities and deferred inflows of resources	**345,123**	**577,619**	**604,652**	**2,990,470**	**887,969**	**1**	**1,102,618**	**6,508,452**
FUND BALANCES								
Nonspendable	—	—	—	—	13,702	—	—	13,702
Restricted	891,627	4,684,657	1,822,640	12,712	877,968	741,311	2,689,458	11,720,373
Committed	666,514	241,746	—	61,324	50,890	—	336,822	1,357,296
Assigned	—	—	—	—	49,868	—	—	49,868
Total fund balances	**1,558,141**	**4,926,403**	**1,822,640**	**74,036**	**992,428**	**741,311**	**3,026,280**	**13,141,239**
Total liabilities, deferred inflows of resources, and fund balances	**$ 1,903,264**	**$ 5,504,022**	**$ 2,427,292**	**$ 3,064,506**	**$ 1,880,397**	**$ 741,312**	**$ 4,128,898**	**$ 19,649,691**

(continued)

Combining Balance Sheet (continued)

Nonmajor Governmental Funds

June 30, 2020

(amounts in thousands)

	Debt Service			Capital Projects						
	No Place Like Home Debt Service	Transportation Debt Service	Total Nonmajor Debt Service	Higher Education Construction	Hospital Construction	Local Government Construction	Building Authorities	Other Capital Projects	Total Nonmajor Capital Projects	Total Nonmajor Governmental
ASSETS										
Cash and pooled investments	$ 54,091	$ 95,512	$ 149,603	$ 219,620	$ 14,834	$ 891,818	$ 17,357	$ 219,573	$ 1,363,202	$ 12,703,874
Investments	—	—	—	—	—	—	—	—	—	452,442
Receivables (net)	—	—	—	—	1	—	—	13	14	2,031,405
Due from other funds	162	345,780	345,942	718	79	2,590	19,981	7,957	31,325	2,365,836
Due from other governments	—	—	—	235	—	2,508	—	—	2,743	96,009
Interfund receivables	—	—	—	—	—	—	—	4,770	4,770	521,819
Loans receivable	—	—	—	—	—	—	—	87,071	87,071	3,445,928
Other assets	—	—	—	—	—	—	—	—	—	17,048
Total assets	**$ 54,253**	**$ 441,292**	**$ 495,545**	**$ 220,573**	**$ 14,914**	**$ 896,916**	**$ 37,338**	**$ 319,384**	**$ 1,489,125**	**$ 21,634,361**
LIABILITIES										
Accounts payable	$ 1	$ —	$ 1	$ 1	$ 100	$ 215	$ —	$ 1,220	$ 1,536	$ 868,326
Due to other funds	52	441,292	441,344	918	—	6,737	—	4,892	12,547	838,471
Due to component units	—	—	—	—	—	—	—	—	—	27,932
Due to other governments	—	—	—	12,524	—	—	—	15	12,539	3,933,385
Interfund payables	—	—	—	—	—	—	—	—	—	25,652
Revenues received in advance	—	—	—	—	—	—	—	—	—	196,088
Deposits	—	—	—	—	—	—	—	—	—	450,449
Other liabilities	—	—	—	—	—	—	250	—	250	146,516
Total liabilities	**53**	**441,292**	**441,345**	**13,443**	**100**	**6,952**	**250**	**6,127**	**26,872**	**6,486,819**
DEFERRED INFLOWS OF RESOURCES	—	—	—	—	—	—	—	—	—	489,850
Total liabilities and deferred inflows of resources	**53**	**441,292**	**441,345**	**13,443**	**100**	**6,952**	**250**	**6,127**	**26,872**	**6,976,669**
FUND BALANCES										
Nonspendable	—	—	—	—	—	—	—	—	—	13,702
Restricted	54,200	—	54,200	207,130	14,814	889,964	37,088	238,449	1,387,445	13,162,018
Committed	—	—	—	—	—	—	—	74,808	74,808	1,432,104
Assigned	—	—	—	—	—	—	—	—	—	49,868
Total fund balances	**54,200**	**—**	**54,200**	**207,130**	**14,814**	**889,964**	**37,088**	**313,257**	**1,462,253**	**14,657,692**
Total liabilities, deferred inflows of resources, and fund balances	**$ 54,253**	**$ 441,292**	**$ 495,545**	**$ 220,573**	**$ 14,914**	**$ 896,916**	**$ 37,338**	**$ 319,384**	**$ 1,489,125**	**$ 21,634,361**

(concluded)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2020

(amounts in thousands)

	Special Revenue							
	Business and Professions Regulatory and Licensing	Financing for Local Governments and the Public	Cigarette, Tobacco, and Cannabis Tax	Local Revenue and Public Safety	Trial Courts	Golden State Tobacco Securitization Corporation	Other Special Revenue Programs	Total Nonmajor Special Revenue
REVENUES								
Personal income taxes	$ —	$ 1,478,947	$ —	$ —	$ —	$ —	$ —	$ 1,478,947
Sales and use taxes	—	—	—	14,317,229	—	—	—	14,317,229
Motor vehicle excise taxes	67,398	50,768	—	—	—	—	—	118,166
Other taxes	1,291	633,751	2,411,480	—	—	—	—	3,046,522
Intergovernmental	—	—	—	—	824,833	—	—	824,833
Licenses and permits	664,711	16,187	211	2,944,924	—	—	10,190	3,636,223
Charges for services	56,241	2,608	—	—	65,594	—	210,758	335,201
Fees	1,402,991	366,225	14	—	500,103	—	1,423,644	3,692,977
Penalties	16,097	2	—	—	319,563	—	245,577	581,239
Investment and interest	70,781	19,514	8,767	10,085	29,761	11,383	54,391	204,682
Escheat	—	—	—	—	1,326	—	—	1,326
Other	11,921	71,580	184	—	168,469	411,986	679,981	1,344,121
Total revenues	**2,291,431**	**2,639,582**	**2,420,656**	**17,272,238**	**1,909,649**	**423,369**	**2,624,541**	**29,581,466**
EXPENDITURES								
Current:								
General government	943,978	674,570	50,654	4,881,734	3,684,891	530	1,475,251	11,711,608
Education	25,328	5,820	110,681	—	—	—	12,497	154,326
Health and human services	552,816	1,850,176	1,945,581	10,796,973	—	—	884,237	16,029,783
Natural resources and environmental protection	61,367	90,364	32,982	—	—	—	52,554	237,267
Business, consumer services, and housing	689,951	617,940	15,590	—	—	—	32,508	1,355,989
Transportation	8,793	130	2,871	—	—	—	1,979	13,773
Corrections and rehabilitation	—	113,308	179	1,553,360	—	—	18	1,666,865
Capital outlay	—	—	—	—	—	—	—	—
Debt service:								
Bond and commercial paper retirement	—	199,295	—	—	—	154,190	—	353,485
Interest and fiscal charges	2,681	4,188	73	1	58	265,519	1,360	273,880
Total expenditures	**2,284,914**	**3,555,791**	**2,158,611**	**17,232,068**	**3,684,949**	**420,239**	**2,460,404**	**31,796,976**
Excess (deficiency) of revenues over (under) expenditures	6,517	(916,209)	262,045	40,170	(1,775,300)	3,130	164,137	(2,215,510)
OTHER FINANCING SOURCES (USES)								
General obligation bonds and commercial paper issued	—	279,300	—	—	—	—	—	279,300
Revenue bonds issued	—	493,700	—	—	—	—	—	493,700
Refunding debt issued	—	19,770	—	—	—	—	—	19,770
Premium on bonds issued	—	16,593	—	—	—	—	—	16,593
Transfers in	71,476	850,201	287	1	1,714,240	—	405,844	3,042,049
Transfers out	(8,731)	(85,722)	(71,644)	—	(359)	—	(43,518)	(209,974)
Total other financing sources (uses)	**62,745**	**1,573,842**	**(71,357)**	**1**	**1,713,881**	**—**	**362,326**	**3,641,438**
Net change in fund balances	69,262	657,633	190,688	40,171	(61,419)	3,130	526,463	1,425,928
Fund balances – beginning	**1,488,879**	**4,268,770** *	**1,631,952**	**33,865**	**1,053,847**	**738,181**	**2,499,817**	**11,715,311**
Fund balances – ending	**$ 1,558,141**	**$ 4,926,403**	**$ 1,822,640**	**$ 74,036**	**$ 992,428**	**$ 741,311**	**$ 3,026,280**	**$ 13,141,239**

* Restated

(continued)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)

Nonmajor Governmental Funds

Year Ended June 30, 2020

(amounts in thousands)

	Debt Service			Capital Projects						
	No Place Like Home Debt Service	Transportation Debt Service	Total Nonmajor Debt Service	Higher Education Construction	Hospital Construction	Local Government Construction	Building Authorities	Other Capital Projects	Total Nonmajor Capital Projects	Total Nonmajor Governmental
REVENUES										
Personal income taxes	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,478,947
Sales and use taxes	—	—	—	—	—	—	—	—	—	14,317,229
Motor vehicle excise taxes	—	—	—	—	—	—	—	—	—	118,166
Other taxes	—	—	—	—	—	—	—	—	—	3,046,522
Intergovernmental	—	—	—	—	—	—	—	—	—	824,833
Licenses and permits	—	—	—	—	—	—	—	710	710	3,636,933
Charges for services	—	—	—	—	—	—	—	413	413	335,614
Fees	—	—	—	—	—	—	—	—	—	3,692,977
Penalties	—	—	—	—	—	—	—	—	—	581,239
Investment and interest	321	—	321	2,663	554	11,529	—	646	15,392	220,395
Escheat	—	—	—	—	—	—	—	—	—	1,326
Other	—	—	—	—	—	—	—	5,544	5,544	1,349,665
Total revenues	**321**	**—**	**321**	**2,663**	**554**	**11,529**	**—**	**7,313**	**22,059**	**29,603,846**
EXPENDITURES										
Current:										
General government	53	—	53	—	178,694	—	—	—	178,694	11,890,355
Education	—	—	—	—	—	858,947	—	—	858,947	1,013,273
Health and human services	—	—	—	—	—	—	—	—	—	16,029,783
Natural resources and environmental protection	—	—	—	—	—	—	—	2,525	2,525	239,792
Business, consumer services, and housing	—	—	—	—	—	—	—	—	—	1,355,989
Transportation	—	—	—	—	—	—	—	—	—	13,773
Corrections and rehabilitation	—	—	—	—	—	—	—	—	—	1,666,865
Capital outlay	—	—	—	62,248	752	10,872	—	52,521	126,393	126,393
Debt service:										
Bond and commercial paper retirement	—	814,317	814,317	266,300	451,980	1,639,190	33,215	33,110	2,423,795	3,591,597
Interest and fiscal charges	6,300	791,930	798,230	4,163	5,629	18,049	4,383	277	32,501	1,104,611
Total expenditures	**6,353**	**1,606,247**	**1,612,600**	**332,711**	**637,055**	**2,527,058**	**37,598**	**88,433**	**3,622,855**	**37,032,431**
Excess (deficiency) of revenues over (under) expenditures	(6,032)	(1,606,247)	(1,612,279)	(330,048)	(636,501)	(2,515,529)	(37,598)	(81,120)	(3,600,796)	(7,428,585)
OTHER FINANCING SOURCES (USES)										
General obligation bonds and commercial paper issued	—	—	—	132,565	176,345	1,967,530	—	61,995	2,338,435	2,617,735
Revenue bonds issued	6,300	—	6,300	—	—	—	—	—	—	500,000
Refunding debt issued	—	—	—	214,125	273,320	899,495	—	7,960	1,394,900	1,414,670
Premium on bonds issued	—	—	—	46,328	81,414	286,280	—	1,790	415,812	432,405
Transfers in	53,932	1,606,247	1,660,179	192	63	540	35,546	75,919	112,260	4,814,488
Transfers out	—	—	—	—	—	(974)	—	—	(974)	(210,948)
Total other financing sources (uses)	**60,232**	**1,606,247**	**1,666,479**	**393,210**	**531,142**	**3,152,871**	**35,546**	**147,664**	**4,260,433**	**9,568,350**
Net change in fund balances	54,200	—	54,200	63,162	(105,359)	637,342	(2,052)	66,544	659,637	2,139,765
Fund balances – beginning	**—**	**—**	**—**	**143,968**	**120,173**	**252,622**	**39,140**	**246,713**	**802,616**	**12,517,927**
Fund balances – ending	**$ 54,200**	**$ —**	**$ 54,200**	**$ 207,130**	**$ 14,814**	**$ 889,964**	**$ 37,088**	**$ 313,257**	**$ 1,462,253**	**$ 14,657,692**

(concluded)

Budgetary Comparison Schedule

Nonmajor Governmental Funds[1]

Year Ended June 30, 2020
(amounts in thousands)

	Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Cigarette and tobacco taxes	$ 358,319	$ 358,319	$ —
Vehicle license fees	2,218,399	2,218,399	—
Personal income tax	1,478,947	1,478,947	—
Retail sales and use taxes	14,317,620	14,317,620	—
Other major taxes and licenses	16,831	16,831	—
Other revenues	7,846,966	7,846,966	—
Total revenues	**26,237,082**	**26,237,082**	**—**
EXPENDITURES			
Business, consumer services, and housing	1,437,459	1,272,935	(164,524)
Transportation	1,622,056	1,621,378	(678)
Natural resources and environmental protection	375,546	311,424	(64,122)
Health and human services	19,343,274	18,814,868	(528,406)
Corrections and rehabilitation	813	793	(20)
Education	1,759,082	1,668,973	(90,109)
General government:			
Tax relief	4,061	4,061	—
Other general government	7,439,096	7,081,274	(357,822)
Total expenditures	**31,981,387**	**30,775,706**	**(1,205,681)**
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	—	32,712,701	—
Transfers to other funds	—	(28,124,864)	—
Other additions	—	2,233,917	—
Total other financing sources (uses)	**—**	**6,821,754**	**—**
Excess of revenues and other sources over expenditures and other uses	—	2,283,130	—
Fund balances – beginning, restated	**—**	**8,068,849**	**—**
Fund balances – ending	**$ —**	**$ 10,351,979**	**$ —**

[1] On 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, 2020

(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	$ —	$ 701,129	$ 170,154	$ 324,284	$ 12,480	$ 47,682	$ 47,928	$ 211,694	$ 1,515,351
Restricted assets:									
Cash and pooled investments	930,291	—	—	—	—	—	—	—	930,291
Net investment in direct financing leases	517,067	—	—	—	—	—	—	—	517,067
Receivables (net)	—	1	6,279	1,975	—	9,678	1,278	93,391	112,602
Due from other funds	259,915	141,562	96,621	1,476	—	56,367	142,260	182,999	881,200
Due from other governments	—	—	1,076	100	—	1,976	—	22,506	25,658
Prepaid items	—	45,490	119,942	1,777	4,491	803	6,137	1,700	180,340
Inventories	—	—	2,288	51,940	—	—	1,457	18,501	74,186
Total current assets	1,707,273	888,182	396,360	381,552	16,971	116,506	199,060	530,791	4,236,695
Noncurrent assets:									
Restricted assets:									
Cash and pooled investments	143,195	—	—	—	—	—	—	—	143,195
Net investment in direct financing leases	7,729,792	—	—	—	—	—	—	—	7,729,792
Interfund receivables	—	—	—	—	—	—	—	42,940	42,940
Loans receivable	—	—	—	—	—	3,224	—	16,883	20,107
Long-term prepaid charges	380	—	—	—	—	—	—	—	380
Capital assets:									
Land	—	—	—	—	—	—	—	2,080	2,080
Buildings and other depreciable property	—	271	181,743	228,938	2,977	150,471	41,094	83,262	688,756
Intangible assets – amortizable	—	—	13,213	4,554	2,764	7,511	5,352	1,882	35,276
Less: accumulated depreciation/amortization	—	(271)	(123,654)	(150,753)	(4,425)	(109,190)	(39,860)	(75,986)	(504,139)
Construction/development in progress	1,479,167	—	—	2,870	344,743	—	—	645	1,827,425
Total noncurrent assets	9,352,534	—	71,302	85,609	346,059	52,016	6,586	71,706	9,985,812
Total assets	**11,059,807**	**888,182**	**467,662**	**467,161**	**363,030**	**168,522**	**205,646**	**602,497**	**14,222,507**
DEFERRED OUTFLOWS OF RESOURCES	145,464	14,374	148,797	73,533	—	64,612	—	157,254	604,034
Total assets and deferred outflows of resources	**$ 11,205,271**	**$ 902,556**	**$ 616,459**	**$ 540,694**	**$ 363,030**	**$ 233,134**	**$ 205,646**	**$ 759,751**	**$ 14,826,541**

