

**ANNUAL REPORT
FISCAL YEAR ENDED JUNE 30, 2023**

The Treasurer of the State of California (the "State Treasurer"), on behalf of the Golden State Tobacco Securitization Corporation (the "Corporation"), hereby provides this Annual Report with respect to each issue of Bonds (defined below) as required pursuant to the Sale Agreement and Continuing Disclosure Certificates (defined below) for the Fiscal Year ended June 30, 2023.

Bond Issues

Name of Issue	Dated Date	Date of Continuing Disclosure Certificate
Golden State Tobacco Securitization Corporation Enhanced Tobacco Settlement Asset-Backed Bonds, Series 2021A (Federally Taxable) (the "2021A Bonds")	4/8/2021	4/8/2021
Golden State Tobacco Securitization Corporation Enhanced Tobacco Settlement Asset-Backed Bonds, Series 2021B (Federally Taxable) (the "2021B Bonds", and together with the 2021A Bonds, the "Bonds")	10/7/2021	10/7/2021

The base CUSIP number for the bonds listed above is 38122N - _ _ _ .

Note: The base CUSIP number provided is for the convenience of bondholders. The State Treasurer is not responsible for the accuracy or completeness of such numbers. Capitalized terms used in this Annual Report have the meanings set forth in the respective Continuing Disclosure Certificates or in the Official Statement for the respective series of Bonds.

Annual Report

In accordance with the Purchase and Sale Agreement dated as of September 1, 2003 (the "Original Sale Agreement"), as amended and supplemented by the First Supplemental Purchase and Sale Agreement, dated as of July 1, 2005 (the "First Supplemental Sale Agreement") and the Second Supplemental Purchase and Sale Agreement, dated as of April 1, 2015 (the "Second Supplemental Sale Agreement" and, collectively, the "Sale Agreement") for the Bonds, and Section 4(d) of the Continuing Disclosure Certificate for the 2021A Bonds and Section 4(c) of the Continuing Disclosure Certificate for the 2021B Bonds, the following represents the State of California's ("State") "annual report" relating to the general obligations of the State for the fiscal year ended June 30, 2023:

1. Notice to the Municipal Securities Rulemaking Board of Failure to File a Complete Annual Report due to Absence of Financial Statements, attached as Exhibit 1.
2. Certain financial information contained in "Appendix A – The State of California," dated as of March 19, 2024, attached as Exhibit 2. The Appendix A attached as

ANNUAL REPORT
FISCAL YEAR ENDED JUNE 30, 2023
PAGE 2 OF 2

Exhibit 2 is identical in all respects to the Appendix A included in the Preliminary Official Statement, dated March 19, 2024, with respect to the State of California General Obligation Bonds.

Other Matters

This Annual Report is provided solely for compliance with the provisions of the Sale Agreement and the Continuing Disclosure Certificates for the Bonds. The filing of this report does not constitute or imply any representation (i) that all of the information provided is material to investors, (ii) regarding any other financial, operating or other information about the State or the Bonds, or (iii) that no changes, circumstances or events have occurred since the end of the fiscal year to which this report relates (other than as referred to in this Annual Report), or that no other information exists, which may have a bearing on the State's financial condition, the security for the Bonds, or an investor's decision to buy, sell, or hold the Bonds. The information contained in this Annual Report has been obtained from sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness. No statement in this Annual Report should be construed as a prediction or representation about future financial performance of the State.

The information provided herein may relate to bonds or other obligations of the Corporation in addition to the ones listed above.

Dated: March 20, 2024

TREASURER OF THE STATE OF CALIFORNIA

Original signed by Julie Giordano
Deputy Treasurer
For California State Treasurer Fiona Ma

EXHIBIT 1

**NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD
OF
FAILURE TO PROVIDE A COMPLETE ANNUAL REPORT
DUE TO ABSENCE OF FINANCIAL STATEMENTS**

NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE A COMPLETE ANNUAL REPORT
DUE TO ABSENCE OF FINANCIAL STATEMENTS

Name of Issuer: GOLDEN STATE TOBACCO SECURITIZATION CORPORATION

Name of Bond Issues: The name of each bond issue is listed on the attached Exhibit 1 (collectively, the “Bonds”)

Date of Issuance: The dated date of each bond issue is listed on the attached Exhibit 1.

NOTICE IS HEREBY GIVEN that the Treasurer of the State of California (“State Treasurer”) on behalf of the Golden State Tobacco Securitization Corporation (“Corporation”) has not filed with the Municipal Securities Rulemaking Board (“MSRB”) a complete Annual Report with respect to each issue of Bonds as required by the Continuing Disclosure Certificates (“Disclosure Certificates”) identified on the attached Exhibit 1. The Corporation is required by such Disclosure Certificates to file an Annual Report no later than April 1 of each year and include in such Annual Report either (1) audited financial statements of the State of California (“State”) if available, or (2) if audited financial statements of the State are not available at the time the Annual Report is required to be filed, unaudited financial statements.

At the time of this filing, the State Controller’s Office (“SCO”) expects a significant delay in the issuance of the State’s Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2023 (the “2023 Annual Comprehensive Financial Report”) beyond March 31, 2024. When the 2023 Annual Comprehensive Financial Report is released, it will be available on the website of the SCO and filed by the State Treasurer on the Electronic Municipal Market Access website (“EMMA”) of the MSRB. At the time of this filing, unaudited financial statements for the fiscal year ended June 30, 2023, have not been prepared.

For information related to the delay in the issuance of the 2023 Annual Comprehensive Financial Report, please see the section titled “FINANCIAL STATEMENTS” in the Appendix A – The State of California, dated as of March 29, 2024, attached as Exhibit 2 to the Corporation’s Annual Report for Fiscal Year Ended June 30, 2023, dated March 19, 2024. This Annual Report was filed with the MSRB through EMMA concurrently with this notice.

Dated: March 20, 2024

TREASURER OF THE STATE OF CALIFORNIA

Original signed by Julie Giordano
Deputy Treasurer
For California State Treasurer Fiona Ma

Exhibit 1

Name of Issue	Dated Date	Date of Continuing Disclosure Certificate
Golden State Tobacco Securitization Corporation Enhanced Tobacco Settlement Asset-Backed Bonds, Series 2021A (Federally Taxable) (the “2021A Bonds”)	4/8/2021	4/8/2021
Golden State Tobacco Securitization Corporation Enhanced Tobacco Settlement Asset-Backed Bonds, Series 2021B (Federally Taxable) (the “2021B Bonds”, and together with the 2021A Bonds, the “Bonds”)	10/7/2021	10/7/2021

EXHIBIT 2

APPENDIX A – THE STATE OF CALIFORNIA

APPENDIX A

THE STATE OF CALIFORNIA



March 19, 2024

TABLE OF CONTENTS

	Page
INTRODUCTION TO APPENDIX A	A-1
PART I.....	A-2
OVERVIEW	A-2
Population and Economy of the State.....	A-2
Projected General Fund Shortfall.....	A-2
Certain Information Regarding the Financial Condition of the State’s General Fund, Budget Reserves and Risks to General Fund.....	A-2
Withdrawal from the PSSSA	A-3
General Fund Revenues, Expenditures, and Cash Management	A-3
State Indebtedness and Other Obligations	A-4
State Pension Systems and Retiree Health Care Costs	A-5
Financial Statements	A-6
Certain Defined Terms.....	A-6
RECENT DEVELOPMENTS	A-8
The 2024-25 Governor’s Budget	A-8
Recent Cash Receipts.....	A-8
San Diego County Tax Deadline Delay.....	A-8
GOVERNOR’S PROPOSED BUDGET FOR FISCAL YEAR 2024-25	A-8
Development of Revenue Estimates	A-12
Economic Assumptions Underlying the 2024-25 Governor’s Budget	A-17
Multi-Year Budget Projection.....	A-19
CURRENT STATE BUDGET	A-21
Fiscal Year 2023-24 Revised Estimates in the 2024-25 Governor’s Budget	A-21
Summary of General Fund Revenues, Expenditures, and Fund Balance	A-22
General Fund Revenue and Expenditure Assumptions	A-24
ECONOMIC AND BUDGET RISKS	A-26
DEBTS AND LIABILITIES UNDER PROPOSITION 2.....	A-32
LITIGATION.....	A-35
Introduction.....	A-35
Tax Cases	A-35
Medi-Cal Reimbursements	A-36
FINANCIAL STATEMENTS	A-36
PART II.....	A-39