(continued)

Combining Statement of Net Position (continued)

Internal Service Funds

June 30, 2020
(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	$ 34,539	$ 6,918	$ 559	$ 15,173	$ 86	$ 17,197	$ 34,265	$ 289,739	$ 398,476
Due to other funds	127,968	17,415	67,040	7,001	2,756	2,937	1,555	92,954	319,626
Due to other governments	9,460	29	2,720	—	—	—	3	2,095	14,307
Revenues received in advance	—	858,685	75,542	6,040	—	—	701	84,986	1,025,954
Deposits	—	—	2,339	—	—	—	—	—	2,339
Contracts and notes payable	—	—	5,917	—	—	9,982	5,651	—	21,550
Interest payable	93,327	—	—	—	—	—	—	—	93,327
Current portion of long-term obligations	579,723	—	—	3,499	—	—	—	2,107	585,329
Other liabilities	13,194	926	636	420	—	—	20	38	15,234
Total current liabilities	858,211	883,973	154,753	32,133	2,842	30,116	42,195	471,919	2,476,142
Noncurrent liabilities:									
Interfund payables	1,865,048	3,838	60,708	4,555	37,650	13,827	162,702	2,473	2,150,801
Compensated absences payable	—	8,281	57,030	12,933	—	32,935	—	42,241	153,420
Workers' compensation benefits payable	—	180	27,736	18,064	—	21	—	1,761	47,762
Revenue bonds payable	8,311,261	—	—	—	—	—	—	—	8,311,261
Net other postemployment benefits liability	—	57,387	831,472	299,482	—	312,125	—	594,534	2,095,000
Net pension liability	—	50,950	440,672	72,582	—	206,036	—	528,710	1,298,950
Other noncurrent liabilities	—	—	—	—	—	14,816	9,538	—	24,354
Total noncurrent liabilities	10,176,309	120,636	1,417,618	407,616	37,650	579,760	172,240	1,169,719	14,081,548
Total liabilities	**11,034,520**	**1,004,609**	**1,572,371**	**439,749**	**40,492**	**609,876**	**214,435**	**1,641,638**	**16,557,690**
DEFERRED INFLOWS OF RESOURCES	6,755	10,307	139,959	50,542	—	56,403	—	101,110	365,076
Total liabilities and deferred inflows of resources	**11,041,275**	**1,014,916**	**1,712,330**	**490,291**	**40,492**	**666,279**	**214,435**	**1,742,748**	**16,922,766**
NET POSITION									
Net investment in capital assets	—	—	71,302	85,609	346,058	24,510	—	11,883	539,362
Restricted – expendable:									
Construction	163,996	—	—	—	—	—	—	—	163,996
Total expendable	163,996	—	—	—	—	—	—	—	163,996
Unrestricted	—	(112,360)	(1,167,173)	(35,206)	(23,520)	(457,655)	(8,789)	(994,880)	(2,799,583)
Total net position (deficit)	**163,996**	**(112,360)**	**(1,095,871)**	**50,403**	**322,538**	**(433,145)**	**(8,789)**	**(982,997)**	**(2,096,225)**
Total liabilities, deferred inflows of resources, and net position	**$ 11,205,271**	**$ 902,556**	**$ 616,459**	**$ 540,694**	**$ 363,030**	**$ 233,134**	**$ 205,646**	**$ 759,751**	**$ 14,826,541**

(concluded)

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

Internal Service Funds

Year Ended June 30, 2020

(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
OPERATING REVENUES									
Services and sales	$ —	$ 957,552	$ 754,445	$ 427,279	$ 6,000	$ 413,630	$ 614,387	$ 1,076,278	$ 4,249,571
Investment and interest	24,155	—	—	—	—	—	—	—	24,155
Rent	397,252	—	—	—	—	—	—	—	397,252
Total operating revenues	**421,407**	**957,552**	**754,445**	**427,279**	**6,000**	**413,630**	**614,387**	**1,076,278**	**4,670,978**
OPERATING EXPENSES									
Personal services	—	38,386	278,113	126,818	—	119,223	—	350,904	913,444
Supplies	—	—	—	4,270	—	—	27,547	—	31,817
Services and charges	4,430	917,877	390,129	202,632	4,045	249,089	588,483	756,977	3,113,662
Depreciation	—	—	19,093	10,887	429	17,522	3,807	1,459	53,197
Interest expense	353,371	—	—	—	—	450	—	—	353,821
Amortization of long-term prepaid charges	84	—	—	—	—	—	—	—	84
Total operating expenses	**357,885**	**956,263**	**687,335**	**344,607**	**4,474**	**386,284**	**619,837**	**1,109,340**	**4,466,025**
Operating income (loss)	63,522	1,289	67,110	82,672	1,526	27,346	(5,450)	(33,062)	204,953
NONOPERATING REVENUES (EXPENSES)									
Investment and interest income	1,207	—	—	396	—	1,453	—	2,130	5,186
Interest expense and fiscal charges	—	—	(684)	(133)	—	(285)	—	(478)	(1,580)
Other	(108,832)	—	—	(316)	—	(741)	—	—	(109,889)
Total nonoperating revenues (expenses)	**(107,625)**	**—**	**(684)**	**(53)**	**—**	**427**	**—**	**1,652**	**(106,283)**
Income (loss) before transfers	(44,103)	1,289	66,426	82,619	1,526	27,773	(5,450)	(31,410)	98,670
Transfers in	—	6,256	25,113	—	—	—	—	11,845	43,214
Transfers out	—	—	(37,612)	—	—	—	—	(13,278)	(50,890)
Change in net position	(44,103)	7,545	53,927	82,619	1,526	27,773	(5,450)	(32,843)	90,994
Total net position (deficit) – beginning	**208,099**	**(119,905)**	**(1,149,798)**	**(32,216)**	**321,012**	**(460,918)**	**(3,339)**	**(950,154)**	**(2,187,219)**
Total net position (deficit) – ending	**$ 163,996**	**$ (112,360)**	**$ (1,095,871)**	**$ 50,403**	**$ 322,538**	**$ (433,145)**	**$ (8,789)**	**$ (982,997)**	**$ (2,096,225)**

Combining Statement of Cash Flows

Internal Service Funds

Year Ended June 30, 2020
(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
CASH FLOWS FROM OPERATING ACTIVITIES									
Receipts from customers	$ 11,889	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 11,889
Receipts from interfund services provided	875,367	973,857	—	432,358	—	413,545	561,571	995,349	4,252,047
Payments to suppliers	(1,210)	(886,855)	673,565	(203,366)	—	(272,907)	(17,490)	(717,021)	(1,425,284)
Payments to employees	—	(37,763)	(405,146)	(113,212)	—	(128,821)	—	(354,923)	(1,039,865)
Payments for interfund services used	—	—	(283,731)	(18,501)	(1,198)	—	—	(91,533)	(394,963)
Claims paid to other than employees	—	—	—	—	—	—	(588,483)	—	(588,483)
Other receipts (payments)	(409,675)	(636)	4,712	(189)	—	(16,129)	5,550	(9,874)	(426,241)
Net cash provided by (used in) operating activities	**476,371**	**48,603**	**(10,600)**	**97,090**	**(1,198)**	**(4,312)**	**(38,852)**	**(178,002)**	**389,100**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES									
Changes in interfund receivables	—	—	—	—	—	975	—	(63,954)	(62,979)
Changes in interfund payables and loans payable	981,771	(6,950)	(175)	(874)	—	(939)	67,910	(15,078)	1,025,665
Interest paid	—	—	(684)	(57)	—	—	—	(392)	(1,133)
Transfers in	—	6,256	25,113	—	—	—	—	12,018	43,387
Transfers out	—	—	(37,612)	—	—	—	—	(13,451)	(51,063)
Net cash provided by (used in) noncapital financing activities	**981,771**	**(694)**	**(13,358)**	**(931)**	**—**	**36**	**67,910**	**(80,857)**	**953,877**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES									
Acquisition of capital assets	(1,073,916)	—	(21,605)	(10,530)	(5,456)	(14,847)	(3,849)	(2,450)	(1,132,653)
Proceeds from sale of capital assets	—	—	1,274	506	—	11	—	1,216	3,007
Proceeds from revenue bonds	599,379	—	—	—	—	—	—	—	599,379
Retirement of revenue bonds	(635,985)	—	—	—	—	—	—	—	(635,985)
Interest paid	—	—	—	—	—	(285)	—	—	(285)
Net cash used in capital and related financing activities	**(1,110,522)**	**—**	**(20,331)**	**(10,024)**	**(5,456)**	**(15,121)**	**(3,849)**	**(1,234)**	**(1,166,537)**
CASH FLOWS FROM INVESTING ACTIVITIES									
Earnings on investments	1,207	—	—	493	—	1,453	—	2,130	5,283
Net cash provided by (used in) investing activities	**1,207**	**—**	**—**	**493**	**—**	**1,453**	**—**	**2,130**	**5,283**
Net increase (decrease) in cash and pooled investments	348,827	47,909	(44,289)	86,628	(6,654)	(17,944)	25,209	(257,963)	181,723
Cash and pooled investments – beginning	**724,659**	**653,220**	**214,443**	**237,656**	**19,134**	**65,626**	**22,719**	**469,657**	**2,407,114**
Cash and pooled investments – ending	**$ 1,073,486**	**$ 701,129**	**$ 170,154**	**$ 324,284**	**$ 12,480**	**$ 47,682**	**$ 47,928**	**$ 211,694**	**$ 2,588,837**

(continued)

Combining Statement of Cash Flows (continued)

Internal Service Funds

Year Ended June 30, 2020

(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)	$ 63,522	$ 1,289	$ 67,110	$ 82,672	$ 1,526	$ 27,346	$ (5,450)	$ (33,062)	$ 204,953
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:									
Depreciation	—	—	19,093	10,887	429	17,522	3,807	1,459	53,197
Amortization of premiums and discounts	(88,945)	—	—	—	—	—	—	—	(88,945)
Amortization of long-term prepaid charges	84	—	—	—	—	—	—	—	84
Other	14,219	—	—	(189)	—	—	—	(86)	13,944
Change in account balances:									
Receivables	—	52	(4,523)	(207)	5	387	4,742	(17,306)	(16,850)
Due from other funds	1,453	(49,126)	(55,270)	(305)	515	543	(60,566)	(36,190)	(198,946)
Due from other governments	—	—	(708)	1	—	(1,596)	—	(9,348)	(11,651)
Prepaid items	—	29,990	5,865	(1,007)	36	260	955	352	36,451
Inventories	—	—	3,450	(8,651)	—	—	(398)	1,382	(4,217)
Net investment in direct financing leases	491,492	—	—	—	—	—	—	—	491,492
Deferred outflow of resources	—	(338)	(25,426)	(40,783)	—	(10,093)	—	(27,315)	(103,955)
Accounts payable	(275)	1,032	(24,332)	1,312	(974)	(24,078)	9,499	38,308	492
Due to other funds	(486)	8,548	8,913	(6,563)	(2,735)	(1,015)	2,874	(104,543)	(95,007)
Due to other governments	—	29	2,441	—	—	—	(31)	(178)	2,261
Deposits	—	—	1,057	—	—	—	—	—	1,057
Contracts and notes payable	—	—	1,336	—	—	(4,152)	925	—	(1,891)
Interest payable	(3,211)	—	—	—	—	—	—	—	(3,211)
Revenues received in advance	—	56,831	(30,000)	5,222	—	—	134	(14,423)	17,764
Other current liabilities	(1,482)	(665)	586	(32)	—	—	—	(348)	(1,941)
Benefits payable	—	—	—	—	—	—	—	(8)	(8)
Compensated absences payable	—	628	(859)	1,531	—	3,673	—	563	5,536
Other noncurrent liabilities	—	1,937	46,463	55,647	—	(2,197)	4,657	49,477	155,984
Deferred inflow of resources	—	(1,604)	(25,796)	(2,445)	—	(10,912)	—	(26,736)	(67,493)
Total adjustments	412,849	47,314	(77,710)	14,418	(2,724)	(31,658)	(33,402)	(144,940)	184,147
Net cash provided by (used in) operating activities	**$ 476,371**	**$ 48,603**	**$ (10,600)**	**$ 97,090**	**$ (1,198)**	**$ (4,312)**	**$ (38,852)**	**$ (178,002)**	**$ 389,100**

(concluded)

Noncash investing, capital, and financing activities									
Miscellaneous noncash activities transactions	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 117,460	$ 117,460

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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, 2020
(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving	Housing Loan	Other Enterprise Programs	Total
ASSETS					
Current assets:					
Cash and pooled investments	$ 532,437	$ 211,341	$ 243,897	$ 260,779	$ 1,248,454
Restricted assets:					
Cash and pooled investments	341,425	17,981	—	—	359,406
Due from other governments	156,656	26,183	—	—	182,839
Receivables (net)	—	6,386	37,844	663	44,893
Due from other funds	6,214	12,774	—	3,270	22,258
Due from other governments	112,676	98,469	—	492	211,637
Prepaid items	—	—	—	20	20
Inventories	—	—	—	5,000	5,000
Total current assets	1,149,408	373,134	281,741	270,224	2,074,507
Noncurrent assets:					
Restricted assets:					
Loans receivable	1,872,124	113,910	—	—	1,986,034
Investments	—	—	20,024	—	20,024
Interfund receivables	4,490	—	—	4,702	9,192
Loans receivable	2,725,468	1,593,859	1,012,090	93,789	5,425,206
Capital assets:					
Land	—	—	443	829	1,272
Buildings and other depreciable property	—	—	16,260	9,761	26,021
Intangible assets – amortizable	—	—	—	1,761	1,761
Less: accumulated depreciation/amortization	—	—	(16,259)	(4,980)	(21,239)
Construction/development in progress	—	—	—	106	106
Other noncurrent assets	—	—	6,741	—	6,741
Total noncurrent assets	4,602,082	1,707,769	1,039,299	105,968	7,455,118
Total assets	**5,751,490**	**2,080,903**	**1,321,040**	**376,192**	**9,529,625**
DEFERRED OUTFLOWS OF RESOURCES	—	—	3,720	11,503	15,223
Total assets and deferred outflows of resources	**$ 5,751,490**	**$ 2,080,903**	**$ 1,324,760**	**$ 387,695**	**$ 9,544,848**

(continued)

Combining Statement of Net Position (continued)