TABLE OF CONTENTS

	Page
STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES	A-39
The Budget Process.....	A-39
The General Fund	A-40
Restrictions on Raising or Using General Fund Revenues.....	A-40
Sources of Tax Revenue	A-42
1. Personal Income Tax.....	A-46
2. Sales and Use Tax.....	A-48
3. Corporation Tax	A-49
4. Insurance Tax.....	A-50
5. Special Fund Revenues	A-50
6. Taxes on Tobacco Products	A-51
7. Taxes on Cannabis Products	A-52
State Expenditures	A-52
1. K-14 Education under Proposition 98.....	A-53
2. Higher Education	A-57
3. Health and Human Services.....	A-58
4. Public Safety	A-64
Five-Year Expenditure Summary	A-66
Budget Reserves.....	A-67
1. Special Fund for Economic Uncertainties (“SFEU”)	A-67
2. Budget Stabilization Account (“BSA”)	A-68
3. Safety Net Reserve Fund	A-69
4. Public School System Stabilization Account (“PSSSA”).....	A-69
STATE FINANCES—OTHER ELEMENTS	A-70
Pension Systems.....	A-70
Retiree Health Care Costs.....	A-70
1. Ongoing Efforts	A-74
State Appropriations Limit	A-75
Local Government Impacts on State Finances.....	A-76
1. Constitutional and Statutory Limitations	A-76
2. Property Tax Revenues	A-78
3. Dissolved Redevelopment Agency Funds	A-78

TABLE OF CONTENTS

	Page
4. Realigning Services to Local Governments.....	A-78
Unemployment Insurance	A-79
CASH MANAGEMENT	A-80
Traditional Cash Management Tools.....	A-80
1. General.....	A-80
2. Internal Borrowing.....	A-81
3. External Borrowing.....	A-81
Inter-Fund Borrowings.....	A-82
Cash Management Borrowings.....	A-83
Cash Management in Fiscal Years 2020-21 through 2024-25.....	A-83
Certain Cash Management Techniques	A-85
State Warrants.....	A-85
1. Registered Warrants.....	A-86
2. Reimbursement Warrants.....	A-86
3. Refunding Reimbursement Warrants.....	A-87
STATE INDEBTEDNESS AND OTHER OBLIGATIONS	A-87
General.....	A-87
Capital Facilities Financing	A-87
1. General Obligation Bonds.....	A-87
2. Variable Rate General Obligation Bonds	A-88
3. General Obligation Commercial Paper Program	A-89
4. Bank Arrangements	A-89
5. Lease Revenue Obligations.....	A-90
6. Non-Recourse Debt.....	A-90
7. Build America Bonds.....	A-91
Future Issuance Plans; General Fund Debt Ratio	A-92
Tobacco Settlement Revenue Bonds	A-93
Department of Health Care Access and Information Guarantees.....	A-93
INVESTMENT OF STATE FUNDS	A-94
OVERVIEW OF STATE GOVERNMENT.....	A-96
Organization of State Government	A-96
Employee Relations	A-97

TABLE OF CONTENTS

	Page
ECONOMY AND POPULATION.....	A-97
Labor Force, Employment, Income, Construction and Export Growth.....	A-99
BANK ARRANGEMENTS TABLE	A-103
STATE DEBT TABLES.....	A-105
EXHIBIT 1–PENSION SYSTEMS.....	EX-1
EXHIBIT 2–STATE CONTROLLER’S STATEMENT OF GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS JULY 1, 2022 THROUGH JUNE 30, 2023, AND JULY 1, 2023 THROUGH FEBRUARY 29, 2024 (UNAUDITED).....	EX-2

TABLE OF CONTENTS

Page

TABLES

TABLE 1 GENERAL FUND SUMMARY	A-11
TABLE 2 SELECTED UNITED STATES AND CALIFORNIA ECONOMIC DATA.....	A-18
TABLE 3 GENERAL FUND MULTI-YEAR PROJECTION	A-20
TABLE 4 GENERAL FUND BEGINNING BALANCE, REVENUES, EXPENDITURES, AND ENDING FUND BALANCE BY FISCAL YEAR – BUDGETARY-LEGAL BASIS	A-23
TABLE 5 GENERAL FUND REVENUES BY SOURCE, AND GENERAL FUND EXPENDITURES BY AGENCY.....	A-25
TABLE 6 DEBTS AND LIABILITIES UNDER PROPOSITION 2 2024-25 GOVERNOR’S BUDGET.....	A-34
TABLE 7 GENERAL FUND REVENUES AND TRANSFERS (INCLUDES PERCENTAGE OF TOTAL GENERAL FUND REVENUES AND TRANSFERS).....	A-45
TABLE 8 PERSONAL INCOME TAX GENERAL FUND REVENUES (INCLUDES PERCENTAGE OF TOTAL GENERAL FUND REVENUES AND TRANSFERS).....	A-47
TABLE 9 COMPARATIVE YIELD OF STATE TAXES – SPECIAL FUNDS (MODIFIED ACCRUAL BASIS).....	A-51
TABLE 10 PROPOSITION 98 FUNDING.....	A-56
TABLE 11 HIGHER EDUCATION GENERAL FUND EXPENDITURES.....	A-58
TABLE 12 MEDI-CAL EXPENDITURES	A-60
TABLE 13 IHSS EXPENDITURES	A-62
TABLE 14 DEPARTMENT OF DEVELOPMENTAL SERVICES EXPENDITURES	A-63
TABLE 15 GOVERNMENTAL COST FUNDS (BUDGETARY BASIS) SCHEDULE OF EXPENDITURES BY FUNCTION AND CHARACTER FISCAL YEARS 2017-18 TO 2021-22.....	A-66
TABLE 16 OPEB FULL-FUNDING	A-73
TABLE 17 ACTUAL COSTS/BUDGET FOR OTHER POSTEMPLOYMENT BENEFITS.....	A-73
TABLE 18 STATE APPROPRIATIONS LIMIT	A-76
TABLE 19 INTERNAL BORROWABLE RESOURCES (CASH BASIS).....	A-83
TABLE 20 BALANCES OF GENERAL FUND CASH, INTERNAL LOANS AND INTERNAL BORROWABLE RESOURCES	A-84
TABLE 21 POPULATION.....	A-99
TABLE 22 LABOR FORCE	A-99

TABLE OF CONTENTS

Page

TABLES

TABLE 23 NONFARM PAYROLL EMPLOYMENT BY MAJOR SECTOR 2013 AND
2023..... A-100

TABLE 24 TOTAL PERSONAL INCOME IN CALIFORNIA..... A-101

TABLE 25 PERSONAL INCOME PER CAPITA A-101

TABLE 26 UNITS AND VALUATION OF NEW HOUSING AUTHORIZED BY
BUILDING PERMITS A-102

TABLE 27 CALIFORNIA’S EXPORTS OF GOODS A-102

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 2024-25 Governor’s Budget and the 2023 Budget Act, including background on the state’s economic and financial condition. As the state (including certain of its agencies) issues bonds from time to time, PART I of APPENDIX A (including EXHIBIT 2) is updated as needed to provide the most current material information.

PART II of APPENDIX A (including EXHIBIT 1—“PENSION SYSTEMS”) contains information on the structure of the state’s finances, including historical details on revenues and transfers, expenditures, reserves, cash management, and outstanding indebtedness, among other information. The information in PART II is generally updated twice per year: following release of the Governor’s budget proposal in January (released by January 10 of each year for the following fiscal year), and again following enactment of the annual state budget act. The update following enactment of the annual state budget act includes revenue and economic forecasts presented in the May Revision of the Governor’s January budget proposal (the “May Revision”) (released by May 14 of each year).

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

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

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

PART I OVERVIEW

Population and Economy of the State

California is by far the most populous state in the nation, with an estimated 39.1 million residents as of July 2023. Its population is approximately 28 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 fiscal year 2022-23 (from 39.15 million to 39.1 million), the state’s population is projected to grow marginally over the long term, albeit more slowly than in the past, to reach 39.5 million residents by 2060. See “ECONOMY AND POPULATION.”

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

Demographic and economic statistical information and a discussion of economic assumptions are included in APPENDIX A under “GOVERNOR’S PROPOSED BUDGET FOR FISCAL YEAR 2024-25—Economic Assumptions Underlying the 2024-25 Governor’s Budget” and “ECONOMY AND POPULATION.”

Projected General Fund Shortfall

The 2024-25 Governor’s Budget projects an estimated General Fund shortfall of \$37.9 billion largely driven by the substantial decline in the stock market in 2022 that negatively impacted revenues in fiscal year 2022-23 and the unprecedented delay in critical income tax collections for tax year 2022. Most cash data relating to the prior tax year is normally available by April to inform the May Revision. In 2023, due to California’s conformity with federal tax filing and payment deadline delays for over 99% of California taxpayers deemed impacted by winter storms, a significant portion of the state’s revenues from personal income tax and corporation income tax attributable to tax year 2022 were not due until November 2023. While the May Revision for fiscal year 2023-24 and the 2023 Budget Act did project a significant decline in revenues in fiscal year 2022-23, the actual cash data through November 2023 showed that the decline in revenues was steeper than estimated by \$25.7 billion; revenues were 22 percent lower than projected at the 2023 Budget Act. The Legislature must enact a balanced budget annually and the 2024-25 Governor’s Budget proposes several budgetary actions to address this projected shortfall. See “RECENT DEVELOPMENTS—Recent Cash Receipts” and “GOVERNOR’S PROPOSED BUDGET FOR FISCAL YEAR 2024-25.”

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

The 2024-25 Governor’s Budget utilizes a portion of the state’s reserves to help balance the budget without more harmful spending cuts that otherwise would have been necessary. The state’s rainy day fund, the Budget Stabilization Account (“BSA”), reached its constitutional

maximum mandatory deposit limit in fiscal year 2022-23, and the 2024-25 Governor’s Budget proposes a withdrawal from the BSA in fiscal year 2024-25 of \$12 billion (approximately 50% of the amount available in the BSA) and the suspension of a transfer into the BSA of \$2.1 billion scheduled in such fiscal year. The 2024-25 Governor’s Budget also proposes a withdrawal of the full amount in the Safety Net Reserve Fund (\$900 million). After the proposed withdrawals, \$18.4 billion in total budgetary reserves are projected to remain in the 2024-25 Governor’s Budget comprised of:

- \$11.1 billion in the Budget Stabilization Account;
- \$3.9 billion in the Public School System Stabilization Account; and
- \$3.4 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 personal and corporation income tax volatility and/or an economic recession, 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”) and other post-employment benefits. See Table 6, “ECONOMIC AND BUDGET RISKS,” “STATE FINANCES—OTHER ELEMENTS—Retiree Health Care Costs” and EXHIBIT 1—“PENSION SYSTEMS.”

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.”

Withdrawal from the PSSSA

Proposition 2 created the Public School System Stabilization Account (“PSSSA”), a special fund that serves as a Proposition 98 reserve. The 2024-25 Governor’s Budget reflects discretionary withdrawals from the PSSSA of approximately \$3 billion in fiscal year 2023-24 and \$2.6 billion in fiscal year 2024-25 to avoid programmatic reductions to education funding.

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 “GOVERNOR’S PROPOSED BUDGET FOR FISCAL YEAR 2024-25,” “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 fees, 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.” For example, the Taxpayer Protection and Government Accountability Act, a constitutional amendment proposed by voter initiative, has qualified for the November 2024 statewide ballot and, if approved by voters, would limit the ability of voters and state and local governments to raise revenues for government services.

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

Because the principal of and interest on the securities being offered in this Official Statement are payable either primarily or secondarily from moneys deposited in, or available for transfer to, the General Fund, the financial information contained in APPENDIX A relates principally to revenues deposited in, or available for transfer to, the General Fund and expenditures of such moneys and, in each case, material risks related thereto.

State Indebtedness and Other Obligations

As of January 1, 2024, the state had approximately \$77.8 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, 2024, there were approximately \$23.7 billion of authorized and unissued long-term voter-approved general obligation bonds which, when issued, will be payable principally from the

General Fund and approximately \$6.5 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 2023-24, the actuarially determined General Fund pension contributions to CalPERS and CalSTRS were approximately \$4.7 billion and \$3.9 billion, respectively. For fiscal year 2024-25, the projected General Fund pension contributions to CalPERS and CalSTRS are approximately \$3.5 billion and \$4.2 billion, respectively. See “EXHIBIT 1—PENSION SYSTEMS—CalPERS—Funding Status and EXHIBIT 1—PENSION SYSTEMS—CalSTRS—Funding Status” for information on the funding status of CalPERS and CalSTRS, respectively.

The 2024-25 Governor’s Budget includes payment of \$885 million from Proposition 2 debt-repayment funding in fiscal year 2024-25 to reduce the state’s CalPERS unfunded liability. This payment is in addition to the actuarially determined and statutorily required state pension contribution to CalPERS. See “STATE FINANCES—OTHER ELEMENTS—Pension Systems.” See also EXHIBIT 1—“PENSION SYSTEMS” for more information with respect to this payment.

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

The state’s latest OPEB actuarial valuation report, as of June 30, 2022, was prepared in compliance with the GASB OPEB standards with the objective of determining the liabilities associated with OPEB provided to the state’s employees and to develop the actuarial funding costs assuming the full-funding policy. Under these standards, the total OPEB liability (“TOL”) is estimated in the latest OPEB actuarial report to be \$87.5 billion as of June 30, 2022 as

compared to a TOL of \$99.5 billion estimated as of June 30, 2021. For details regarding the changes in this liability, see “STATE FINANCES—OTHER ELEMENTS—Retiree Health Care Costs.”

Financial Statements

The State of California Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022 (the “2022 Annual Comprehensive Financial Report”), is included as an appendix to this Official Statement and incorporated into APPENDIX A. The 2022 Annual Comprehensive Financial Report includes a Financial Section that includes an Independent Auditor’s Report, Management’s Discussion and Analysis, and Basic Financial Statements of the state for the Fiscal Year Ended June 30, 2022 (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 2022 Annual Comprehensive Financial Report, the State Auditor issued a modified opinion on two components of the Basic Financial Statements and issued an unmodified opinion on each of the remaining components of the Basic Financial Statements, including the General Fund. See “FINANCIAL STATEMENTS.”

In addition, EXHIBIT 2 to APPENDIX A contains the State Controller’s unaudited reports of General Fund cash receipts and disbursements for the periods from July 1, 2022 through June 30, 2023; and July 1, 2023 through February 29, 2024. 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, 2022 through June 30, 2023; and July 1, 2023 through February 29, 2024, 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 an economic downturn.

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

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

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

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

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

“2024-25 Budget” means the Budget Act for fiscal year 2024-25, plus related legislation to implement the budget.

“2024-25 Governor’s Budget” means the proposed Governor’s Budget for fiscal year 2024-25, released on January 10, 2024.

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 2024-25 Governor's Budget

On January 10, 2024, the Governor's budget proposal for fiscal year 2024-25 was released. See "GOVERNOR'S PROPOSED BUDGET FOR FISCAL-YEAR 2024-25."

Recent Cash Receipts

In February 2024, the Department of Finance reported that agency cash receipts for the fiscal year-to-date through January were \$5.9 billion, or 4.8 percent, below the 2024-25 Governor's Budget forecast of \$121.5 billion. The Governor's Budget forecast was completed in late November; therefore, this fiscal year-to-date difference reflects variance since then. The primary driver of the cumulative shortfall was personal income tax estimated payments, which were \$4.6 billion below forecast for the fiscal year-to-date, indicating weakness in receipts relating to tax year 2023. Additionally, fiscal year-to-date personal income tax withholding cash receipts were \$494 million below forecast. Finally, fiscal year-to-date corporate tax cash receipts were \$980 million below forecast due to \$552 million in higher corporate refunds and \$223 million in lower estimated payments.

In March 2024, the Department of Finance reported that agency cash receipts for the fiscal year-to-date through February were \$5.6 billion, or 4.3 percent, below the 2024-25 Governor's Budget forecast of \$131.1 billion. The Governor's Budget forecast was completed in late November; therefore, this fiscal year-to-date difference reflects variance since then. The primary driver of the cumulative shortfall was personal income tax estimated payments, which were \$4.7 billion below forecast fiscal year-to-date through February, indicating weakness in receipts relating to tax year 2023. Personal income tax withholding, which is more indicative of current activity in tax year 2024, were \$670 million above the fiscal year-to-date forecast. Additionally, fiscal year-to-date corporate tax cash receipts were \$1.1 billion below forecast due to \$970 million in higher corporate refunds.

San Diego County Tax Deadline Delay

On February 27, 2024, federal Internal Revenue Service ("IRS") granted tax relief to taxpayers in San Diego County who were impacted by severe storms and flooding in late January 2024 by postponing various personal income and business tax filing and payments deadlines to June 17, 2024, and the state subsequently conformed by similarly delaying its corresponding filing and payment deadlines. For tax year 2022, San Diego County accounted for about 7 percent of total personal income taxes collected in the state (\$7.7 billion out of \$104.6 billion) and less than 0.1 percent of total corporation taxes.