Nonmajor Enterprise Funds

June 30, 2020
(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving	Housing Loan	Other Enterprise Programs	Total
LIABILITIES					
Current liabilities:					
Accounts payable	$ —	$ —	$ 352	$ 11,295	$ 11,647
Due to other funds	—	8,064	3,566	1,170	12,800
Due to other governments	—	5	—	176	181
Revenues received in advance	3	—	—	30	33
Interest payable	14,461	997	14,850	—	30,308
Current portion of long-term obligations	104,341	7,496	38,390	11,887	162,114
Other current liabilities	—	—	—	—	—
Total current liabilities	118,805	16,562	57,158	24,558	217,083
Noncurrent liabilities:					
Interfund payables	—	—	1,502	21,220	22,722
Compensated absences payable	—	—	—	6,611	6,611
Workers' compensation benefits payable	—	—	—	2,802	2,802
General obligation bonds payable	—	—	751,127	—	751,127
Revenue bonds payable	1,225,508	87,737	363,026	—	1,676,271
Net other postemployment benefits liability	—	—	8,032	28,877	36,909
Net pension liability	—	—	13,571	25,203	38,774
Other noncurrent liabilities	—	—	1,704	9,796	11,500
Total noncurrent liabilities	1,225,508	87,737	1,138,962	94,509	2,546,716
Total liabilities	**1,344,313**	**104,299**	**1,196,120**	**119,067**	**2,763,799**
DEFERRED INFLOWS OF RESOURCES	—	—	20,515	5,426	25,941
Total liabilities and deferred inflows of resources	**1,344,313**	**104,299**	**1,216,635**	**124,493**	**2,789,740**
NET POSITION					
Net investment in capital assets	—	—	444	2,799	3,243
Restricted – expendable:					
Debt service	341,425	—	—	—	341,425
Security for revenue bonds	2,028,780	—	—	—	2,028,780
Other purposes	—	1,976,604	107,681	197,369	2,281,654
Total expendable	2,370,205	1,976,604	107,681	197,369	4,651,859
Unrestricted	2,036,972	—	—	63,034	2,100,006
Total net position	**4,407,177**	**1,976,604**	**108,125**	**263,202**	**6,755,108**
Total liabilities, deferred inflows of resources, and net position	**$ 5,751,490**	**$ 2,080,903**	**$ 1,324,760**	**$ 387,695**	**$ 9,544,848**

(concluded)

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

Nonmajor Enterprise Funds

Year Ended June 30, 2020
(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving	Housing Loan	Other Enterprise Programs	Total
OPERATING REVENUES					
Services and sales	$ 6,482	$ —	$ 1,952	$ 99,676	$ 108,110
Investment and interest	66,601	25,343	56,880	1,130	149,954
Other	—	—	2,756	1,264	4,020
Total operating revenues	**73,083**	**25,343**	**61,588**	**102,070**	**262,084**
OPERATING EXPENSES					
Personal services	—	14,141	1,565	33,839	49,545
Supplies	—	—	—	49,189	49,189
Services and charges	9,761	—	13,898	22,255	45,914
Depreciation	—	—	—	1,704	1,704
Interest expense	—	—	38,193	—	38,193
Other	353	9,138	—	—	9,491
Total operating expenses	**10,114**	**23,279**	**53,656**	**106,987**	**194,036**
Operating income (loss)	62,969	2,064	7,932	(4,917)	68,048
NONOPERATING REVENUES (EXPENSES)					
Donations and grants	132,847	87,990	—	—	220,837
Investment and interest income	14,027	4,374	—	3,804	22,205
Interest expense and fiscal charges	(35,174)	(1,728)	—	(36)	(36,938)
Other	—	—	402	—	402
Total nonoperating revenues (expenses)	111,700	90,636	402	3,768	206,506
Income (loss) before capital contributions and transfers	174,669	92,700	8,334	(1,149)	274,554
Transfers in	—	—	—	125	125
Transfers out	—	—	—	—	—
Change in net position	174,669	92,700	8,334	(1,024)	274,679
Total net position – beginning	**4,232,508**	**1,883,904**	**99,791**	**264,226**	**6,480,429**
Total net position – ending	**$ 4,407,177**	**$ 1,976,604**	**$ 108,125**	**$ 263,202**	**$ 6,755,108**

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

Year Ended June 30, 2020

(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving	Housing Loan	Other Enterprise Programs	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers/employers	$ 60,699	$ 26,721	$ 228,035	$ 102,364	$ 417,819
Receipts from interfund services provided	488	—	—	1,215	1,703
Payments to suppliers	(10,122)	(31,812)	(12,774)	(65,227)	(119,935)
Payments to employees	—	—	(1,565)	(28,455)	(30,020)
Payments for interfund services used	—	—	(1,502)	(2,079)	(3,581)
Other receipts (payments)	(12,585)	(130,086)	(217,054)	(14,180)	(373,905)
Net cash provided by (used in) operating activities	**38,480**	**(135,177)**	**(4,860)**	**(6,362)**	**(107,919)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Changes in interfund receivables and loans receivable	(184)	—	—	(1,385)	(1,569)
Changes in interfund payables and loans payable	—	—	1,502	1,070	2,572
Proceeds from general obligation bonds	—	—	—	—	—
Retirement of general obligation bonds	—	—	(44,930)	—	(44,930)
Proceeds from revenue bonds	—	—	—	—	—
Retirement of revenue bonds	(77,170)	(3,065)	(17,980)	—	(98,215)
Interest paid	(59,206)	(3,855)	—	(36)	(63,097)
Transfers in	—	—	—	125	125
Transfers out	—	—	—	—	—
Grants received	132,810	92,800	—	—	225,610
Net cash provided by (used in) noncapital financing activities	**(3,750)**	**85,880**	**(61,408)**	**(226)**	**20,496**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	—	—	—	(59)	(59)
Proceeds from sale of capital assets	—	—	—	—	—
Net cash provided by (used in) capital and related financing activities	**—**	**—**	**—**	**(59)**	**(59)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	—	—	(2,344)	—	(2,344)
Proceeds from maturity and sale of investments	—	—	1,902	—	1,902
Earnings on investments	16,185	4,938	—	3,804	24,927
Net cash provided by (used in) investing activities	**16,185**	**4,938**	**(442)**	**3,804**	**24,485**
Net increase (decrease) in cash and pooled investments	50,915	(44,359)	(66,710)	(2,843)	(62,997)
Cash and pooled investments – beginning	**822,947**	**273,681**	**310,607**	**263,622**	1,670,857
Cash and pooled investments – ending	**$ 873,862**	**$ 229,322**	**$ 243,897**	**$ 260,779**	**$ 1,607,860**

(continued)

Combining Statement of Cash Flows (continued)

Nonmajor Enterprise Funds

Year Ended June 30, 2020
(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving	Housing Loan	Other Enterprise Programs	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating income (loss)	$ 62,969	$ 2,064	$ 7,932	$ (4,917)	$ 68,048
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	—	—	—	1,704	1,704
Provisions and allowances	—	—	192	—	192
Amortization of premiums and discounts	—	—	(649)	—	(649)
Other	(14,383)	—	—	—	(14,383)
Change in account balances:					
Receivables	—	—	172	(136)	36
Due from other funds	488	—	—	51	539
Due from other governments	3,521	1,377	—	137	5,035
Prepaid items	—	—	—	9	9
Inventories	—	—	—	(1,760)	(1,760)
Other current assets	—	—	(5,016)	—	(5,016)
Other noncurrent assets	—	—	—	—	—
Loans receivable	(14,107)	(130,086)	(3,732)	1,684	(146,241)
Deferred outflow of resources	—	—	(3,076)	(1,384)	(4,460)
Accounts payable	—	—	1,053	3,742	4,795
Due to other funds	(8)	(8,532)	347	(2,151)	(10,344)
Due to other governments	—	—	—	(426)	(426)
Interest payable	—	—	(651)	—	(651)
Revenues received in advance	—	—	—	(17)	(17)
Other current liabilities	—	—	—	566	566
Benefits payable	—	—	—	5,657	5,657
Compensated absences payable	—	—	—	(2,972)	(2,972)
Other noncurrent liabilities	—	—	(3,663)	(6,135)	(9,798)
Deferred inflows of resources	—	—	2,231	(14)	2,217
Total adjustments	(24,489)	(137,241)	(12,792)	(1,445)	(175,967)
Net cash provided by (used in) operating activities	**$ 38,480**	**$ (135,177)**	**(4,860)**	**(6,362)**	**(107,919)**

(concluded)

Noncash investing, capital, and financing activities					
Miscellaneous noncash activities transactions	$ —	$ —	$ 1,058	$ —	$ 1,058

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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, 2020
(amounts in thousands)

	Scholarshare Program Trust	Unclaimed Property	Other Private Purpose Trust	Total
ASSETS				
Cash and pooled investments	$ 4,428	$ 1	$ 12,118	$ 16,547
Investments, at fair value:				
Equity securities	4,672,286	—	—	4,672,286
Debt securities	2,969,038	—	—	2,969,038
Real estate	246,390	—	—	246,390
Other	2,103,711	—	28,161	2,131,872
Total investments	9,991,425	—	28,161	10,019,586
Receivables (net)	1,246	135,542	178	136,966
Due from other funds	—	—	37	37
Other assets	—	196,502	—	196,502
Total assets	**9,997,099**	**332,045**	**40,494**	**10,369,638**
LIABILITIES				
Accounts payable	5,830	49,834	9,819	65,483
Deposits	—	196,502	—	196,502
Other liabilities	—	2	1,358	1,360
Total liabilities	**5,830**	**246,338**	**11,177**	**263,345**
NET POSITION				
Held in trust for individuals, organizations, or other governments	**$ 9,991,269**	**$ 85,707**	**$ 29,317**	**$ 10,106,293**

Combining Statement of Changes in Fiduciary Net Position

Private Purpose Trust Funds

Year Ended June 30, 2020
(amounts in thousands)

	Scholarshare Program Trust	Unclaimed Property	Other Private Purpose Trust	Total
ADDITIONS				
Investment income:				
Net appreciation (depreciation) in fair value of investments	$ —	$ —	$ 269	$ 269
Interest, dividends, and other investment income	394,762	—	223	394,985
Less: investment expense	(3,397)	—	(15)	(3,412)
Net investment income	391,365	—	477	391,842
Receipts from depositors	3,525,654	805,970	35,588	4,367,212
Total additions	**3,917,019**	**805,970**	**36,065**	**4,759,054**
DEDUCTIONS				
Administrative expenses	—	5,295	43	5,338
Interest expense	—	121	—	121
Payments to and for depositors	3,283,771	800,623	13,888	4,098,282
Total deductions	**3,283,771**	**806,039**	**13,931**	**4,103,741**
Change in net position	633,248	(69)	22,134	655,313
Net position – beginning	**9,358,021**	**85,776**	**7,183** *	**9,450,980**
Net position – ending	**$ 9,991,269**	**$ 85,707**	**$ 29,317**	**$ 10,106,293**

* Restated

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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)

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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, 2020

(amounts in thousands)

	Defined Benefit Pension Plans					Defined Benefit OPEB Plan			
	Public Employees' Retirement	**State Teachers' Retirement**	**Judges' Retirement**	**Judges' Retirement II**	**Legislators' Retirement**	**Annuitants' Health Care Coverage**	**Deferred Compensation**	**Other Pension and Other Employee Benefit Trust**	**Total**
ASSETS									
Cash and pooled investments	$ 2,814,166	$ 194,168	$ 2,281	$ 9,709	$ 1,897	$ 23,899	$ 14,336	$ 18,713	$ 3,079,169
Investments, at fair value:									
Short-term	25,896,518	11,738,484	45,562	84	7	36,784	2,917,988	11,276	40,646,703
Equity securities	196,036,941	113,421,440	—	1,231,610	42,977	7,971,301	10,180,111	69,484	328,953,864
Debt securities	102,063,458	41,713,439	—	635,275	71,279	3,668,775	2,267,313	44,204	150,463,743
Real estate	43,008,182	34,827,385	—	—	—	—	—	—	77,835,567
Securities lending collateral	1,225,270	24,026,405	—	—	—	—	—	—	25,251,675
Other	26,496,420	48,025,249	—	—	—	—	3,349,196	—	77,870,865
Total investments	394,726,789	273,752,402	45,562	1,866,969	114,263	11,676,860	18,714,608	124,964	701,022,417
Receivables (net)	2,966,321	4,398,304	1,551	9,348	54	86,700	40,236	2,356	7,504,870
Due from other funds	937,109	—	62	44	—	49	653	623	938,540
Loans receivable	—	2,493,274	—	—	—	—	5,671	—	2,498,945
Other assets	343,158	385,685	—	—	—	—	—	—	728,843
Total assets	**401,787,543**	**281,223,833**	**49,456**	**1,886,070**	**116,214**	**11,787,508**	**18,775,504**	**146,656**	**715,772,784**
DEFERRED OUTFLOWS OF RESOURCES	128,697	77,097	540	677	187	1,198	848	168	209,412
Total assets and deferred outflows of resources	**401,916,240**	**281,300,930**	**49,996**	**1,886,747**	**116,401**	**11,788,706**	**18,776,352**	**146,824**	**715,982,196**
LIABILITIES									
Accounts payable	8,154	4,496,400	221	272	65	863	3,122	6,190	4,515,287
Due to other governments	—	1	—	—	—	—	—	—	1
Benefits payable	2,180,130	1,615,087	—	—	582	71,928	618	751	3,869,096
Securities lending obligations	1,225,672	24,057,981	—	—	—	—	—	—	25,283,653
Loans payable	—	2,497,447	—	—	—	—	—	8	2,497,455
Other liabilities	5,949,207	1,533,476	5,590	5,951	1,589	10,804	13,305	3,393	7,523,315
Total liabilities	**9,363,163**	**34,200,392**	**5,811**	**6,223**	**2,236**	**83,595**	**17,045**	**10,342**	**43,688,807**
DEFERRED INFLOWS OF RESOURCES	100,536	116,794	458	517	117	1,172	1,564	589	221,747
Total liabilities and deferred inflows of resources	**9,463,699**	**34,317,186**	**6,269**	**6,740**	**2,353**	**84,767**	**18,609**	**10,931**	**43,910,554**
NET POSITION									
Restricted for pension and other postemployment benefits	392,452,541	246,983,744	43,727	1,880,007	114,048	11,703,939	—	124,368	653,302,374
Held in trust for:									
Deferred compensation participants	—	—	—	—	—	—	18,757,743	—	18,757,743
Individuals, organizations, or other governments	—	—	—	—	—	—	—	11,525	11,525
Total net position	**$ 392,452,541**	**$ 246,983,744**	**$ 43,727**	**$ 1,880,007**	**$ 114,048**	**$ 11,703,939**	**$ 18,757,743**	**$ 135,893**	**$ 672,071,642**

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, 2020

(amounts in thousands)

	Defined Benefit Pension Plans					Defined Benefit OPEB Plan			
	Public Employees' Retirement	State Teachers' Retirement	Judges' Retirement	Judges' Retirement II	Legislators' Retirement	Annuitants' Health Care Coverage	Deferred Compensation	Other Pension and Other Employee Benefit Trust	Total
ADDITIONS									
Contributions:									
Employer	$ 22,943,561	$ 6,080,060	$ 243,131	$ 91,147	$ 98	$ 4,634,449	$ 716	$ 38,208	$ 34,031,370
Plan member	4,901,000	3,735,042	2,843	35,796	22	—	983,926	45,643	9,704,272
Non-employer	—	4,446,836	—	—	—	—	—	—	4,446,836
Total contributions	27,844,561	14,261,938	245,974	126,943	120	4,634,449	984,642	83,851	48,182,478
Investment income:									
Net appreciation (depreciation) in fair value of investments	12,041,606	5,165,995	—	80,569	7,051	406,742	496,921	5,909	18,204,793
Interest, dividends, and other investment income	7,605,180	5,607,446	891	474	23	691	26,754	158	13,241,617
Less: investment expense	(1,034,533)	(670,363)	(6)	(969)	(63)	(4,824)	(675)	(45)	(1,711,478)
Net investment income (loss)	18,612,253	10,103,078	885	80,074	7,011	402,609	523,000	6,022	29,734,932
Other	13,845	101,423	2,202	—	2	9,094	25,225	2,307	154,098
Total additions	**46,470,659**	**24,466,439**	**249,061**	**207,017**	**7,133**	**5,046,152**	**1,532,867**	**92,180**	**78,071,508**
DEDUCTIONS									
Distributions to beneficiaries	25,781,920	15,921,966	212,775	34,547	6,939	3,139,646	66,352	76,360	45,240,505
Refunds of contributions	323,180	102,711	458	—	—	—	6,122	—	432,471
Administrative expense	524,451	225,217	2,270	2,552	550	5,161	28,756	3,029	791,986
Interest expense	—	94,689	—	—	—	—	—	—	94,689
Payments to and for depositors	—	—	—	—	—	12,711	514,179	6,138	533,028
Total deductions	**26,629,551**	**16,344,583**	**215,503**	**37,099**	**7,489**	**3,157,518**	**615,409**	**85,527**	**47,092,679**
Change in net position	19,841,108	8,121,856	33,558	169,918	(356)	1,888,634	917,458	6,653	30,978,829
Net position – beginning	**372,611,433**	**238,861,888**	**10,169**	**1,710,089**	**114,404**	**9,815,305**	**17,840,285**	**129,240**	**641,092,813**
Net position – ending	**$ 392,452,541**	**$ 246,983,744**	**$ 43,727**	**$ 1,880,007**	**$ 114,048**	**$ 11,703,939**	**$ 18,757,743**	**$ 135,893**	**$ 672,071,642**

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Agency Funds

Agency funds account for the receipt and disbursement of various taxes, deposits, deductions, and property collected by the State, acting in the capacity of an agent, for distribution to other governmental units or other organizations. Following are brief descriptions of agency funds.