GOVERNOR'S PROPOSED BUDGET FOR FISCAL YEAR 2024-25

The 2024-25 Governor's Budget projects an estimated General Fund shortfall of \$37.9 billion largely driven by the substantial decline in the stock market in 2022 that negatively impacted revenues in fiscal year 2022-23 and the unprecedented delay in critical income tax

collections for tax year 2022. Most cash data relating to the prior tax year is normally available by April to inform the May Revision. In 2023, due to California’s conformity with federal tax filing and payment deadline delays for over 99% of California taxpayers deemed impacted by winter storms a significant portion of the state’s revenues from personal income tax and corporation income tax attributable to tax year 2022 were not due until November 2023. While the May Revision for fiscal year 2023-24 and the 2023 Budget Act did project a significant decline in revenues in fiscal year 2022-23, the actual cash data through November 2023 showed that the decline in revenues was steeper than estimated by \$25.7 billion, 22 percent lower than projected at the 2023 Budget Act. This is a significant reason why the forecasts in the 2024-25 Governor’s Budget of personal income, corporate income and sales tax revenues, the state’s three biggest revenue sources, for fiscal years 2022-23 through 2024-25 have decreased by approximately \$42.9 billion as compared to the 2023 Budget Act, before accounting for budget solutions. This decreased projection of revenues has led to significant projected operating deficits in future fiscal years. See “Multi-Year Budget Projection” below. The Legislature must enact a balanced budget annually, but operating deficits are not unusual and will be addressed in future years as mandated by the balanced budget requirement and as estimates are refined.

This projected General Fund shortfall is addressed by using a portion of the state’s reserves and suspending a transfer to the BSA (\$13.1 billion), reducing expenditures (\$8.5 billion), increasing revenue and internal borrowing (\$5.7 billion), delaying spending to future fiscal years (\$5.1 billion), shifting expenditures from the General Fund to special funds (\$3.4 billion), and deferring expenditures to fiscal year 2025-26 (\$2.1 billion). The tax filing and payment delay also resulted in an abbreviated timeline to prepare the 2024-25 Governor’s Budget, accordingly, the Administration will continue to assess whether additional corrective actions are necessary during the development of the related May Revision.

Despite the decreased revenue projections, fiscal year 2022-23 personal income, corporate income and sales tax revenues are estimated to still be 23.4 percent higher than pre-pandemic levels in fiscal year 2018-19, demonstrating overall growth, and fiscal year 2024-25 personal income, corporate income and sales tax revenues are projected to be 35.1 percent higher than fiscal year 2018-19. Thereafter, personal income, corporate income, and sales tax revenues are projected to revert to levels consistent with a normal revenue growth trajectory, absent the COVID-19 surge and subsequent correction.

The state has large cash reserves allowing the continuance of operations in conjunction with budget solutions adopted to account for the projected shortfall in the upcoming budget for fiscal year 2024-25. See “STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—Budget Reserves” and “CASH MANAGEMENT.”

The 2024-25 Governor’s Budget, released on January 10, 2024, prioritizes services and programs that Californians depend on, while making necessary adjustments to ensure long-term fiscal stability.

General Fund revenues and transfers for fiscal year 2024-25 are projected at \$214.7 billion; an increase of \$17.8 billion, or 9.1 percent, compared with a revised estimate of \$196.9 billion for fiscal year 2023-24. These General Fund revenues and transfers estimates include a transfer of \$1.4 billion into the BSA in fiscal year 2023-24, and a transfer of \$12 billion from the

BSA in fiscal year 2024-25. These BSA transfers have the effect of lowering (transfer to) or raising (transfer from) reported levels of General Fund revenues and transfers. See “STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—Sources of Tax Revenue” and “STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—Budget Reserves.”

General Fund expenditures for fiscal year 2024-25 are projected at \$208.7 billion; a decrease of \$22.2 billion compared with a revised estimate of \$230.9 billion for fiscal year 2023-24. See “STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—State Expenditures.” A high-level review of the 2024-25 Governor’s Budget’s main programs in fiscal year 2024-25 follows:

- K-12 Education under Proposition 98 — total funding of \$96 billion, of which \$68 billion is from the General Fund and the remainder of which is from other funds, including local property taxes. “STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—State Expenditures—*K-14 Education Under Proposition 98*.”
- Higher Education — total funding of approximately \$28 billion for all major segments of higher education, including \$22.2 billion from the General Fund. The remaining funds include amounts from special and bond funds. “STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—State Expenditures—*Higher Education*.”
- Health and Human Services — total funding of \$111.6 billion, of which \$73.6 billion is from the General Fund and \$38 billion is from special funds. See “STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—State Expenditures—*Health and Human Services*.”
- Corrections and Rehabilitation Agency — total funding of \$18.1 billion, of which \$14.3 billion is from the General Fund and \$3.8 billion is from special funds. See “STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—State Expenditures—*Public Safety*.”

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

The following table compares the General Fund Budget estimate as of the 2024-25 Governor’s Budget to the General Fund Budget estimate as of the 2023 Budget Act:

**TABLE 1
GENERAL FUND SUMMARY**

(Dollars in Millions)

Fiscal Year:	As of 2023 Budget Act	As of 2024-25 Governor’s Budget	
	2023-24	2023-24	2024-25
Prior Year Balance	\$ 26,352	\$ 42,078	\$ 8,029
Revenues and Transfers	208,688	196,859	214,699
Total Resources Available	\$ 235,040	\$ 238,937	\$ 222,728
Non-Proposition 98 Expenditures	147,533	155,337	131,824
Proposition 98 Expenditures	78,395	75,571	76,894
Total Expenditures	\$ 225,928	\$ 230,908	\$ 208,718
Fund Balance	\$ 9,112	\$ 8,029	\$ 14,010
Reserve for Liquidation of Encumbrances	5,272	10,569	10,569
Special Fund for Economic Uncertainties	3,840	(2,540)	3,441
Public School System Stabilization Account	\$ 10,831	\$ 5,730	\$ 3,852
Safety Net Reserve Fund	\$ 900	\$ 900	\$ 0
Budget Stabilization Account/“Rainy Day Fund”	\$ 22,252	\$ 23,132	\$ 11,106

Source: State of California, Department of Finance.

Note: Numbers may not add due to rounding.

See Table 5 for certain information on General Fund revenues by source and General Fund expenditures by agency.

Development of Revenue Estimates

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

This section contains economic information compiled through late November 2023 in connection with the preparation of the 2024-25 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 2024 for use in the preparation of the May Revision.

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

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

Data on whether there has been out-migration of high-income taxpayers is inconclusive based on currently available state tax return data. State tax return data through 2021, which became available in April 2023 and was revised in July 2023, continues to show growth in the number of personal tax returns with Adjusted Gross Income (“AGI”) of \$1 million or more. For example, the number of personal tax returns reporting more than \$1 million of income was 70,000 in 2016, 81,000 in 2017, 90,000 in 2018, 96,000 in 2019, 115,000 in 2020, and 158,000 in 2021. Such data, however, is not necessarily indicative of in-migration of high-income taxpayers because the numbers also reflect increases from incomes inflating above \$1 million due to factors such as increasing asset prices driving higher capital gains and business income. The number of tax returns reporting more than \$1 million of income in tax year 2022 is expected to be lower than in tax year 2021 due primarily to decreasing asset prices in 2022, which are estimated to have negatively impacted taxpayers’ income.

In addition, IRS statistics of income data based on federal tax returns of taxpayers filing timely returns in two consecutive years, relying on an incomplete portion of total resident tax returns filed in 2021 (84 percent or 15.2 million out of 18 million resident returns in 2021), shows a small decline in personal taxpayers with AGI above \$200,000. For example, based on a portion of the number of tax returns filed in 2021, personal taxpayers with AGI above \$200,000 moving out of California is estimated to have exceeded the number of similar taxpayers moving into California by around 27,000 in 2021 (out of a total of 1.5 million taxpayers in the IRS

sample), up from 19,000 in 2020, 9,000 in 2019, 8,000 in 2018, 7,000 in 2017, and 2,000 in 2016. The IRS data and calculated net out-migration figures are estimates and are limited by methodology that requires the matching of two consecutive years of tax returns by a taxpayer's identification number. Further, 2020 and 2021 were unusual years distorted by the pandemic and work-from-home policies. More recently, American Community Survey ("ACS") data from surveys conducted in 2022 suggests that, on net, California lost approximately 22,000 households with income over \$200,000 over the prior year. The ACS is a nationwide survey that has an annual sample size of about 3.5 million addresses (a relatively small sample), with survey information collected nearly every day of the year. The ACS, like any other sample survey, is subject to error and uncertainty as results are estimated based on a sample as opposed to being collected from the entire universe of subjects.

The Pass-Through Entity Elective Tax (the "PTET") was enacted in the 2021-22 Budget in response to the state and local taxes ("SALT") deduction limitation instituted for computation of federal income tax. The PTET, 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 2024-25 Governor's Budget economic forecast incorporates, to the extent possible, developments and authorized policies through November 2023, including monetary policy responses to high (albeit slowing) inflation and international instabilities. The economic forecast for the May Revision for fiscal year 2024-25 (to be issued in May 2024) will be updated to include any developments between November 2023 and April 2024.

National Economy. The U.S. labor market continues to add jobs, but at a slower rate as it moves beyond the period of rapid recovery from pandemic-induced losses and approaches steady-state levels consistent with historical trends. The nation reached its record-low (since 1953) unemployment rate of 3.4 percent in January and April 2023 and was at 3.9 percent as of October 2023. The U.S. added an average of 239,000 jobs in the first ten months of 2023, considerably less than the 426,000 average monthly jobs added during the same period in 2022, but above the 190,000 average monthly job gain from 2015 to 2019.

As the labor market remained relatively strong, inflation continued to decelerate as the Federal Reserve increased target interest rates 11 times by 5.25 percentage points between March 2022 and November 2023. U.S. inflation slowed to 3.7 percent year-over-year as of September 2023, substantially lower than its peak of 9.1 percent in June 2022. Port and trucking congestion, fuel prices, and microchip shortages all eased in late 2022, contributing to lower inflation for most goods, although inflation in most services remained elevated as demand shifted away from goods. Shelter inflation, the largest component of services, had recently begun to moderate on a year-over-year basis, reflecting slow growth or declines in market rents in late 2022. It peaked at 8.2 percent in March 2023 and stood at 7.2 percent in September, reflecting rapid rent increases during the last two years. The shelter component is projected to ease to historical rates of below 3 percent by late 2024.

In 2022, U.S. real GDP grew by 1.9 percent, despite negative growth in the first half of the year. The U.S. economy then grew by 2.2 and 2.1 percent, respectively, in the first two quarters of 2023 and 5.3 percent (as estimated when the 2024-25 Governor’s Budget forecast was released) in the third quarter, despite slowing job growth and high interest rates. The third quarter growth was buoyed by strong consumption and business investment, which has been boosted by federal manufacturing incentives. The 2024-25 Governor’s Budget forecast projects national economic activity will slow in mid-2024 into 2025, with U.S. real GDP growth slowing to 1.6 percent growth in 2024 as high interest rates increasingly hinder consumption and manufacturing investment stops growing rapidly. Credit conditions are projected to ease in line with the Federal Reserve’s projected easing of monetary policy starting in mid-2024 as inflation is projected to continue cooling. U.S. GDP is projected to recover to steady-state growth rates of between 1.5 and 2 percent through 2027.

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 economic forecast for the May Revision for fiscal year 2024-25 will incorporate additional economic developments arising between November 2023 and April 2024. See “Economic Assumptions Underlying the 2024-25 Governor’s Budget.”

The 2024-25 Governor’s Budget economic forecast projects the national economy to grow at a slowing rate, while headline inflation is projected to continue to moderate as the Federal Reserve maintains its restrictive monetary policy stance until inflation approaches its target rate of 2 percent. High interest rates are projected to limit interest-sensitive consumption and business investment, and with usage no longer ramping up, federal manufacturing incentives under the CHIPS Act are not expected to add to the growth rate of investment. Once credit conditions begin to ease by mid-2024, GDP growth is then projected to recover to a steady-state growth rate of 1.8 percent by early 2026 and continue into 2027.

California Economy. California remained the fifth largest economy in the world in 2022, with a GDP of nearly \$3.6 trillion. The pace of job growth nearly halved from 2022 to 2023 as California recovered all of the nearly 2.8 million nonfarm payroll jobs lost at the onset of the COVID-19 pandemic in March and April 2020 by June 2022. The stronger nonfarm job recovery was driven by gains in high-wage sectors which recovered to their pre-pandemic February 2020 level in December 2021, followed by low-wage sectors in October 2022. (High- and low-wage sectors are defined as industry sectors with average wages above or below the 2022 statewide average wage for all industries, which was previously defined by the 2019 statewide average wage.) California added on average 26,600 nonfarm jobs monthly during the first nine months of 2023. That was just over half the monthly average gain of 52,800 nonfarm jobs during the same period in 2022, but in line with the average monthly gains of 27,900 over the decade from 2010 to 2019. The state’s nonfarm job gains accounted for 11.2 percent of the 4.8 million U.S. jobs added in 2022 and 10.7 percent of national gains in the first nine months of 2023, slightly below its historical share of U.S. nonfarm employment of around 12 percent. California’s nonfarm job growth is projected to slow in the second half of 2024 into early 2025, in line with the projected slowing of U.S. real GDP growth. Nonfarm employment growth has shown indications of reverting to historical trends and entering a new normal after the rapid post-pandemic recovery period. Also, the current high interest rate environment is projected to create tighter credit conditions that would curtail job growth in credit-sensitive sectors.

Unlike the state's nonfarm jobs recovery, California's labor force has yet to recover to its pre-pandemic level as of September 2023 after growing by 1.4 percent in 2022, a rate not seen since the 2000s, and has since slowed to average growth of 0.8 percent year-over-year through September 2023. Only 79 percent of the just over 1 million people who left the workforce in the first three months of the COVID-19 pandemic had returned as of September 2023, even as the labor force grew by 112,100 in the first nine months of 2023, substantially higher than the 2019 pre-pandemic growth of 82,600 during the same period. The slow but resilient growth in the labor force and subdued household employment growth have contributed to a rapid decline in unemployment. California's labor force is projected to continue growing, though at a slower rate of 0.9 percent in 2023 as it approaches its pre-pandemic level. Thereafter, it is projected to slow to 0.5 percent growth in 2027, partially due to revised population projections, especially for working-age individuals between the ages of 16 and 64. California's unemployment rate averaged 4.2 percent in 2022. The state's unemployment rate fell to its record low of 3.8 percent in July and August 2022 and had increased nearly 1 percentage point to 4.7 percent in September 2023. The state's unemployment rate is projected to increase through early 2025 as current tight financial conditions soften the labor market. The unemployment rate is projected to peak in early 2025 at 5.2 percent before moderating to 5 percent thereafter.

As with the nation, inflation in the state became more broad-based in 2022 with an annual inflation rate of 7.3 percent, as it spread to other components including food and shelter. California's inflation peaked at 8.3 percent in June 2022 and decelerated to 3.6 percent by August 2023, the latest available data when finalizing the 2024-25 Governor's Budget economic forecast. Inflation became increasingly driven by backward-looking shelter inflation, which is based on rental contracts over a fixed period (for example, 6 months or 12 months) and represents about two-fifths of the overall California inflation index. Therefore, shelter inflation tends to lag other components. Shelter inflation is projected to ease, slowing to historical rates of slightly above 3 percent by late 2025.

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

The state's highest paying sectors (information and finance in particular) saw significant wage declines in 2022, due largely to much lower levels of irregular payments such as bonuses and options, as rising interest rates contributed to a 19.4 percent decline in the S&P 500 stock index over the course of the year. Thus, California's average wage growth declined by 1 percent in 2022 after strong growth of 11.3 percent in 2020 and 7.7 percent in 2021. Growth resumed in 2023 as the state's average wages in the second quarter were 2.8 percent above the same period in 2022 with little difference between the high-wage and low-wage sectors. The 2024-25 Governor's Budget projects California average wage growth to recover to 2.7 percent growth in 2023 and 3.4 percent growth in 2024 as the Federal Reserve winds down its current tight monetary policy, inflation eases, and employment growth slows. Wage growth in the highest-paying sectors was projected to be very slow in 2023 as companies adjust to the post-pandemic

period and irregular payments remain at low levels. As these sectors recover somewhat, average wages are then projected to grow by 3.7 percent from 2025 to 2027, slightly below the growth of around 4 percent in 2018 and 2019, before the COVID-19 pandemic began. Consequently, total wages and salaries saw a \$49 billion downward revision in 2022, but it is still projected to drive headline personal income growth as it makes up more than half of total personal income. However, growth is projected to slow as high interest rates hamper nonfarm job growth into 2025 before moderating into 2026 and 2027. Weaker job growth is also projected to slightly slow growth in proprietors' income, or the profits of non-corporate businesses.