The **Receipting and Disbursing Fund** accounts for the collection and disbursement of revenues and receipts on behalf of local governments. This fund also accounts for receipts from many state funds, typically for the purpose of writing a single warrant when the warrant is funded by multiple funding sources.

The **Deposit Fund** accounts for various deposits, such as those from condemnation and litigation proceedings.

Other agency activity funds account for other assets held by the State, which acts as an agent for individuals, private organizations, and other governments.

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2020
(amounts in thousands)

	Receipting and Disbursing	Deposit	Other Agency Activities	Total
ASSETS				
Cash and pooled investments	$ 2,291,070	$ 1,502,298	$ 34,461	$ 3,827,829
Receivables (net)	4,562,287	443,517	1,033	5,006,837
Due from other funds	33,917,840	56,439	1,060	33,975,339
Due from other governments	79,298	19	—	79,317
Interfund receivable	7,345	136,646	1,958	145,949
Loans receivable	4,805	74,024	3,751	82,580
Other assets	—	39,822	—	39,822
Total assets	**$ 40,862,645**	**$ 2,252,765**	**$ 42,263**	**$ 43,157,673**
LIABILITIES				
Accounts payable	$ 27,855,862	$ 65,011	$ 4,666	$ 27,925,539
Due to other governments	12,950,189	20,952	7,201	12,978,342
Tax overpayments	4,298	—	—	4,298
Revenues received in advance	—	679	—	679
Deposits	34,941	1,373,216	15,440	1,423,597
Other liabilities	17,355	792,907	14,956	825,218
Total liabilities	**$ 40,862,645**	**$ 2,252,765**	**$ 42,263**	**$ 43,157,673**

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Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

Year Ended June 30, 2020

(amounts in thousands)

Receipting and Disbursing Fund

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
ASSETS				
Cash and pooled investments	$ 3,068,160	$ 188,609,819	$ 189,386,909	$ 2,291,070
Receivables (net)	3,869,318	7,159,499	6,466,530	4,562,287
Due from other funds	27,260,281	45,776,625	39,119,066	33,917,840
Due from other governments	140,365	79,298	140,365	79,298
Prepaid Expenses	—	26,764	26,764	—
Interfund receivable	15,874	7,345	15,874	7,345
Loan receivable	933	4,805	933	4,805
Total assets	**$ 34,354,931**	**$ 241,664,155**	**$ 235,156,441**	**$ 40,862,645**
LIABILITIES				
Accounts payable	$ 21,144,521	$ 70,804,908	$ 64,093,567	$ 27,855,862
Due to other governments	13,155,916	17,141,501	17,347,228	12,950,189
Tax overpayments	7,613	196,347	199,662	4,298
Deposits	31,262	174,364	170,685	34,941
Other liabilities	15,619	30,315	28,579	17,355
Total liabilities	**$ 34,354,931**	**$ 88,347,435**	**$ 81,839,721**	**$ 40,862,645**

Deposit Fund

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
ASSETS				
Cash and pooled investments	$ 1,186,990	$ 28,429,761	$ 28,114,453	$ 1,502,298
Receivables (net)	713,812	2,732,727	3,003,022	443,517
Due from other funds	60,665	177,968	182,194	56,439
Due from other governments	—	19	—	19
Prepaid Expenses	—	3,160	3,160	—
Interfund receivable	181,491	—	44,845	136,646
Loan receivables	10,663	63,361	—	74,024
Other assets	805,929	—	766,107	39,822
Total assets	**$ 2,959,550**	**$ 31,406,996**	**$ 32,113,781**	**$ 2,252,765**
LIABILITIES				
Accounts payable	$ 87,615	$ 3,711,211	$ 3,733,815	$ 65,011
Due to other governments	21,573	8,428	9,049	20,952
Revenues received in advance	679	—	—	679
Deposits	2,066,654	15,750,234	16,443,672	1,373,216
Other liabilities	783,029	9,755,810	9,745,932	792,907
Total liabilities	**$ 2,959,550**	**$ 29,225,683**	**$ 29,932,468**	**$ 2,252,765**

Other Agency Activity Funds

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
ASSETS				
Cash and pooled investments	$ 29,366	$ 29,704	$ 24,609	$ 34,461
Receivables (net)	1,487	1	455	1,033
Due from other funds	1,414	104	458	1,060
Interfund receivable	1,698	260	—	1,958
Loans receivable	3,549	987	785	3,751
Total assets	**$ 37,514**	**$ 31,056**	**$ 26,307**	**$ 42,263**
LIABILITIES				
Accounts payable	$ 3,265	$ 3,730	$ 2,329	$ 4,666
Due to other governments	7,060	12,494	12,353	7,201
Deposits	11,899	5,539	1,998	15,440
Other liabilities	15,290	726	1,060	14,956
Total liabilities	**$ 37,514**	**$ 22,489**	**$ 17,740**	**$ 42,263**

Total Agency Funds

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
ASSETS				
Cash and pooled investments	$ 4,284,516	$ 217,069,284	$ 217,525,971	$ 3,827,829
Receivables (net)	4,584,617	9,892,227	9,470,007	5,006,837
Due from other funds	27,322,360	45,954,697	39,301,718	33,975,339
Due from other governments	140,365	79,317	140,365	79,317
Prepaid Expense	—	29,924	29,924	—
Interfund receivable	199,063	7,605	60,719	145,949
Loans receivable	15,145	69,153	1,718	82,580
Other assets	805,929	—	766,107	39,822
Total assets	**$ 37,351,995**	**$ 273,102,207**	**$ 267,296,529**	**$ 43,157,673**
LIABILITIES				
Accounts payable	$ 21,235,401	$ 74,519,849	$ 67,829,711	$ 27,925,539
Due to other governments	13,184,549	17,162,423	17,368,630	12,978,342
Tax overpayments	7,613	196,347	199,662	4,298
Revenues received in advance	679	—	—	679
Deposits	2,109,815	15,930,137	16,616,355	1,423,597
Other liabilities	813,938	9,786,851	9,775,571	825,218
Total liabilities	**$ 37,351,995**	**$ 117,595,607**	**$ 111,789,929**	**$ 43,157,673**

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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, 2019.

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, 2020

(amounts in thousands)

	Financing Authorities	California State University Auxiliary Organizations	District Agricultural Associations	Other Component Units	Total
ASSETS					
Current assets:					
Cash and pooled investments	$ 6,084	$ 510,781	$ 103,405	$ 740,941	$ 1,361,211
Investments	—	672,043	—	—	672,043
Restricted assets:					
Cash and pooled investments	302,486	—	33,756	64	336,306
Investments	22,650	—	3,296	—	25,946
Receivables (net)	26,091	461,572	8,995	26,688	523,346
Prepaid items	313	—	1,842	1,130	3,285
Other current assets	—	34,061	1,900	—	35,961
Total current assets	357,624	1,678,457	153,194	768,823	2,958,098
Noncurrent assets:					
Restricted assets:					
Cash and pooled investments	—	56,075	—	—	56,075
Investments	92,970	—	3,333	—	96,303
Investments	—	2,224,255	—	81,549	2,305,804
Receivables (net)	—	338,486	—	2,501	340,987
Loans receivable	408,551	—	—	74	408,625
Long-term prepaid charges	—	—	—	126	126
Capital assets:					
Land	—	135,503	22,246	5,089	162,838
Collections – nondepreciable	—	12,922	—	421	13,343
Buildings and other depreciable property	9	1,312,200	786,193	180,675	2,279,077
Intangible assets – amortizable	—	7,786	—	1,087	8,873
Less: accumulated depreciation/amortization	(8)	(675,000)	(523,818)	(55,361)	(1,254,187)
Construction/development in progress	—	71,398	31,787	20,332	123,517
Intangible assets – nonamortizable	—	6,637	—	116	6,753
Other noncurrent assets	—	41,642	—	11,354	52,996
Total noncurrent assets	501,522	3,531,904	319,741	247,963	4,601,130
Total assets	**859,146**	**5,210,361**	**472,935**	**1,016,786**	**7,559,228**
DEFERRED OUTFLOWS OF RESOURCES	5,485	36,209	28,827	36,220	106,741
Total assets and deferred outflows of resources	**$ 864,631**	**$ 5,246,570**	**$ 501,762**	**$ 1,053,006**	**$ 7,665,969**

(continued)

Combining Statement of Net Position (continued)

Nonmajor Component Units

June 30, 2020
(amounts in thousands)

	Financing Authorities	California State University Auxiliary Organizations	District Agricultural Associations	Other Component Units	Total
LIABILITIES					
Current liabilities:					
Accounts payable	$ 2,607	$ 113,300	$ 12,713	$ 746,311	$ 874,931
Revenues received in advance	400	94,989	12,160	1,101	108,650
Deposits	—	—	1,545	273	1,818
Contracts and notes payable	—	11,515	26	—	11,541
Interest payable	3,356	—	492	—	3,848
Current portion of long-term obligations	14,647	191,818	1,949	3,964	212,378
Other current liabilities	52,930	114,302	5,386	3,963	176,581
Total current liabilities	73,940	525,924	34,271	755,612	1,389,747
Noncurrent liabilities:					
Compensated absences payable	397	7,013	10,374	—	17,784
Workers' compensation benefits payable	—	17,851	215	—	18,066
Loans payable	739	—	11,354	—	12,093
Commercial paper and other borrowings	—	1,782	—	—	1,782
Capital lease obligations	—	236,004	—	—	236,004
Revenue bonds payable	306,297	57,641	40,621	72,937	477,496
Net other postemployment benefits liability	8,595	119,543	20,988	83,652	232,778
Net pension liability	9,265	99,240	104,076	74,745	287,326
Revenues received in advance	—	—	6,157	—	6,157
Other noncurrent liabilities	31,988	537,529	30,334	10,507	610,358
Total noncurrent liabilities	357,281	1,076,603	224,119	241,841	1,899,844
Total liabilities	**431,221**	**1,602,527**	**258,390**	**997,453**	**3,289,591**
DEFERRED INFLOWS OF RESOURCES	2,281	59,507	14,775	31,082	107,645
Total liabilities and deferred inflows of resources	**433,502**	**1,662,034**	**273,165**	**1,028,535**	**3,397,236**
NET POSITION					
Net investment in capital assets	—	329,264	257,179	77,104	663,547
Restricted:					
Nonexpendable – endowments	—	1,414,654	—	25,327	1,439,981
Expendable:					
Endowments and gifts	—	—	—	13,279	13,279
Education	—	1,184,530	—	17,527	1,202,057
Statute	431,514	—	—	—	431,514
Other purposes	4	—	17,876	—	17,880
Total expendable	431,518	1,184,530	17,876	30,806	1,664,730
Unrestricted	(389)	656,088	(46,458)	(108,766)	500,475
Total net position	**431,129**	**3,584,536**	**228,597**	**24,471**	**4,268,733**
Total liabilities, deferred inflows of resources, and net position	**$ 864,631**	**$ 5,246,570**	**$ 501,762**	**$ 1,053,006**	**$ 7,665,969**

(concluded)

Combining Statement of Activities

Nonmajor Component Units

Year Ended June 30, 2020
(amounts in thousands)

	Financing Authorities	California State University Auxiliary Organizations	District Agricultural Associations	Other Component Units	Total
OPERATING EXPENSES					
Personal services	$ 2,351	$ 358,355	$ —	$ 48,678	$ 409,384
Scholarships and fellowships	—	87,380	—	7,779	95,159
Supplies	—	—	—	14,236	14,236
Services and charges	2,223	1,188,182	82,227	38,981	1,311,613
Depreciation	1	58,140	21,608	2,998	82,747
Interest expense and fiscal charges	10,506	20,301	1,755	648	33,210
Other	—	47,853	432	10,227	58,512
Total operating expenses	**15,081**	**1,760,211**	**106,022**	**123,547**	**2,004,861**
PROGRAM REVENUES					
Charges for services	2,347	680,209	271,914	60,243	1,014,713
Operating grants and contributions	50,861	696,319	—	20,215	767,395
Capital grants and contributions	—	8,447	3,370	1,042	12,859
Total program revenues	**53,208**	**1,384,975**	**275,284**	**81,500**	**1,794,967**
Net revenues (expenses)	38,127	(375,236)	169,262	(42,047)	(209,894)
GENERAL REVENUES					
Investment and interest income	20,027	78,637	294	10,162	109,120
Other	2,731	442,971	5,903	20,498	472,103
Total general revenues	**22,758**	**521,608**	**6,197**	**30,660**	**581,223**
Change in net position	60,885	146,372	175,459	(11,387)	371,329
Net position – beginning	**370,244**	**3,438,164**	**53,138**	**35,858**	**3,897,404**
Net position – ending	**$ 431,129**	**$ 3,584,536**	**$ 228,597**	**$ 24,471**	**$ 4,268,733**

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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)

	2011 [2]	2012	2013	2014 [3]	2015 [4]	2016	2017	2018 [5]	2019	2020
Governmental activities										
Net investment in capital assets	$ 85,460,957	$ 80,768,527	$ 84,931,030	$ 94,001,659	$ 100,694,652	$ 104,596,917	$ 107,042,274	$ 109,614,321	$ 112,279,950	$ 116,773,259
Restricted – Expendable	27,865,821	24,871,510	24,315,913	24,950,740	26,632,502	29,060,971	33,832,232	35,053,202	41,371,805	46,670,678
Unrestricted [1]	(123,783,314)	(123,897,753)	(117,383,903)	(116,948,128)	(169,744,967)	(168,542,861)	(169,499,683)	(213,316,033)	(208,377,265)	(207,968,523)
Total governmental activities net position (deficit)	**$ (10,456,536)**	**$ (18,257,716)**	**$ (8,136,960)**	**$ 2,004,271**	**$ (42,417,813)**	**$ (34,884,973)**	**$ (28,625,177)**	**$ (68,648,510)**	**$ (54,725,510)**	**$ (44,524,586)**
Business-type activities										
Net investment in capital assets	$ 1,382,957	$ 1,561,258	$ 1,718,648	$ 2,065,550	$ 2,278,252	$ 2,520,621	$ 2,295,270	$ 2,469,723	$ 2,534,257	$ 2,907,066
Restricted – Nonexpendable	21,812	21,584	20,627	16,219	13,448	8,653	1,746	1,708	1,693	1,677
Restricted – Expendable	3,615,945	4,571,036	5,151,915	4,897,314	4,523,496	5,750,634	6,307,218	12,083,737	12,945,567	7,722,116
Unrestricted	(4,214,494)	(3,346,849)	(2,824,738)	(1,661,692)	(5,360,817)	(3,707,406)	(1,321,132)	(16,464,573)	(16,718,860)	(20,948,611)
Total business-type activities net position (deficit)	**$ 806,220**	**$ 2,807,029**	**$ 4,066,452**	**$ 5,317,391**	**$ 1,454,379**	**$ 4,572,502**	**$ 7,283,102**	**$ (1,909,405)**	**$ (1,237,343)**	**$ (10,317,752)**
Primary government										
Net investment in capital assets	$ 86,843,914	$ 82,329,785	$ 86,649,678	$ 96,067,209	$ 102,972,904	$ 107,117,538	$ 109,337,544	$ 112,084,044	$ 114,814,207	$ 119,680,325
Restricted – Nonexpendable	21,812	21,584	20,627	16,219	13,448	8,653	1,746	1,708	1,693	1,677
Restricted – Expendable	31,481,766	29,442,546	29,467,828	29,848,054	31,155,998	34,811,605	40,139,450	47,136,939	54,317,372	54,392,794
Unrestricted	(127,997,808)	(127,244,602)	(120,208,641)	(118,609,820)	(175,105,784)	(172,250,267)	(170,820,815)	(229,780,606)	(225,096,125)	(228,917,134)
Total primary government net position (deficit)	**$ (9,650,316)**	**$ (15,450,687)**	**$ (4,070,508)**	**$ 7,321,662**	**$ (40,963,434)**	**$ (30,312,471)**	**$ (21,342,075)**	**$ (70,557,915)**	**$ (55,962,853)**	**$ (54,842,338)**

[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 2011, the net position of governmental activities and business-type activities changed primarily as a result of the reclassification of the $1.2 billion beginning net position of the California State University Fund from a governmental fund to an enterprise fund.