Property income, which is comprised of interest, rental, and dividend income, is generally driven by interest income. Interest income, which is largely pegged to the federal funds rate, is projected to have a lagged effect (slowing a quarter or two after a change in the federal funds rate) as interest rates are projected to begin falling in 2024. 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 at 7 percent in 2024, due to increases in asking rents in late 2021 into 2022, and slow to 5.6 percent in 2027 as rental prices begin to ease in line with slowing shelter inflation. Dividend income growth is projected to slow as higher interest rates lead to more risk and increased investor uncertainty in the stock market and as economic activity slows, impacting business income. The economic forecast assumes California personal income growth reverts to its historical growth trends by 2027, averaging 4.8 percent throughout the forecast window (2023 through 2027).

About 119,000 residential housing units were authorized by building permits in California in 2022, in line with pre-pandemic levels of permitting. Total residential permits saw slower growth in the first quarter of 2023; however, the state saw a boost in residential permits in the second and third quarters of 2023, averaging about 119,000 annually. Residential permits are then projected to grow in 2024 and continue growing through 2027 as the Federal Reserve is projected to cut interest rates. The 2024-25 Governor's Budget projects total permits for new residential housing construction will average around 126,000 units annually between 2024 and 2027. See "Economic Assumptions Underlying the 2024-25 Governor's Budget."

In line with the 2024-25 Governor's Budget projections for the U.S. economy, California's economy is projected to continue growing, albeit at a slowing rate, and state inflation is projected to continue to moderate as the Federal Reserve maintains its restrictive policy through the middle of 2024 as discussed above. California's nonfarm payroll job growth is projected to temper in early 2024 and to slow in the second half of 2024 and into 2025, in line with U.S. real GDP projections. There are a number of risk factors that could lead to slower growth, the biggest of which may be if interest rates remain higher for longer than expected or if high interest rates curtail demand by more than projected. Other risks include a resurgence of tech sector layoffs and possible disruptions to the oil market due to global conflicts.

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 2024-25 Governor’s Budget

The revenue and expenditure estimates and projections incorporated into the 2024-25 Governor’s Budget are based upon historical data and projections of the national, California, and global economies in general in calendar years 2023 through 2027. The underlying data and projections are set forth in the table 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 2023 and will not be updated until late April 2024 for use in the 2024-25 May Revision, which will be released in mid-May 2024.

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

TABLE 2
Selected United States and California Economic Data

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
<u>United States</u>							
Nominal gross domestic product, \$ in billions	\$23,594	\$25,744	\$27,320	\$28,425	\$29,457	\$30,583	\$31,815
Real gross domestic product, percent change	5.8%	1.9%	2.5%	1.6%	1.2%	1.6%	1.8%
Personal consumption expenditures	5.6%	1.7%	1.5%	1.2%	1.0%	1.4%	1.5%
Gross private domestic investment	1.5%	0.9%	-0.4%	0.2%	0.4%	0.4%	0.3%
Net exports	-1.3%	-0.5%	0.7%	-0.1%	-0.3%	-0.2%	-0.1%
Government purchases of goods and services	-0.1%	-0.2%	0.6%	0.3%	0.1%	0.1%	0.0%
Personal income, \$ in billions	\$21,408	\$21,841	\$22,992	\$24,137	\$25,306	\$26,419	\$27,602
Corporate profits, percent change	30.2%	8.4%	1.1%	-0.6%	-1.0%	2.9%	3.8%
Housing permits, thousands ⁽¹⁾	1,737	1,665					
Housing starts, thousands	1,606	1,551	1,401	1,385	1,404	1,397	1,383
Median sales price of existing homes ⁽²⁾	\$357,100	\$366,500					
Federal funds rate, percent	0.1%	1.7%	5.0%	5.4%	4.1%	2.9%	2.6%
Consumer price index, percent change	4.7%	8.0%	4.2%	2.6%	2.0%	2.1%	2.2%
Unemployment rate, percent	5.4%	3.7%	3.6%	3.8%	4.4%	4.7%	4.7%
Civilian labor force, millions	161.2	164.3	167.2	168.7	169.3	169.9	170.5
Nonfarm employment, millions	146.3	152.6	156.2	157.3	156.9	156.8	157.4
<u>California</u>							
Personal income, \$ in billions	\$3,014	\$3,007	\$3,147	\$3,312	\$3,477	\$3,640	\$3,804
Exports of goods, percent change ⁽¹⁾	12.2%	6.5%	6.5%				
Housing permits, thousands	119	114	114	118	123	129	135
Housing unit net change, thousands	141	113	123				
Median sales price of existing homes ⁽²⁾	\$786,275	\$822,593					
Consumer price index, percent change	4.5%	7.3%	3.9%	2.8%	2.5%	2.6%	2.7%
Unemployment rate, percent	7.3%	4.2%	4.6%	5.1%	5.2%	5.0%	4.8%
Civilian labor force, in millions	19.0	19.2	19.4	19.6	19.7	19.8	19.9
Nonfarm employment, in millions	16.8	17.7	18.1	18.3	18.3	18.4	18.5
Percent of total nonfarm employment							
Mining and logging	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Construction	5.3%	5.2%	5.1%	5.1%	5.1%	5.1%	5.1%
Manufacturing	7.7%	7.6%	7.4%	7.3%	7.3%	7.3%	7.2%
Trade, transportation, and utilities	18.1%	17.7%	17.4%	17.2%	17.1%	17.1%	17.0%
Information	3.4%	3.4%	3.3%	3.3%	3.3%	3.3%	3.3%
Financial activities	5.0%	4.8%	4.7%	4.7%	4.7%	4.7%	4.6%
Professional and business services	16.2%	16.2%	16.1%	16.0%	16.0%	16.0%	16.0%
Educational and health services	16.8%	16.6%	17.1%	17.3%	17.3%	17.4%	17.4%
Leisure and hospitality	9.8%	10.9%	11.3%	11.5%	11.5%	11.6%	11.7%
Other services	3.0%	3.2%	3.2%	3.3%	3.3%	3.3%	3.3%
Government	14.7%	14.3%	14.3%	14.3%	14.3%	14.3%	14.3%

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

Note: Percent changes calculated from unrounded data.

⁽¹⁾ Source: U.S. Census Bureau. No data after 2023.

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

Source: Except as otherwise noted, CA Department of Finance, 2024-25 Governor's Budget Forecast.

Multi-Year Budget Projection

As required by Proposition 2, in connection with the 2024-25 Governor's Budget, the Department of Finance prepared a multi-year budget projection. The projection is based on current law as of December 2023, when the projection was finalized. The projection also reflects a variety of policies included in the 2024-25 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 2024-25 Governor's Budget reflects a balanced budget in fiscal year 2024-25 and projects operating deficits would occur in fiscal year 2023-24 and over the remaining multi-year period. Operating deficits projected in the outyear forecast are not uncommon and have been significant during past economic downturns. Various measures employed to close the projected \$37.9 billion General Fund revenue shortfall include use of reserves, adjustments to the one-time investments by shifting investments to another fund source, reducing the investments, delaying the investment to another fiscal year, and other measures. The larger than normal prior-year carry-in balance in fiscal year 2023-24 reflected in Table 3 of approximately \$42.1 billion is the result of one-time resources provided in previous fiscal years being carried forward for expenditure in fiscal year 2023-24. In previous budgets, significant one-time investments were expected to be expended over multiple fiscal years. The balance of one-time investments not fully expended in the year of appropriation is carried forward to the following fiscal year.

On a year-over-year basis, revenues and transfers (excluding transfers to the BSA) are estimated to have declined 24.7 percent, or \$59.2 billion in fiscal year 2022-23. While this year-over-year decline is substantial and comparable to declines in prior recessions, the Governor's Budget revenue forecast does not assume a recession, but rather reflects a correction of revenue growth and a reversal to trend following record growth in fiscal years 2020-21 and 2021-22. Despite this significant revenue correction in fiscal year 2022-23, revenues and transfers (excluding transfers to the BSA) remain 25.9 percent above the pre-pandemic levels in fiscal year 2018-19. Modest revenue growth is projected to resume following the revenue correction in fiscal year 2022-23. On a year-over-year basis, revenues and transfers (excluding transfers to the BSA) are projected to increase 9.9 percent, or \$17.9 billion, in fiscal year 2023-24, due primarily to a \$12 billion increase in personal income tax revenue. Revenues and transfers (excluding transfers to the BSA) are projected to increase modestly by 2.2 percent, or \$4.4 billion, in fiscal year 2024-25. Revenues and transfers (excluding transfers to the BSA) are projected to decline 2.6 percent in fiscal year 2025-26 with lower cost recovery revenues of \$4.1 billion and lower net PTET revenues of \$2.5 billion compared to the prior fiscal year offsetting modest underlying growth. Revenue growth rates in fiscal years 2026-27 and 2027-28 are projected to average 5.4 percent, consistent with moderate economic growth.

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

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

<u>Fiscal Year:</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>
Prior Year Balance	\$ 42,078	\$ 8,029	\$ (14,010)	\$ (22,499)	\$ (52,698)
Revenues and Transfers ^(a)	198,283	202,673	197,398	205,372	219,437
Transfer from/(to) the BSA ^(b)	(1,424)	12,026	(2,247)	(2,085)	(2,204)
Total Resources Available	\$238,937	\$222,728	\$209,161	\$180,788	\$164,535
Proposition 98 Expenditures	\$74,633	\$76,894	\$78,350	\$81,990	\$86,976
Proposition 28 Arts and Music Education	938	--	--	--	--
Non-Proposition 98 Expenditures	155,225	131,824	153,310	151,496	158,729
Prop 2 Infrastructure Deferred Maintenance ^(c)	112	0	0	0	0
Total Expenditures	\$230,908	\$208,718	\$231,660	\$233,486	\$245,705
Fund Balance:	\$ 8,029	\$ 14,010	\$ (22,499)	\$ (52,698)	\$ (81,170)
Reserve for Encumbrances	\$ 10,569	\$ 10,569	\$ 10,569	\$ 10,569	\$ 10,569
Reserves (SFEU, Safety Net, and PSSSA)	4,090	7,293	(29,216)	(59,416)	(87,887)
Budget Stabilization Account/ ("Rainy Day Fund")	23,132	11,106	13,353	15,438	17,642
Operating Surplus/(Deficit) with BSA Transfer	\$(34,049)	\$5,981	\$(36,509)	\$(30,199)	\$(28,472)

Note: Totals may not add due to rounding.

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

	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>
Prop 30/55 – Income Tax	\$8,321	\$8,779	\$9,131	\$9,493	\$10,121

(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.

CURRENT STATE BUDGET

The 2023 Budget Act preserved key investments from previous budgets in education, healthcare, climate crisis mitigation, housing, and infrastructure while employing a variety of measures to close a projected \$31.7 billion shortfall in General Fund revenues. The 2023 Budget Act avoided new significant ongoing spending commitments and maintained a record \$37.8 billion in total budgetary reserves. For more detailed information on how the fiscal year 2023-24 budget estimates have changed since the enactment of the 2023 Budget Act, see “Fiscal Year 2023-24 Revised Estimates in the 2024-25 Governor’s Budget” below. A high-level review of the 2023 Budget Act’s main programs in fiscal year 2023-24 follows.

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

Fiscal Year 2023-24 Revised Estimates in the 2024-25 Governor’s Budget

Four estimates of the General Fund’s condition and activity during fiscal year 2023-24 have been updated to reflect the latest economic forecast prepared in connection with the 2024-25 Governor’s Budget. These four revised estimates include the projected beginning and ending balances of the General Fund for fiscal year 2023-24, as well as the revised estimates of revenues (including net transfers) and expenditures for fiscal year 2023-24.

Beginning Fund Balance. In the 2024-25 Governor’s Budget, the estimate of the beginning General Fund balance for fiscal year 2023-24 is \$15.7 billion higher than was previously estimated in the 2023 Budget Act (\$42.1 billion compared to \$26.4 billion). This increase in beginning fund balance for fiscal year 2023-24 is primarily due to past year adjustments to spending that decrease the estimate of spending by \$34.5 billion, a revised estimate of the beginning balance of the prior year that includes an increase of \$5.9 billion, and a

revised estimate of revenues and transfers in the past year decreasing revenues and transfers by \$24.7 billion.

Revenues and Transfers. As shown in Table 1, the 2024-25 Governor’s Budget estimate for fiscal year 2023-24 General Fund revenues and transfers has decreased by \$11.8 billion as compared to the 2023 Budget Act forecast (\$196.9 billion compared to \$208.7 billion), primarily due to lower tax revenues.

Expenditures. Also shown in Table 1, the 2024-25 Governor’s Budget estimate of General Fund expenditures for fiscal year 2023-24 increased \$5 billion from the 2023 Budget Act estimate (\$230.9 billion compared to \$225.9 billion).

Ending Fund Balance. The 2024-25 Governor’s Budget estimates an ending balance in the SFEU of a negative \$2.5 billion for fiscal year 2023-24; that is, \$6.4 billion lower than the 2023 Budget Act estimate of \$3.8 billion. The decrease in the ending fund balance is due primarily to the decrease in revenues. See “STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—Budget Reserves—Special Fund for Economic Uncertainties.”

Summary of General Fund Revenues, Expenditures, and Fund Balance

The Department of Finance provides estimated and projected General Fund revenues, expenditures, and fund balances for fiscal years 2022-23 through 2024-25 from the 2024-25 Governor’s Budget in Table 4. The State Controller provides actual accounting information for fiscal year 2021-22 in Table 4.

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.

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

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

	2021-22	Estimated 2022-23	Estimated 2023-24	Projected 2024-25
Fund Balance—Beginning of Period	\$ 31,940	\$ 69,182	\$ 42,078	\$ 8,029
Prior Year Adjustment ^(b)	13,208	(7,445)	—	—
Adjusted Beginning Fund Balance	\$ 45,148	\$ 61,737	\$ 42,078	\$ 8,029
Revenues	\$ 224,027	\$ 181,144	\$ 195,938	\$ 201,407
Other Financing Sources				
Transfers from Other Funds ^(c)	11,996	(728)	921	13,291
Other Additions	100	—	—	—
Total Revenues and Other Sources	\$ 236,123	\$ 180,416	\$ 196,859	\$ 214,699
Expenditures				
State Operations ^(d)	\$ 56,866	\$ 52,670	\$ 57,262	\$ 47,289
Local Assistance ^(e)	141,184	144,580	172,727	161,137
Capital Outlay	553	2,825	919	292
Unclassified	—	—	—	—
Other Uses	—	—	—	—
Transfer to Other Funds ^(c)	13,486	—	—	—
Total Expenditures and Other Uses	\$ 212,089	\$ 200,075	\$ 230,908	\$ 208,718
Revenues and Other Sources Over or (Under) Expenditures and Other Uses	\$ 24,034	\$ (19,659)	\$ (34,049)	\$ 5,981
Reserves Fund Balances				
Reserve for Liquidation of Encumbrances	10,569	10,569	10,569	10,569
Reserve for the Unencumbered Balances of Continuing Appropriations ^(f)	17,912	—	—	—
SFEU ^(g)	3,979	31,509	(2,540)	3,441
Unreserved—Undesignated ^(g)	36,722	—	—	—
Fund Balance—End of Period	\$ 69,182	\$ 42,078	\$ 8,029	\$ 14,010

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 2021-22 Prior Year Adjustment was mainly due to Proposition 98 prior year accrual reversal being greater than the current year expenditures.
- (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.
- (d) Includes debt service cost on general obligation bonds of approximately \$5.4 billion for fiscal year 2024-25, 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 \$2.1 billion in fiscal year 2024-25. 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 2018-19 through 2022-23” under “STATE DEBT TABLES.”
- (e) Includes transfer to the PSSSA.

(Continued from Previous Page)

- (f) 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.
- (g) SFEU: Finance includes in its SFEU estimates the items which are reported as actual amounts in the State Controller's Office "Unreserved-Undesignated" figures. The amount in the SFEU at the end of any fiscal year may differ materially from the amount originally projected at the time the related Budget Act was adopted.

Source: Actual amounts for fiscal year 2021-22 provided by State of California, Office of the State Controller. Estimated and projected amounts for fiscal years 2022-23, 2023-24, and 2024-25 provided by State of California, Department of Finance.

General Fund Revenue and Expenditure Assumptions

The table below presents previous estimates from the 2023 Budget Act and revised estimates and projections from the 2024-25 Governor's Budget.