[3] 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.

[4] 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.

[5] 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.

Schedule of Changes in Net Position

For the Past Ten Fiscal Years

(accrual basis of accounting, amounts in thousands)

	2011 [4]	2012	2013	2014 [5]	2015	2016	2017	2018 [6]	2019	2020
Governmental activities										
Expenses										
General government	$ 13,520,557	$ 14,411,737	$ 15,390,100	$ 14,292,179	$ 15,804,281	$ 16,686,037	$ 17,400,482	$ 18,378,216	$ 17,900,629	$ 23,489,012
Education	56,486,944	51,288,647	50,586,387	54,719,677	59,521,018	65,467,497	67,377,805	70,280,444	75,643,779	75,803,990
Health and human services	92,475,364	89,939,730	94,069,749	105,037,102	122,063,805	127,543,288	135,090,171	137,828,737	144,936,676	192,576,208
Natural resources and environmental protection	5,853,278	5,950,635	5,670,922	5,854,685	6,419,591	6,988,442	7,342,079	8,304,162	9,774,290	10,110,777
Business, consumer services, and housing	1,405,019	1,241,269	1,475,486	589,715	903,782	814,676	1,163,511	1,258,104	2,133,480	2,603,823
Transportation	11,119,644	13,719,927	12,836,192	13,427,229	12,897,591	12,120,820	12,947,296	14,259,461	17,022,071	18,424,746
Corrections and rehabilitation	10,295,564	10,343,574	10,081,736	11,234,705	11,483,573	11,875,294	13,086,499	14,921,295	15,153,502	16,861,994
Interest on long-term debt	4,377,064	4,365,181	4,349,632	4,699,265	4,880,625	4,231,581	4,191,283	4,154,485	3,995,597	3,841,351
Total expenses	**195,533,434**	**191,260,700**	**194,460,204**	**209,854,557**	**233,974,266**	**245,727,635**	**258,599,126**	**269,384,904**	**286,560,024**	**343,711,901**
Program revenues										
Charges for services:										
General government	5,057,082	6,841,334	6,196,586	5,994,608	6,502,363	6,525,736	5,825,533	5,726,900	5,755,165	5,847,276
Education	110,423	81,212	64,480	67,165	53,498	66,298	74,548	37,147	78,445	49,780
Health and human services	8,471,261	4,940,650	8,761,781	7,961,897	8,259,696	10,630,859	11,638,503	12,968,379	13,874,296	13,836,881
Natural resources and environmental protection	2,797,264	2,866,232	3,269,315	3,403,524	4,546,413	4,823,861	3,998,751	6,319,879	6,644,917	5,551,029
Business, consumer services, and housing	660,196	724,222	682,503	586,055	626,960	823,189	844,445	957,885	1,206,126	1,378,181
Transportation	4,010,433	4,342,668	4,082,616	4,247,258	4,382,901	4,532,300	4,611,244	6,053,140	7,093,122	7,244,317
Corrections and rehabilitation	14,981	16,757	45,153	13,645	18,557	19,411	17,988	39,887	10,993	14,753
Operating grants/contributions	67,849,215	58,777,006	60,943,536	69,861,130	84,896,237	86,628,827	89,497,290	87,812,627	94,501,862	143,670,642
Capital grants/contributions	1,272,326	2,193,189	1,669,021	1,515,890	1,319,430	1,480,351	3,027,780	1,882,595	1,561,483	2,107,963
Total program revenues	**90,243,181**	**80,783,270**	**85,714,991**	**93,651,172**	**110,606,055**	**115,530,832**	**119,536,082**	**121,798,439**	**130,726,409**	**179,700,822**
Total governmental activities net program expenses	**(105,290,253)**	**(110,477,430)**	**(108,745,213)**	**(116,203,385)**	**(123,368,211)**	**(130,196,803)**	**(139,063,044)**	**(147,586,465)**	**(155,833,615)**	**(164,011,079)**
General revenues and other changes in net position										
General revenues:										
Personal income taxes	51,719,107	54,368,347	67,502,738	68,793,292	78,098,865	80,303,076	85,712,013	94,460,551	100,657,551	108,308,455
Sales and use taxes	33,521,221	31,216,438	33,839,065	36,477,724	38,224,080	39,121,061	38,726,332	39,784,494	41,006,121	40,703,239
Corporation taxes	9,384,416	8,629,935	7,289,910	9,102,128	10,720,647	9,213,173	11,128,198	12,608,756	14,625,724	13,180,402
Motor vehicle excise taxes [1]	—	5,263,435	5,219,605	5,777,167	5,393,994	5,028,589	4,878,953	6,680,858	7,632,365	7,876,545
Insurance taxes	2,311,880	2,408,473	2,295,579	3,359,043	3,926,319	4,203,885	2,719,489	2,754,056	2,734,068	3,161,634
Managed care organization enrollment tax [2]	—	—	—	—	—	—	2,282,313	2,397,531	2,562,919	1,031,357
Other taxes [1]	7,768,010	2,368,748	2,498,248	2,302,231	2,235,498	2,158,874	2,574,456	3,573,848	3,790,987	3,789,610
Investment and interest	62,946	72,237	57,285	80,969	58,016	131,615	149,135	297,782	706,637	690,169
Escheat	229,146	372,215	551,580	487,937	400,807	304,960	325,755	378,180	447,401	614,394
Gain (loss) on early extinguishment of debt [3]	—	—	—	(54,537)	—	40,516	30,986	—	—	—
Transfers	(3,251,598)	(2,031,032)	(1,997,759)	(2,296,010)	(2,554,970)	(2,800,101)	(3,083,437)	(4,339,995)	(3,930,906)	(5,963,068)
Total general revenues and other changes in net position	**101,745,128**	**102,668,796**	**117,256,251**	**124,029,944**	**136,503,256**	**137,705,648**	**145,444,193**	**158,596,061**	**170,232,867**	**173,392,737**
Total governmental activities change in net position	**$ (3,545,125)**	**$ (7,808,634)**	**$ 8,511,038**	**$ 7,826,559**	**$ 13,135,045**	**$ 7,508,845**	**$ 6,381,149**	**$ 11,009,596**	**$ 14,399,252**	**$ 9,381,658**

(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 2011, the California State University Fund was reclassified from a governmental fund to an enterprise fund.

[5] In fiscal year 2014, the Public Buildings Construction Fund was reclassified from an enterprise fund to an internal service fund.

[6] 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)

	2011	2012	2013	2014	2015	2016	2017	2018 [6]	2019	2020
Business-type activities										
Expenses										
Electric Power	$ 2,317,000	$ 915,000	$ 488,000	$ 835,000	$ 799,000	$ 728,000	$ 945,000	$ 952,000	$ 913,000	$ 905,115
Water Resources	1,115,793	1,047,574	1,127,195	983,048	1,019,378	1,086,650	1,223,340	1,221,866	1,199,823	1,184,458
Public Buildings Construction [5]	390,173	403,853	410,404	—	—	—	—	—	—	—
State Lottery	3,507,524	4,431,709	4,499,451	5,078,935	5,560,299	6,315,957	6,271,875	7,006,591	7,435,755	6,665,062
Unemployment Programs	25,619,138	21,111,658	17,599,219	13,673,403	11,390,227	11,458,966	11,907,623	12,133,531	13,229,332	23,622,023
California State University [4]	5,851,355	6,181,397	6,196,541	6,544,936	6,847,789	7,199,277	8,001,396	9,806,114	9,779,084	10,592,814
High Technology Education	9,590	7,778	6,568	847	—	—	—	—	—	—
State University Dormitory Building Maintenance and Equipment	—	—	—	—	—	—	—	—	—	—
State Water Pollution Control Revolving	10,953	8,780	3,698	5,072	9,082	11,814	17,112	32,335	49,860	45,288
Safe Drinking Water State Revolving [6]	—	—	—	—	—	—	—	21,994	19,371	25,007
Housing Loan	104,667	89,570	70,356	57,206	58,280	55,627	62,885	57,088	54,402	53,656
Other enterprise programs	118,006	78,601	58,578	79,641	77,475	84,188	75,397	96,078	109,113	148,450
Total expenses	**39,044,199**	**34,275,920**	**30,460,010**	**27,258,088**	**25,761,530**	**26,940,479**	**28,504,628**	**31,327,597**	**32,789,740**	**43,241,873**
Program revenues										
Charges for services:										
Electric Power	2,317,000	915,000	488,000	835,000	799,000	728,000	945,000	952,000	913,000	903,000
Water Resources	1,115,793	1,047,574	1,127,195	983,048	1,019,378	1,086,650	1,223,340	1,221,866	1,172,134	1,155,001
Public Buildings Construction [5]	456,467	428,260	616,041	—	—	—	—	—	—	—
State Lottery	3,484,689	4,484,291	4,445,921	5,077,976	5,553,418	6,367,902	6,213,074	6,975,168	7,473,452	6,735,321
Unemployment Programs	24,678,783	21,947,781	18,597,962	15,167,258	13,402,902	13,866,028	14,437,094	15,594,045	14,039,030	12,564,665
California State University [4]	2,505,545	2,915,123	2,891,432	3,014,030	3,113,988	3,172,154	3,224,919	3,387,420	3,529,083	3,323,307
High Technology Education	10,498	8,452	5,585	424	—	—	—	—	—	—
State University Dormitory Building Maintenance and Equipment	—	—	—	—	—	—	—	—	—	—
State Water Pollution Control Revolving	55,957	57,540	60,173	62,985	65,959	70,245	75,912	86,789	95,703	87,110
Safe Drinking Water State Revolving [6]	—	—	—	—	—	—	—	22,675	25,762	29,717
Housing Loan	89,224	84,830	66,050	65,247	57,742	53,617	52,842	52,735	60,002	61,990
Other enterprise programs	105,676	74,693	80,540	77,671	78,625	82,029	93,177	86,911	106,687	105,874
Operating grants/contributions	1,216,808	1,249,995	1,323,345	1,491,559	1,666,292	1,764,962	1,805,406	2,132,665	2,125,362	2,593,383
Capital grants/contributions	86,272	106,057	142,304	80,903	107,746	66,914	61,027	—	—	—
Total program revenues	**36,122,712**	**33,319,596**	**29,844,548**	**26,856,101**	**25,865,050**	**27,258,501**	**28,131,791**	**30,512,274**	**29,540,215**	**27,559,368**
Total business-type activities net program revenues (expenses)	**(2,921,487)**	**(956,324)**	**(615,462)**	**(401,987)**	**103,520**	**318,022**	**(372,837)**	**(815,323)**	**(3,249,525)**	**(15,682,505)**
Other changes in net position										
Gain (loss) on early extinguishment of debt [3]	—	—	—	(26,913)	—	—	—	—	—	—
Transfers	3,251,598	2,031,032	1,997,759	2,296,010	2,554,970	2,800,101	3,083,437	4,339,995	3,930,906	5,963,068
Total business-type activities change in net position	**330,111**	**1,074,708**	**1,382,297**	**1,867,110**	**2,658,490**	**3,118,123**	**2,710,600**	**3,524,672**	**681,381**	**(9,719,437)**
Total primary government change in net position	**$ (3,215,014)**	**$ (6,733,926)**	**$ 9,893,335**	**$ 9,693,669**	**$ 15,793,535**	**$ 10,626,968**	**$ 9,091,749**	**$ 14,534,268**	**$ 15,080,633**	**$ (337,779)**

(concluded)

Schedule of Fund Balances – Governmental Funds

For the Past Ten Fiscal Years

(modified accrual basis of accounting, amounts in thousands)

	2011 [1]	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Reserved	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Unreserved	—	—	—	—	—	—	—	—	—	—
Nonspendable	148,019	7,614	140,107	128,609	53,431	75,939	103,903	559,644	1,180,575	2,129,227
Restricted	156,496	80,849	178,643	394,246	2,266,635	4,044,911	7,429,825	9,807,729	14,834,597	16,709,782
Committed	29,850	19,600	22,879	125,120	102,793	68,102	180,755	171,020	1,787,142	2,965,662
Assigned	—	—	—	—	—	—	—	—	—	3,080,372
Unassigned	(20,273,606)	(23,069,351)	(14,596,085)	(8,092,571)	(4,651,491)	(3,827,224)	(1,904,097)	1,648,511	765,568	3,616,557
Total General Fund	**$ (19,939,241)**	**$ (22,961,288)**	**$ (14,254,456)**	**$ (7,444,596)**	**$ (2,228,632)**	**$ 361,728**	**$ 5,810,386**	**$ 12,186,904**	**$ 18,567,882**	**$ 28,501,600**
All other governmental funds										
Reserved	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Unreserved, reported in:										
Special revenue funds	—	—	—	—	—	—	—	—	—	—
Capital projects funds	—	—	—	—	—	—	—	—	—	—
Nonspendable	39,448	—	15,022	27,260	5,620	11,188	20,172	69,868	12,760	13,702
Restricted	27,709,325	24,790,661	24,137,270	24,269,093	24,224,167	24,885,166	26,233,389	25,051,548	26,329,109	29,796,900
Committed	2,701,702	2,109,089	2,318,035	2,914,747	4,090,563	5,652,478	5,847,879	7,897,362	9,994,978	10,066,141
Assigned	268,888	3	209,171	18,857	16,767	14,622	12,033	26,346	19,247	49,868
Unassigned	(21,847)	(103,177)	(176,066)	(20,145)	(6,456)	(1,037)	(15,152)	—	—	(2,474,960)
Total all other governmental funds	**$ 30,697,516**	**$ 26,796,576**	**$ 26,503,432**	**$ 27,209,812**	**$ 28,330,661**	**$ 30,562,417**	**$ 32,098,321**	**$ 33,045,124**	**$ 36,356,094**	**$ 37,451,651**

[1] In fiscal year 2011, the California State University Fund, which consisted of a $1.2 billion beginning fund balance, was reclassified from a governmental fund to an enterprise fund.

Schedule of Changes in Fund Balances - Governmental Funds

For the Past Ten Fiscal Years

(modified accrual basis of accounting, amounts in thousands)

	2011 [3]	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Personal income taxes	$ 51,691,153	$ 54,442,733	$ 67,424,576	$ 68,771,667	$ 78,245,616	$ 79,934,285	$ 85,737,905	$ 94,484,443	$ 96,801,076	$ 111,831,167
Sales and use taxes	33,488,805	31,205,183	33,869,961	36,409,311	38,389,972	39,136,040	38,741,715	39,777,069	41,085,626	40,709,462
Corporation taxes	9,433,416	8,609,935	7,261,910	9,242,454	10,780,647	9,214,173	11,125,198	12,597,928	14,038,348	13,722,735
Motor vehicle excise taxes [1]	—	5,263,435	5,219,605	5,777,167	5,393,994	5,028,589	4,878,953	6,680,858	7,632,365	7,876,545
Insurance taxes	2,311,881	2,408,473	2,295,579	3,359,043	3,926,319	4,203,885	2,719,489	2,754,056	2,734,068	3,161,634
Managed care organization enrollment tax [2]	—	—	—	—	—	—	2,282,313	2,397,531	2,562,919	1,031,357
Other taxes [1]	7,829,662	2,306,717	2,425,184	2,297,025	2,312,875	2,185,690	2,565,928	3,548,182	3,688,531	3,862,045
Intergovernmental	69,160,916	62,235,671	64,418,808	73,000,600	87,740,667	91,069,753	95,709,784	92,904,469	99,867,750	148,951,650
Licenses and permits	6,767,437	6,600,001	6,659,078	6,957,117	7,270,994	7,612,551	8,113,542	8,761,620	9,186,945	9,256,454
Charges for services	1,008,647	728,980	741,201	769,302	849,895	870,142	860,241	975,314	956,032	972,805
Fees and penalties	10,262,387	8,315,452	10,673,104	9,757,476	10,510,727	11,882,699	11,571,934	13,548,471	14,187,698	14,322,983
Investment and interest	212,116	175,898	135,928	137,754	119,690	232,285	318,502	607,418	1,321,143	1,328,956
Escheat	229,146	372,215	551,580	488,945	406,899	305,394	327,614	382,793	448,756	615,720
Other	2,941,484	2,542,505	3,227,347	2,903,335	3,975,144	4,049,789	2,934,157	5,318,739	5,594,587	4,595,386
Total revenues	**195,337,050**	**185,207,198**	**204,903,861**	**219,871,196**	**249,923,439**	**255,725,275**	**267,887,275**	**284,738,891**	**300,105,844**	**362,238,899**
Expenditures										
General government	12,997,651	13,484,305	15,748,069	14,778,214	16,202,395	16,715,892	17,250,720	18,978,389	19,263,146	27,393,107
Education	55,547,139	50,362,337	49,692,763	53,309,436	62,952,621	65,213,542	67,224,796	69,902,627	75,071,188	76,347,719
Health and human services	91,941,309	89,473,391	94,621,630	104,781,494	122,259,036	127,201,314	134,372,094	138,018,275	144,543,589	191,819,998
Natural resources and environmental protection	5,254,757	5,358,575	5,318,332	5,508,860	6,006,446	6,278,363	6,712,838	7,987,878	9,069,777	9,244,813
Business, consumer services, and housing	1,183,536	1,219,499	1,259,392	621,037	670,774	1,130,213	1,103,694	1,189,365	2,013,409	2,457,248
Transportation	13,181,390	15,684,611	15,008,671	15,721,532	15,137,217	14,814,829	15,007,639	17,169,040	17,893,338	20,025,848
Corrections and rehabilitation	9,253,791	9,805,846	9,681,086	10,395,234	11,182,926	11,450,980	12,276,391	14,665,524	14,055,766	14,680,705
Capital outlay	1,128,011	1,296,413	1,222,342	1,909,010	1,019,335	1,492,442	1,238,700	612,769	287,487	401,066
Debt service:										
Bond and commercial paper retirement	3,118,906	4,435,992	5,189,150	7,002,941	8,482,380	6,929,866	9,364,550	8,598,856	10,444,825	10,276,581
Interest and fiscal charges	4,355,110	4,453,643	4,363,260	4,321,040	4,473,799	4,057,907	3,986,270	3,961,704	3,971,353	3,856,390
Total expenditures	**197,961,600**	**195,574,612**	**202,104,695**	**218,348,798**	**248,386,929**	**255,285,348**	**268,537,692**	**281,084,427**	**296,613,878**	**356,503,475**
Excess (deficiency) of revenues over (under) expenditures	(2,624,550)	(10,367,414)	2,799,166	1,522,398	1,536,510	439,927	(650,417)	3,654,464	3,491,966	5,735,424
Other financing sources (uses)										
General obligation bonds and commercial paper issued	4,525,000	4,165,515	4,038,095	5,082,305	4,343,165	4,074,980	4,325,075	5,283,365	3,626,765	5,085,590
Revenue bonds issued	—	—	—	—	—	—	—	—	—	500,000
Refunding/remarketing debt issued	—	4,300,555	4,634,365	2,077,330	5,086,100	5,220,320	7,074,225	6,681,855	5,683,865	4,384,895
Payment to refund/remarket long-term debt	—	(4,508,834)	(3,174,613)	(328,024)	(3,865,093)	(4,378,328)	(3,038,281)	(3,726,204)	(411,340)	—
Premium on bonds issued	32,607	667,931	964,211	505,026	1,116,811	1,037,920	1,309,254	1,036,320	1,003,337	1,217,615
Proceeds from loans	35,538	—	—	—	—	—	—	—	—	—
Capital leases	204,631	528,804	710,440	1,486,204	625,282	1,148,774	988,680	405,930	50,506	24,082
Transfers in	8,705,229	5,523,644	2,957,762	4,041,250	5,344,134	4,385,123	4,586,199	4,266,596	4,414,250	5,776,094
Transfers out	(11,902,800)	(7,499,131)	(4,898,754)	(6,304,047)	(7,934,754)	(7,130,142)	(7,551,627)	(8,555,594)	(8,298,095)	(11,731,486)
Total other financing sources	**1,600,205**	**3,178,484**	**5,231,506**	**6,560,044**	**4,715,645**	**4,358,647**	**7,693,525**	**5,392,268**	**6,069,288**	**5,256,790**
Total change in fund balance	**$ (1,024,345)**	**$ (7,188,930)**	**$ 8,030,672**	**$ 8,082,442**	**$ 6,252,155**	**$ 4,798,574**	**$ 7,043,108**	**$ 9,046,732**	**$ 9,561,254**	**$ 10,992,214**
Debt service as a percentage of noncapital expenditures	3.9 %	4.7 %	4.9 %	5.3 %	5.4 %	4.4 %	5.1 %	4.6 %	5.0 %	4.0 %

[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 2011, the California State University Fund was reclassified from a governmental fund to an enterprise fund.

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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)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Personal Income by Industry										
(items restated as footnoted) [1]										
Farm earnings	$ 13,158,193	$ 15,198,140	$ 17,356,593	$ 20,049,107	$ 22,100,446	$ 21,155,703	$ 18,493,470	$ 20,098,245	$ 18,154,900	$ 22,674,112
Forestry, fishing, and other natural resources	6,400,497	6,693,485	7,504,590	7,928,931	8,378,306	9,301,786	9,976,464	10,260,965	10,793,603	11,407,399
Mining	4,620,076	5,251,493	6,041,129	6,522,865	6,770,753	5,047,379	3,790,842	3,238,577	3,750,366	3,745,836
Construction and utilities	64,196,131	62,972,017	67,862,415	75,578,567	81,241,524	89,577,593	94,802,155	104,068,836	113,018,801	120,039,574
Manufacturing	115,565,437	119,852,946	124,666,659	126,302,825	133,278,056	139,589,740	145,582,547	153,803,556	159,111,088	163,087,069
Wholesale trade	52,651,124	56,488,847	59,067,338	61,598,279	65,993,637	70,438,231	70,410,649	73,935,295	71,944,629	73,053,356
Retail trade	69,564,024	72,732,632	77,323,055	79,202,104	82,432,879	86,320,236	86,226,639	88,819,947	91,513,139	94,414,798
Transportation and warehousing	33,579,755	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	130,737,220	135,321,324	144,204,507	157,149,112	160,266,822	174,885,957	191,701,160	207,515,651	219,064,254	230,274,319
Real estate and rental and leasing	36,963,992	47,395,981	55,245,202	52,971,172	50,460,373	52,970,654	55,443,901	56,934,715	62,390,320	66,068,370
Services	439,206,312	467,337,237	506,565,209	515,553,620	553,482,528	590,416,474	613,415,996	644,014,468	684,071,202	724,612,024
Federal, civilian	25,736,809	26,083,443	26,157,961	25,771,225	26,450,856	27,477,720	28,300,545	29,207,559	30,476,460	31,168,087
Military	16,264,215	16,062,725	15,933,633	15,353,761	15,071,057	14,953,968	15,437,149	15,152,333	15,997,463	16,701,233
State and local government	177,461,935	181,063,132	179,834,589	190,303,808	200,322,926	212,523,491	223,715,226	231,365,421	238,629,558	248,631,532
Other [2]	442,351,917	489,110,047	526,684,790	512,241,484	571,983,266	631,621,808	666,245,831	690,141,289	734,757,073	755,440,213
Total personal income	**$ 1,628,457,637**	**$ 1,737,940,004**	**$ 1,852,397,490**	**$ 1,886,376,599**	**$ 2,021,035,590**	**$ 2,172,930,238**	**$ 2,273,557,468**	**$ 2,383,130,513**	**$ 2,514,503,372**	**$ 2,632,279,775**
Average effective rate [3]	4.7 %	5.3 %	5.0 %	6.1 %	5.6 %	6.1 %	6.0 %	5.9 %	6.1 %	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)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Taxable Sales by Industry										
Retail and Food Services:										
Motor vehicle and parts dealers	$ 47,355,568	$ 53,303,501	$ 61,547,848	$ 67,986,436	$ 73,232,242	$ 80,346,595	$ 84,225,652	$ 86,983,280	$ 89,696,669	$ 88,526,877
Furniture and home furnishings stores	8,742,984	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
Electronics and appliance stores	13,749,019	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
Building materials, garden equipment, and supplies	24,750,865	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
Food and beverage	22,787,407	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
Health and personal care stores	9,525,910	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
Gasoline stations	45,226,491	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
Clothing and clothing accessories stores	27,267,430	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
Sporting goods, hobby, book, and music stores	10,365,480	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
General merchandise stores	46,323,804	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
Miscellaneous store retailers	16,569,690	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
Nonstore retailers	2,830,615	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
Food services and drinking places	51,282,453	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
All other outlets	150,570,269	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
Total taxable sales	**$ 477,347,985**	**$ 520,568,055**	**$ 558,387,249**	**$ 586,839,617**	**$ 615,821,875**	**$ 638,631,954**	**$ 653,856,259**	**$ 677,823,493**	**$ 706,835,200**	**$ 732,756,902**
Direct sales tax rate [1]	7.25 %	6.25 % [2]	6.25 %	6.50 % [3]	6.50 %	6.50 %	6.50 %	6.00 % [4]	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.

Schedule of Revenue Payers by Income Level/Industry

For Calendar Years 2010 and 2018

Personal Income Tax Filers and Liability by Income Level [1]

	2010			
	Number of Filers	Percent of Total	Tax Liability [2]	Percent of Total
Under $ 50,000	9,505,508	64.2 %	$ 1,776,066	4.0 %
50,000 to 99,999	3,066,034	20.7	6,154,040	13.8
100,000 to 149,999	1,155,151	7.8	5,863,548	13.2
150,000 to 199,999	478,533	3.2	4,318,777	9.7
200,000 to 299,999	331,659	2.2	4,901,242	11.0
300,000 to 399,999	109,959	0.7	2,608,931	5.9
400,000 to 499,999	51,790	0.4	1,723,981	3.9
500,000 to 599,999	28,870	0.2	1,214,395	2.7
600,000 to 699,999	17,537	0.1	904,305	2.0
700,000 to 799,999	12,548	0.1	746,736	1.7
800,000 to 899,999	8,879	0.1	608,471	1.4
900,000 to 999,999	6,567	0.1	505,903	1.1
1,000,000 to 1,999,999	25,630	0.2	2,971,192	6.7
2,000,000 to 2,999,999	6,510	0.0	1,412,465	3.2
3,000,000 to 3,999,999	2,959	0.0	934,026	2.1
4,000,000 to 4,999,999	1,612	0.0	659,569	1.5
$ 5,000,000 and over	4,679	0.0	7,168,800	16.1
Total	**14,814,425**	**100.0 %**	**$ 44,472,447**	**100.0 %**

	2018			
	Number of Filers	Percent of Total	Tax Liability [2]	Percent of Total
Under $ 50,000	9,560,133	55.9 %	$ 1,519,194	1.7 %
50,000 to 99,999	3,812,068	22.3	6,385,678	7.3
100,000 to 149,999	1,608,631	9.4	7,561,614	8.7
150,000 to 199,999	806,451	4.7	6,881,119	7.9
200,000 to 299,999	656,147	3.9	9,405,259	10.8
300,000 to 399,999	257,161	1.5	5,985,102	6.9
400,000 to 499,999	124,868	0.7	4,082,585	4.7
500,000 to 599,999	72,363	0.4	3,071,887	3.5
600,000 to 699,999	45,189	0.3	2,360,631	2.7
700,000 to 799,999	30,881	0.2	1,932,662	2.2
800,000 to 899,999	21,465	0.1	1,580,227	1.8
900,000 to 999,999	16,018	0.1	1,353,320	1.6
1,000,000 to 1,999,999	56,832	0.3	7,526,933	8.6
2,000,000 to 2,999,999	14,145	0.1	3,717,140	4.3
3,000,000 to 3,999,999	6,047	0.0	2,351,381	2.7
4,000,000 to 4,999,999	3,398	0.0	1,761,609	2.0
$ 5,000,000 and over	9,956	0.1	19,691,999	22.6
Total	**17,101,753**	**100.0 %**	**$ 87,168,340**	**100.0 %**

Source: California Franchise Tax Board

[1] For California resident tax returns. Calendar year 2018 is the most recent year for which data is available.

[2] Amounts are in thousands.

For Calendar Years 2010 and 2019

Sales Tax Permits and Tax Liability by Industry

	2010			
	Number of Permits	Percent of Total	Tax Liability [1]	Percent of Total
Retail and Food Services:				
Motor vehicle and parts dealers	32,727	3.4 %	$ 3,433,279	9.9 %
Furniture and home furnishings stores	18,252	1.9	633,866	1.8
Electronics and appliance stores	21,984	2.3	996,804	2.9
Building materials, garden equipment, and supplies	17,035	1.7	1,794,438	5.2
Food and beverage	29,900	3.1	1,652,087	4.8
Health and personal care stores	21,188	2.2	690,628	2.0
Gasoline stations	10,096	1.0	3,278,921	9.5
Clothing and clothing accessories stores	65,734	6.7	1,976,889	5.7
Sporting goods, hobby, book, and music stores	27,724	2.8	751,497	2.2
General merchandise stores	15,684	1.6	3,358,476	9.7
Miscellaneous store retailers	118,369	12.1	1,201,302	3.5
Nonstore retailers	178,056	18.2	205,220	0.6
Food services and drinking places	92,370	9.4	3,717,978	10.7
All other outlets	328,928	33.6	10,916,345	31.5
Total	**978,047**	**100.0 %**	**$ 34,607,730**	**100.0 %**

	2019			
	Number of Permits	Percent of Total	Tax Liability [1]	Percent of Total
Retail and Food Services:				
Motor vehicle and parts dealers	37,712	2.9 %	$ 5,311,613	12.1 %
Furniture and home furnishings stores	21,030	1.6	805,622	1.8
Electronics and appliance stores	25,024	1.9	1,019,947	2.3
Building materials, garden equipment, and supplies	17,921	1.4	2,418,837	5.5
Food and beverage	37,401	2.9	1,812,986	4.1
Health and personal care stores	50,015	3.9	909,653	2.1
Gasoline stations	10,185	0.8	3,248,471	7.4
Clothing and clothing accessories stores	120,317	9.3	2,587,851	5.9
Sporting goods, hobby, book, and music stores	35,391	2.7	624,456	1.4
General merchandise stores	27,956	2.2	3,483,960	7.9
Miscellaneous store retailers	180,060	13.9	1,257,172	2.9
Nonstore retailers	73,406	5.7	1,216,591	2.8
Food services and drinking places	118,410	9.0	5,364,238	12.2
All other outlets	541,721	41.8	13,904,018	31.6
Total	**1,296,549**	**100.0 %**	**$ 43,965,415**	**100.0 %**

Source: California Department of Tax and Fee Administration (CDTFA)

[1] Calculated by multiplying the taxable sales by industry shown on pages 306 and 307 by the direct sales tax rate. Amounts are in thousands.

Schedule of Personal Income Tax Rates

For Calendar Years 2010-2019

Married Filing Jointly and Surviving Spouse

Tax Rate [1]	2010 Income Level	2011 Income Level	2012 Income Level	2013 Income Level	2014 Income Level	2015 Income Level	2016 Income Level	2017 Income Level	2018 Income Level	2019 Income Level
1.0	Up to $14,248	Up to $14,632	Up to $14,910	Up to $15,164	Up to $15,498	Up to $15,700	Up to $16,030	Up to $16,446	Up to $17,088	Up to $17,618
2.0	14,249 – 33,780	14,633 – 34,692	14,911 – 35,352	15,165 – 35,952	15,499 – 36,742	15,701 – 37,220	16,031 – 38,002	16,447 – 38,990	17,089 – 40,510	17,619 – 41,766
4.0	33,781 – 53,314	34,693 – 54,754	35,353 – 55,794	35,953 – 56,742	36,743 – 57,990	37,221 – 58,744	38,003 – 59,978	38,991 – 61,538	40,511 – 63,938	41,767 – 65,920
6.0	53,315 – 74,010	54,755 – 76,008	55,795 – 77,452	56,743 – 78,768	57,991 – 80,500	58,745 – 81,546	59,979 – 83,258	61,539 – 85,422	63,939 – 88,754	65,921 – 91,506
8.0	74,011 – 93,532	76,009 – 96,058	77,453 – 97,884	78,769 – 99,548	80,501 – 101,738	81,547 – 103,060	83,259 – 105,224	85,423 – 107,960	88,755 – 112,170	91,507 – 115,648
9.3	93,533 –1,000,000	96,059 – 1,000,000	97,885 – 500,000	99,549 – 508,500	101,739 – 519,688	103,061 – 526,444	105,225 – 537,500	107,961 – 551,476	112,171 – 572,984	115,649 – 590,746
10.3	$1,000,001 and over	$1,000,001 and over	500,001 – 600,000	508,501 – 610,200	519,689 – 623,624	526,445 – 631,732	537,501 – 644,998	551,477 – 661,768	572,985 – 687,576	590,747 – 708,890
11.3	—	—	600,001 – 1,000,000	610,201 – 1,000,000	623,625 – 1,000,000	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
12.3	—	—	$1,000,001 and over	1,000,001 – 1,017,000	1,000,001 – 1,039,374	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
13.3	—	—	—	$1,017,001 and over	$1,039,375 and over	$1,052,887 and over	$1,074,997 and over	$1,102,946 and over	$1,145,961 and over	$1,181,485 and over

Single and Married Filing Separately

Tax Rate [1]	2010 Income Level	2011 Income Level	2012 Income Level	2013 Income Level	2014 Income Level	2015 Income Level	2016 Income Level	2017 Income Level	2018 Income Level	2019 Income Level
1.0	Up to $7,124	Up to $7,316	Up to $7,455	Up to $7,582	Up to $7,749	Up to $7,850	Up to $8,015	Up to $8,223	Up to $8,544	Up to $8,809
2.0	7,125 – 16,890	7,317 – 17,346	7,456 – 17,676	7,583 – 17,976	7,750 – 18,371	7,851 – 18,610	8,016 – 19,001	8,224 – 19,495	8,545 – 20,255	8,810 – 20,883
4.0	16,891 – 26,657	17,347 – 27,377	17,677 – 27,897	17,977 – 28,371	18,372 – 28,995	18,611 – 29,372	19,002 – 29,989	19,496 – 30,769	20,256 – 31,969	20,884 – 32,960
6.0	26,658 – 37,005	27,378 – 38,004	27,898 – 38,726	28,372 – 39,384	28,996 – 40,250	29,373 – 40,773	29.990 – 41,629	30,770 – 42,711	31,970 – 44,377	32,961 – 45,753
8.0	37,006 – 46,766	38,005 – 48,029	38,727 – 48,942	39,385 – 49,774	40,251 – 50,869	40,774 – 51,530	41,630 – 52,612	42,712 – 53,980	44,378 – 56,085	45,754 – 57,824
9.3	46,767 – 1,000,000	48,030 –1,000,000	48,943 – 250,000	49,775 – 254,250	50,870 – 259,844	51,531 – 263,222	52,613 – 268,750	53,981 – 275,738	56,086 – 286,492	57,825 – 295,373
10.3	$1,000,001 and over	$1,000,001 and over	250,001 – 300,000	254,251 – 305,100	259,845 – 311,812	263,223 – 315,866	268,751 – 322,499	275,739 – 330,884	286,493 – 343,788	295,374 – 354,445
11.3	—	—	300,001 – 500,000	305,101 – 508,500	311,813 – 519,687	315,867 – 526,443	322,500 – 537,498	330,885 – 551,473	343,789 – 572,980	354,446 – 590,742
12.3	—	—	500,001 – 1,000,000	508,501 – 1,000,000	519,688 – 1,000,000	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
13.3	—	—	$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	$1,000,001 and over	$1,000,001 and over

Head of Household

Tax Rate [1]	2010 Income Level	2011 Income Level	2012 Income Level	2013 Income Level	2014 Income Level	2015 Income Level	2016 Income Level	2017 Income Level	2018 Income Level	2019 Income Level
1.0	Up to $14,257	Up to $14,642	Up to $14,920	Up to $15,174	Up to $15,508	Up to $15,710	Up to $16,040	Up to $16,457	Up to $16,457	Up to $17,629
2.0	14,258 – 33,780	14,643 – 34,692	14,921 – 35,351	15,175 – 35,952	15,509 – 36,743	15,711 – 37,221	16,041 – 38,003	16,458 – 38,991	16,458 – 38,991	17,630 – 41,768
4.0	33,781 – 43,545	34,693 – 44,721	35,352 – 45,571	35,953 – 46,346	36,744 – 47,366	37,222 – 47,982	38,004 – 48,990	38,992 – 50,264	38,992 – 50,264	41,769 – 53,843
6.0	43,546 – 53,893	44,722 – 55,348	45,572 – 56,400	46,347 – 57,359	47,367 – 58,621	47,983 – 59,383	48,991 – 60,630	50,265 – 62,206	50,265 – 62,206	53,844 – 66,636
8.0	53,894 – 63,657	55,349 – 65,376	56,401 – 66,618	57,360 – 67,751	58,622 – 69,242	59,384 – 70,142	60,631 – 71,615	62,207 – 73,477	62,207 – 73,477	66,637 – 78,710
9.3	63,658 – 1,000,000	65,377 – 1,000,000	66,619 – 340,000	67,752 – 345,780	69,243 – 353,387	70,143 – 357,981	71,616 – 365,499	73,478 – 375,002	73,478 – 375,002	78,711 – 401,705
10.3	$1,000,001 and over	$1,000,001 and over	340,001 – 408,000	345,781 – 414,936	353,388 – 424,065	357,982 – 429,578	365,500 – 438,599	375,003 – 450,003	375,003 – 450,003	401,706 – 482,047
11.3	—	—	408,001 – 680,000	414,937 – 691,560	424,066 – 706,774	429,579 – 715,962	438,600 – 730,997	450,004 – 750,003	450,004 – 750,003	482,048 – 803,410
12.3	—	—	680,001 – 1,000,000	691,561 – 1,000,000	706,775 – 1,000,000	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
13.3	—	—	$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	$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)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Personal income tax revenue [1]	$ 43,884,798	$ 51,691,153	$ 54,442,733	$ 66,220,132	$ 67,584,256	$ 76,879,115	$ 78,510,777	$ 84,253,851	$ 92,808,996	$ 95,026,913
Adjusted gross income [2]	$ 939,888,500	$ 980,167,100	$ 1,087,823,400	$ 1,091,080,300	$ 1,216,002,700	$ 1,265,341,200	$ 1,318,362,700	$ 1,430,332,000	$ 1,531,670,000	$ 1,596,322,000
Average effective rate [3]	4.7 %	5.3 %	5.0 %	6.1 %	5.6 %	6.1 %	6.0 %	5.9 %	6.1 %	6.0 %

[1] Personal income tax revenue is reported on a fiscal year basis.
[2] Source: California Franchise Tax Board. Fiscal year 2019 information reflects returns processed as of December 2020.
[3] The average effective rate equals personal income tax revenue divided by adjusted gross income.

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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.

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)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities										
General obligation bonds [1]	$ 79,469,085	$ 81,060,111	$ 82,346,211	$ 83,276,347	$ 80,509,802	$ 79,043,295	$ 79,503,871	$ 79,663,028	$ 78,772,850	$ 78,883,746
Revenue bonds [2]	7,511,092	7,421,198	7,735,053	18,917,443	18,409,971	17,210,499	16,879,900	16,364,255	15,711,660	15,905,264
Certificates of participation and commercial paper [3]	1,335,340	46,098	538,593	598,094	493,770	771,215	1,158,080	859,695	1,032,760	1,108,720
Capital lease obligations [4]	4,882,233	5,176,341	5,319,487	260,088	274,760	370,182	416,468	481,261	434,876	393,089
Total governmental activities	**93,197,750**	**93,703,748**	**95,939,344**	**103,051,972**	**99,688,303**	**97,395,191**	**97,958,319**	**97,368,239**	**95,952,146**	**96,290,819**
Business-type activities										
General obligation bonds [1]	1,218,639	1,118,634	887,053	674,394	650,133	794,369	703,754	694,100	850,762	788,052
Revenue bonds [2]	23,290,315	24,790,918	25,558,129	12,991,827	12,670,619	13,928,374	14,955,858	14,319,372	14,521,460	14,277,362
Commercial paper	139,974	67,325	77,560	204,647	237,186	47,416	147,765	749,877	799,643	1,049,226
Capital lease obligations	791,489	817,687	909,871	1,250,274	1,210,409	389,385	353,453	309,928	315,322	357,072
Total business-type activities	**25,440,417**	**26,794,564**	**27,432,613**	**15,121,142**	**14,768,347**	**15,159,544**	**16,160,830**	**16,073,277**	**16,487,187**	**16,471,712**
Total primary government	**$ 118,638,167**	**$ 120,498,312**	**$ 123,371,957**	**$ 118,173,114**	**$ 114,456,650**	**$ 112,554,735**	**$ 114,119,149**	**$ 113,441,516**	**$ 112,439,333**	**$ 112,762,531**
Debt as a percentage of personal income [5]	7.3%	6.9%	6.7%	6.3%	5.7%	5.2%	5.0%	4.8%	4.5%	4.3%
Amount of debt per capita [6]	$ 3,179	$ 3,202	$ 3,251	$ 3,089	$ 2,965	$ 2,892	$ 2,914	$ 2,882	$ 2,849	$ 2,859

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 322 and 323 for the prior calendar year.

[6] Amount calculated using population data shown on pages 342 and 343 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)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net general bonded debt										
General obligation bonds [1]	$ 73,516,674	$ 75,791,795	$ 78,001,049	$ 79,368,794	$ 80,215,650	$ 79,837,664	$ 79,503,871	$ 80,357,128	$ 79,623,612	$ 79,671,798
Economic Recovery bonds	7,171,050	6,386,950	5,232,215	4,581,745	944,285	—	—	—	—	—
Less: restricted debt service fund	143,777	330,297	278,425	318,171	818,321	—	—	—	—	—
Net Economic Recovery bonds [2]	**7,027,273**	**6,056,653**	**4,953,790**	**4,263,574**	**125,964**	—	—	—	—	—
Net general bonded debt	**$ 80,543,947**	**$ 81,848,448**	**$ 82,954,839**	**$ 83,632,368**	**$ 80,341,614**	**$ 79,837,664**	**$ 79,503,871**	**$ 80,357,128**	**$ 79,623,612**	**$ 79,671,798**
Net general bonded debt as a percentage of personal income [3]	4.9%	4.7%	4.5%	4.4%	4.0%	3.7%	3.5%	3.4%	3.2%	3.0%
Amount of net general bonded debt per capita [4]	$ 2,158	$ 2,175	$ 2,186	$ 2,186	$ 2,082	$ 2,051	$ 2,030	$ 2,042	$ 2,018	$ 2,020

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 322 and 323 for the prior calendar year.

[4] Amount calculated using population data shown on pages 342 and 343 for the prior calendar year.

Schedule of General Obligation Bonds Outstanding

June 30, 2020
(amounts in thousands)

Governmental activity		
California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection	$	1,813,505
California Drought, Water, Parks, Climate, Coastal Protection, and Out Door Access For All		25,035
California Library Construction and Renovation		208,495
California Park and Recreational Facilities		5,905
California Parklands		1,100
California Safe Drinking Water		30,325
California Stem Cell Research and Cures		960,520
California Wildlife, Coastal, and Park Land Conservation		58,770
Children's Hospital		1,299,910
Class-Size Reduction Public Education Facilities		4,156,935
Clean Air and Transportation Improvement		430,985
Clean Water		3,995
Clean Water and Water Conservation		2,335
Clean Water and Water Reclamation		10,385
Community Parklands		1,095
County Correctional Facility Capital Expenditure		5,815
County Correctional Facility Capital Expenditure and Youth Facility		26,245
Disaster Preparedness and Flood Prevention		2,791,155
Earthquake Safety and Public Buildings Rehabilitation		19,050
Fish and Wildlife Habitat Enhancement		3,375
Higher Education Facilities		174,380
Highway Safety, Traffic Reduction, Air Quality, and Port Security		15,514,345
Housing and Emergency Shelter		1,046,425
Housing and Homeless		740
Kindergarten-University Public Education Facilities		28,243,550
New Prison Construction		4,875
Passenger Rail and Clean Air		2,960
Public Education Facilities		920,605
Safe, Clean, Reliable Water Supply		392,545
Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection		1,105,205
Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection		3,228,805
Safe Neighborhood Parks		1,120,125
Safe, Reliable High-Speed Passenger Train		3,230,780
School Building and Earthquake		7,980
School Facilities		469,570
Seismic Retrofit		818,115
State, Urban, and Coastal Park		2,035
Veterans and Affordable Housing		99,830
Veterans Homes		31,290
Veterans Housing and Homeless Prevention		49,180
Voting Modernization		2,155
Water Conservation		10,320
Water Conservation and Water Quality		13,740
Water Quality, Supply, and Infrastructure		1,272,500
Water Security, Clean Drinking Water, Coastal and Beach Protection		2,351,045
Total governmental activity		**71,968,035**
Business-type activity		
California Water Resources Development		10,685
Veterans Farm and Home Building		768,235
Total business-type activity		**778,920**
Total outstanding general obligation bonds		**72,746,955**
Unamortized bond premiums/discounts		6,924,843
Total general obligation bonds payable	**$**	**79,671,798**

Source: California State Treasurer's Office

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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	2011	$ 89,224	$ 15,802	$ 73,422	$ 130,770	$ 32,619	$ 163,389	0.45
	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 [4]	53,428	21,916	31,512	381,175	21,525	402,700	0.08
	2017 [4]	52,117	30,926	21,191	131,010	11,368	142,378	0.15
	2018 [4]	52,480	25,943	26,537	14,000	10,380	24,380	1.09
	2019 [4]	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
Water Resources	2011	$ 1,096,196	$ 880,540	$ 215,656	$ 108,870	$ 117,668	$ 226,538	0.95
	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
Water Pollution Control	2011	$ 49,585	$ 4,876	$ 44,709	$ 24,390	$ 5,996	$ 30,386	1.47
	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

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. Prior to fiscal year 2012, bond issuance costs were amortized over the term of the bond. Beginning fiscal year 2012, bond issuance costs are operating expenses in the fiscal year incurred.

[3] Debt service requirements include principal and interest of revenue bonds.

[4] Some prior years were updated based on more current information.

[5] All revenue bonds have been redeemed.

[6] In fiscal year 2011, the California State University Fund was reclassified from a governmental fund to an enterprise fund.

[7] 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	2011	$ 2,317,000	$ 1,427,000	$ 890,000	$ 460,000	$ 344,000	$ 804,000	1.11
	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
Public Buildings Construction	2011	$ 423,775	$ 507	$ 423,268	$ 394,490	$ 383,185	$ 777,675	0.54
	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
High Technology Education [5]	2011	$ 10,498	$ 681	$ 9,817	$ 19,995	$ 8,878	$ 28,873	0.34
	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 [6]	2011	$ 3,722,414	$ 5,455,059	$ (1,732,645)	$ 56,344	$ 172,231	$ 228,575	(7.58)
	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)

(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	2011	$ 63,168	$ —	$ 63,168	$ 51,957	$ 20,071	$ 72,028	0.88
	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
Golden State Tobacco Securitization Corporation	2011	$ 361,974	$ —	$ 361,974	$ 60,230	$ 315,268	$ 375,498	0.96
	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
Grant Anticipation Revenue Vehicles [7]	2011	$ 84,294	$ —	$ 84,294	$ 64,785	$ 19,509	$ 84,294	1.00
	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

For the Past Ten Calendar Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Population (in thousands) [1]										
California	37,320	37,636	37,945	38,254	38,587	38,904	39,149	39,338	39,437	39,438
% Change	1.0%	0.8%	0.8%	0.8%	0.9%	0.8%	0.6%	0.5%	0.3%	0.0%
United States	309,327	311,583	313,878	316,060	318,386	320,739	323,072	325,122	326,838	328,330
% Change	0.8%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.6%	0.5%	0.5%
Total personal income (in millions) [1]										
California	$ 1,628,458	$ 1,737,940	$ 1,852,398	$ 1,886,377	$ 2,021,036	$ 2,172,930	$ 2,273,558	$ 2,383,131	$ 2,514,503	$ 2,632,280
% Change	4.8%	6.7%	6.6%	1.8%	7.1%	7.5%	4.6%	4.8%	5.5%	4.7%
United States	$ 12,541,995	$ 13,315,478	$ 13,998,383	$ 14,175,503	$ 14,982,715	$ 15,717,140	$ 16,151,881	$ 16,937,582	$ 17,839,255	$ 18,542,262
% Change	4.1%	6.2%	5.1%	1.3%	5.7%	4.9%	2.8%	4.9%	5.3%	3.9%
Per capita personal income [1, 2]										
California	$ 43,636	$ 46,177	$ 48,819	$ 49,312	$ 52,376	$ 55,853	$ 58,074	$ 60,581	$ 63,759	$ 66,745
% Change	3.8%	5.8%	5.7%	1.0%	6.2%	6.6%	4.0%	4.3%	5.2%	4.7%
United States	$ 40,546	$ 42,735	$ 44,598	$ 44,851	$ 47,058	$ 49,003	$ 49,995	$ 52,096	$ 54,581	$ 56,474
% Change	3.2%	5.4%	4.4%	0.6%	4.9%	4.1%	2.0%	4.2%	4.8%	3.5%
Labor force and employment (in thousands)										
California										
Civilian labor force	18,316	18,385	18,511	18,573	18,941	18,996	19,099	19,319	19,534	18,743
Employed	16,052	16,227	16,740	17,044	17,600	17,894	18,141	18,515	18,740	16,104
Unemployed	2,265	2,158	1,771	1,530	1,341	1,102	957	804	794	2,640
Unemployment rate	12.4%	11.7%	9.6%	8.2%	7.1%	5.8%	5.0%	4.2%	4.1%	14.1%
United States employment rate	9.6%	8.9%	8.1%	7.4%	6.2%	5.3%	4.9%	4.4%	3.9%	3.7%

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 2021.

[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 2010 and 2019

	2010		2019	
	Employees	Percent of Total State Employment	Employees	Percent of Total State Employment
Industry				
Services	6,200,600	42.1 %	8,141,500	45.4 %
Government				
Federal	268,400	1.8	248,200	1.4
Military	61,000	0.4	62,700	0.3
State and Local	2,180,000	14.8	2,349,200	13.1
Retail trade	1,516,500	10.3	1,657,800	9.3
Manufacturing	1,247,800	8.5	1,326,800	7.4
Information, finance, and insurance	941,000	6.4	1,100,900	6.1
Construction and utilities	617,800	4.2	941,700	5.3
Wholesale trade	629,200	4.3	691,800	3.9
Transportation and warehousing	409,000	2.8	647,700	3.6
Farming	382,900	2.6	422,700	2.4
Real estate	248,400	1.6	302,300	1.7
Natural resources and mining	24,600	0.2	22,500	0.1
Total	**14,727,200**	**100.0 %**	**17,915,800**	**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

Fiscal Year	General Government	Education	Health and Human Services	Natural Resources and Environmental Protection	State and Consumer Services	Business, Transportation, and Housing	Corrections and Rehabilitation	Total
2011	32,535	138,017	48,638	23,611	17,043	44,844	67,272	371,960
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

Fiscal Year	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
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

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.

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Schedule of Operating Indicators by Function

For the Past Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Government										
State Lottery										
Total revenue [1]	$ 3,439	$ 4,371	$ 4,446	$ 5,035	$ 5,525	$ 6,276	$ 6,233	$ 6,966	$ 7,388	$ 6,622
Allocation to Education Fund [1]	$ 1,103	$ 1,300	$ 1,262	$ 1,328	$ 1,364	$ 1,563	$ 1,499	$ 1,665	$ 1,825	$ 1,437
Judicial Council of California										
Supreme Court [2, 9]										
Cases filed	10,329	9,232	8,029	7,907	7,860	8,081	7,317	6,812	6,894	N/A
Cases disposed	10,196	9,720	8,492	7,774	7,549	7,951	6,992	6,759	7,098	N/A
Courts of Appeal [9]										
Notices of appeal filed [3]										
Civil	6,258	6,505	6,052	5,983	6,062	5,935	5,975	6,002	5,697	N/A
Criminal	6,877	6,387	6,004	6,373	7,113	6,714	5,593	5,221	5,577	N/A
Juvenile	2,106	2,830	2,713	2,857	3,036	3,025	3,029	3,068	3,332	N/A
Trial Courts [9]										
Total civil cases [4]										
Filings	1,572,623	1,458,898	1,358,481	1,264,983	1,145,892	1,148,205	1,198,076	1,235,568	1,251,700	N/A
Dispositions	1,591,033	1,436,658	1,327,078	1,216,185	1,118,443	1,031,105	1,115,470	985,039	1,079,372	N/A
Department of Food and Agriculture										
Milk production (million lbs.) [5, 9]	41,462	41,801	41,256	42,339	40,897	40,469	39,798	40,404	40,595	41,282
Farm land (thousand acres) [5]	25,600	25,600	25,300	25,200	24,900	24,800	24,500	24,300	24,300	24,300
Education										
Public Colleges and Universities										
Fall enrollment [9]										
Community Colleges	1,655,072	1,582,302	1,582,452	1,578,778	1,593,894	1,591,274	1,595,897	1,591,684	1,569,502	1,305,370
California State University	426,534	436,560	446,530	460,200	474,571	478,638	484,297	481,210	481,929	485,550
University of California	236,691	238,617	244,126	252,263	257,438	270,112	278,996	286,271	285,216	285,862
K-12 Schools										
Fall enrollment [9]										
Public	6,217,002	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
Private	515,143	497,019	516,119	511,286	503,295	500,543	490,966	488,854	495,525	483,200

(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; and Franchise Tax Board.

Note: This schedule presents data available as of June 2021.

[1] Dollars in millions.

[2] Includes death penalty cases, habeas 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 2020 is projected.

N/A = Not Available

Schedule of Operating Indicators by Function (continued)

For the Past Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Health and Human Services										
Department of Public Health										
Vital statistics										
Live births [5, 9, 10]	502,023	503,788	494,392	502,973	491,789	488,925	471,806	454,244	446,548	448,758
Department of Social Services										
Calfresh programs households (avg. per month)	1,576,042	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
Employment Development Department										
Number of employed [5, 6, 9]	14,614,600	15,240,400	16,109,200	16,062,300	16,474,800	16,904,100	17,240,200	17,594,500	17,853,100	16,547,900
Resources										
Department of Fish and Wildlife										
Sport fishing licenses sold [5, 9]	2,484,667	2,581,840	2,540,439	2,491,578	2,485,400	2,508,490	2,502,863	2,498,077	2,371,800	2,780,355
Hunting licenses sold [5, 9]	1,864,005	1,989,196	2,033,573	1,980,655	2,131,655	2,143,146	2,143,026	2,113,888	2,043,323	2,403,174
California Energy Commission										
Electrical energy generation										
plus net imports (gigawatt hours) [9]	293,775	302,180	296,259	296,150	295,930	290,792	292,083	285,675	277,933	272,576
Business, Consumer Services, and Housing										
Franchise Tax Board										
Personal Income Tax [5, 9]										
Number of tax returns filed	15,042,359	15,152,800	15,487,100	15,877,000	16,257,600	16,547,100	16,868,000	17,074,000	17,524	N/A
Taxable income [1]	$ 838,347	$ 948,523	$ 949,655	$ 1,064,347	$ 1,107,474	$ 1,154,906	$ 1,254,483	$ 1,352,592	$ 1,406,487	N/A
Total tax liability [1]	$ 43,921	$ 58,652	$ 55,679	$ 66,583	$ 68,498	$ 71,348	$ 79,927	$ 86,902	$ 89,690	N/A
Corporation Tax [5, 9]										
Number of tax returns filed	754,315	784,086	801,045	828,080	865,593	900,358	936,211	974,652	N/A	N/A
Income reported for taxation [1]	$ 93,456	$ 96,772	$ 101,913	$ 122,976	$ 140,534	$ 129,452	$ 127,290	$ 172,954,424	N/A	N/A
Total tax liability [1]	$ 7,808	$ 6,921	$ 7,166	$ 8,593	$ 9,235	$ 9,276	$ 8,822	$ 11,624,928	N/A	N/A
Transportation										
California Highway Patrol										
Total number of DUI arrests [5]	86,901	79,993	76,860	73,425	65,016	60,202	58,195	60,336	65,765	55,478
Department of Motor Vehicles										
Motor vehicle registration [5, 9]	31,802,483	31,946,422	32,903,847	33,550,486	34,346,325	35,310,563	35,391,347	35,707,821	35,805,757	N/A
License issued by age [5, 7, 9]										
Under age 18	227,069	224,809	221,385	223,024	221,250	225,569	219,572	213,402	215,084	N/A
Between 18-80	23,150,222	23,462,971	23,824,697	24,195,705	25,089,910	25,639,270	26,078,773	26,275,559	26,439,138	N/A
Over age 80	579,207	602,508	597,350	595,739	603,691	619,807	659,530	647,831	650,998	N/A
Department of Transportation										
Highway center-line miles – rural [5, 8, 9]	10,780	10,784	10,315	10,312	10,407	10,259	10,259	10,259	10,510	N/A
Highway center-line miles – urban [5, 8, 9]	4,353	4,363	4,789	4,787	4,685	4,833	4,833	4,833	4,547	N/A
Correctional Programs										
Department of Corrections and Rehabilitation										
Division of Adult Institutions										
Institution population at December 31 each year	147,181	132,768	134,333	134,431	127,815	129,415	130,263	127,709	124,027	95,432
Division of Juvenile Justice										
Institution population at June 30 each year	1,263	922	712	675	681	690	638	629	720	782

(concluded)

Schedule of Capital Asset Statistics by Function

For the Past Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Government										
Department of Food and Agriculture										
Vehicles and mobile equipment	809	804	792	747	747	752	677	823	633	780
Square footage of structures (in thousands)	466	466	455	455	455	455	462	384	384	384
Department of Justice										
Vehicles and mobile equipment	677	531	527	520	520	484	511	509	495	485
Department of Military										
Vehicles and mobile equipment	249	233	211	211	211	217	218	261	221	241
Square footage of structures (in thousands)	3,530	3,511	3,623	4,019	3,977	3,965	3,954	3,770	3,268	3,254
Department of Veterans Affairs										
Veterans homes	6	6	8	8	8	8	8	8	8	8
Vehicles and mobile equipment	132	143	267	285	285	235	280	292	247	276
Square footage of structures (in thousands)	2,086	2,086	2,488	2,543	2,541	2,541	2,552	2,552	2,536	2,541
Education										
California State University										
Vehicles and mobile equipment	4,415	4,326	4,467	4,555	4,619	4,945	4,838	5,216	5,246	5,397
Campuses	23	23	23	23	23	23	23	23	23	23
Square footage of structures (in thousands)	71,287	73,785	73,866	73,316	73,988	75,292	75,786	76,227	76,969	78,447
Health and Human Services										
Department of Developmental Services										
Vehicles and mobile equipment	818	789	632	424	571	640	559	616	600	490
Developmental centers	5	5	4	4	3	3	3	3	2	2
Square footage of structures (in thousands)	5,294	5,294	5,279	5,308	4,699	3,664	3,664	3,595	3,578	2,321
Department of State Hospitals [1]										
Vehicles and mobile equipment	709	718	699	886	752	678	674	728	820	969
State hospitals	5	5	7	7	7	8	5	5	5	5
Square footage of structures (in thousands)	6,331	6,336	6,457	6,460	6,445	6,445	5,944	5,944	6,425	6,433

(continued)

Source: California Department of General Services (DGS)

Note: This schedule presents data available as of June 2021.

[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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Resources										
Department of Fish and Wildlife										
Vehicles and mobile equipment	3,180	3,012	2,896	2,954	2,954	3,104	3,126	2,970	3,266	3,334
Square footage of structures (in thousands)	1,313	1,317	1,317	1,311	1,311	1,297	1,322	1,322	1,333	1,333
Department of Forestry and Fire Protection										
Vehicles and mobile equipment	2,804	2,810	2,845	2,748	2,748	3,151	3,073	3,115	3,144	3,090
Square footage of structures (in thousands)	3,943	3,935	3,641	3,632	3,664	3,666	3,677	3,640	3,626	3,654
Department of Parks and Recreation										
Vehicles and mobile equipment	3,715	4,200	3,311	3,489	3,489	3,538	3,542	3,804	3,571	3,794
State Parks	279	280	280	279	280	280	280	280	280	280
Acres of state park land (in thousands)	1,334	1,333	1,590	1,590	1,605	1,605	1,617	1,619	1,618	1,641
Square footage of structures (in thousands)	6,433	6,623	6,598	6,751	6,761	6,790	7,363	7,360	7,544	7,554
State Lands Commission										
Vehicles and mobile equipment	50	42	42	41	41	41	43	48	42	43
Acres of land (in thousands)	4,491	4,491	4,489	4,489	4,482	4,480	4,480	4,480	4,480	4,480
Business, Consumer Services, and Housing										
Department of Consumer Affairs										
Vehicles and mobile equipment	578	574	518	554	554	588	596	600	622	671
Department of General Services										
Vehicles and mobile equipment	5,670	4,991	5,226	5,053	5,053	4,697	4,476	4,465	4,552	4,664
Square footage of structures (in thousands)	18,602	19,180	19,098	19,367	19,448	19,311	19,487	19,565	19,490	20,267
Transportation										
California Highway Patrol										
Vehicles and mobile equipment	5,337	5,013	5,341	5,170	5,170	5,167	5,336	4,912	4,946	4,807
Square footage of structures (in thousands)	1,135	1,149	1,149	1,166	1,169	1,211	1,191	1,182	1,199	1,301
Department of Motor Vehicles										
Vehicles and mobile equipment	366	366	294	295	295	287	276	283	266	314
Square footage of structures (in thousands)	1,842	1,842	1,842	1,845	1,786	1,780	1,777	1,785	1,785	1,785
Department of Transportation										
Vehicles and mobile equipment	12,759	12,690	11,767	11,596	11,596	11,776	11,585	11,494	11,483	11,449
Square footage of structures (in thousands)	6,519	8,131	8,170	7,960	7,965	7,968	7,960	7,933	8,074	8,096
Correctional Programs										
Department of Corrections and Rehabilitation										
Vehicles and mobile equipment	5,985	5,952	5,156	5,137	5,968	5,291	8,079	7,571	7,139	7,312
Prisons and juvenile facilities	39	39	37	37	39	39	40	39	39	39
Square footage of structures (in thousands)	41,399	41,399	40,606	40,726	40,590	40,485	42,198	42,209	42,605	42,936

(concluded)

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California State Controller

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