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

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

	Fiscal Year		
	2023-24 Enacted June 2023	2023-24 Revised January 2024	2024-25 Projected January 2024
General Fund Revenue Source			
Personal Income Tax	\$ 118,161	\$ 113,768	\$ 114,826
Sales and Use Tax	33,336	34,643	35,148
Corporation Tax	42,091	36,913	38,336
Insurance Tax	3,881	3,894	4,021
Alcoholic Beverage Taxes and Fees	438	427	433
Cigarette Tax	43	43	42
Motor Vehicle Fees	37	46	46
Other ^(a)	10,681	8,549	9,821
Subtotal	\$ 208,688	\$ 198,283	\$ 202,673
Transfer from/(to) the Budget Stabilization Account "Rainy Day Fund"	--	(1,424)	12,026
Total General Fund Revenues and Transfers	\$ 208,688	\$ 196,859	\$ 214,699
	2023-24 Enacted June 2023	2023-24 Revised January 2024	2024-25 Projected January 2024
General Fund Expenditures by Agency			
Legislative, Judicial and Executive	\$ 9,756	\$ 13,346	\$ 7,514
Business, Consumer Services & Housing	2,739	3,391	654
Transportation	1,390	1,121	726
Natural Resources	7,474	12,263	5,468
Environmental Protection	589	1,466	715
Health and Human Services	73,852	74,136	73,588
Public Safety (includes Corrections and Rehabilitation)	14,750	15,525	14,314
K-12 Education	79,100	76,134	76,177
Higher Education	22,715	22,075	22,126
Labor and Workforce Development	864	1,077	771
Government Operations	4,010	4,791	3,239
General Government			
Non-Agency Departments	1,822	2,501	1,553
Tax Relief/Local Government	595	595	579
Statewide Expenditures ^(b)	6,272	2,487	1,295
Total General Fund Expenditures	\$ 225,928	\$ 230,908	\$ 208,718

^(a) Generally, consists of transfers and internal 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: Totals may not add due to rounding.

ECONOMIC AND BUDGET RISKS

The 2024-25 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 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 somewhat higher than the nation's inflation rates due to the state's faster increases in housing and energy prices. California inflation peaked at 8.3 percent year-over-year in June 2022 but has slowed to 3.2 percent as of October 2023 (the latest available data). High inflation in 2021 and 2022 was largely driven by supply chain disruptions and demand shifts from services to goods, both of which were due to the COVID-19 pandemic. These issues have mostly been resolved, although inflation has not yet returned to pre-pandemic levels. This is in part because the shelter component, which accounts for 40 percent of the entire California index, generally lags other components and has slowed only from 6.7 percent in March 2023 to 5.5 percent in October 2023, reflecting stagnation in market rents that began in late 2022.

The Federal Reserve has responded to elevated inflation by increasing the target federal funds rate eleven times from March 2022 to July 2023 to a target range of 5.25 to 5.5 percent and has indicated that it expects to cut target rates at some point in 2024 but that it will maintain high rates until inflation nears its target level of around 2 percent. The uncertain path of future monetary policy contributes to economic risk.

- High Interest Rates and Threat of Recession. While the interest rates that households and businesses pay on their debt do not generally move in lockstep with the target federal funds rate, Federal Reserve rate increases restrict the amount of credit in the financial system, which causes key interest rates such as on mortgages, credit cards, and bank loans to rise. The current high interest rates have slowed demand: for example, average 30-year mortgage rates were below 4 percent in early 2022 but have since risen sharply and have exceeded 6 percent since September 2022. In response, residential investment plummeted in each of the last three quarters of 2022 and has yet to recover. While overall spending has held up enough to keep the economy growing, it is possible that interest rates will not decline by as much as expected over the forecast window and/or that they will hinder demand by more than expected, which could lead to slower-than-expected growth or even a recession. If a recession were to occur, it would likely be relatively mild as the economy does not currently appear to have the sorts of significant imbalances that could trigger a severe recession.

The revenue forecast prepared in connection with the 2024-25 Governor's Budget is based on a scenario that assumes continued but slowing economic growth and does not assume a recession. All else being equal, a decline in economic activity large enough to qualify as a recession would likely reduce revenue, with the overall impact on the state's budget depending on the nature of the recession and on asset price

movements. For example, the 2001 Recession was not especially steep from an economic perspective as the state's payroll employment declined just 1.9 percent from peak to trough, but personal income, corporate income and sales tax revenues declined by 18 percent in fiscal year 2001-02 as stock prices plunged, causing revenue from capital gains to significantly decline. Further, the high-paying technology industry contracted, which sharply reduced high-income taxpayers' earnings from irregular payments (bonuses, options, etc.). In contrast, the recent COVID-19 recession was deeper from an economic perspective as employment was down 9.2 percent from the pre-pandemic level a full year after the start of the recession, yet revenues surged in response to a technology sector boom (driven in part by the rise of remote work) and a strong stock market performance. In contrast, in fiscal year 2022-23, revenues from personal income, corporate income and sales tax revenues are estimated to have decreased by around 20 percent even while the state's economy and employment have continued to expand.

Accordingly, continued higher interest rates and any recession could materially adversely impact General Fund revenues and/or expenditures.

- 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 had recently ranged from around 10 percent to 13 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 2024-25 Governor's Budget projects capital gains realizations to account for 8.4 percent of total General Fund tax revenue in fiscal year 2022-23 and 8.2 percent in fiscal years 2023-24 and 2024-25, which is down from 12.8 percent in fiscal year 2021-22. Capital gains, the state's most volatile revenue source, are heavily reliant on stock market performance, as well as the timing of when taxpayers choose to realize gains and the netting of gains against losses from prior years. 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."
- Personal Income Tax and Corporation Income Tax Volatility. Revenue forecasting is always subject to significant uncertainty, even if the underlying economy and the stock market are performing in line with expectations, particularly in the personal income and corporate income tax forecasts, as liability for those taxes also depend on taxpayer behavior and timing of when assets are sold as well as when credits and net operating losses are used. While the magnitude of potential revenue swings through fiscal year 2024-25 has likely declined as revenues have already substantially come down from elevated levels through fiscal year 2021-22, revenues could still end up \$15 billion higher or lower than projected in each of fiscal year 2023-24 and fiscal year 2024-25, even if the economy and asset markets perform largely in line with expectations. Therefore, a range of revenue outcomes is possible even under the economic assumptions underlying the 2024-25 Governor's Budget forecast.

As an example of the significant uncertainty in forecasting state revenues, the Legislative Analyst's Office ("LAO") used its own methodologies and assumptions in its December 2023 state fiscal outlook forecast to estimate that personal income, corporate income and sales tax revenues will be a total of \$15.3 billion lower than the 2024-25 Governor's Budget forecast (which is based on revenues through November 2023) over fiscal years 2022-23, 2023-24 and 2024-25. The LAO's December forecast represents a \$47 billion reduction in revenues from their May 2023 fiscal outlook forecast. The LAO has also recently issued a few interim revenue forecasts and updates in blog posts that do not use the same comprehensive methodology as its formal biannual fiscal outlook forecasts, so these point-in-time outlooks may be of less utility. Prior interim forecasts issued by the LAO in September and October 2023 projected revenues to be \$9.5 billion higher than the 2023 Budget Act forecast over fiscal years 2022-23, 2023-24 and 2024-25, whereas LAO's February 2024 interim forecast revised its December estimate of personal income, corporate income and sales tax revenues to be \$23.7 billion lower over fiscal years 2022-23, 2023-24 and 2024-25 than the 2024-25 Governor's Budget forecast, with a projected budget shortfall over fiscal years 2022-23, 2023-24 and 2024-25 of approximately \$73 billion.

- Future Tax Deadline Delays. Due to federal disaster declarations resulting from severe winter storms, the IRS announced that taxpayers in certain counties of the state could delay filing their 2022 tax year federal tax returns. The initial delay was until October 16, 2023, but this delay was extended to November 16, 2023. This delay, to which the state conformed for filing of 2022 tax year state tax returns, occurred in 55 of the state's 58 counties, comprising 99 percent of all California taxpayers, and affected tax collections that were due as early as January 2023. As a result, the revenue forecast for the 2023-24 Budget Act was completed without critical cash data that would normally have been available, which significantly increased forecasting uncertainty, including for the prior fiscal year. This led to a delayed recognition of the extent of the revenue correction and reduced the state's flexibility in addressing the resulting significant shortfall. Any future tax deadline delays announced by the IRS, if conformed to by the state, could have a similar detrimental effect on the state's ability to forecast tax revenues and appropriately adjust budgetary spending to align with revenues and any payment delays could create liquidity challenges.
- San Diego County Tax Deadline Delay. On February 27, 2024, the IRS granted tax relief to taxpayers in San Diego County who were impacted by severe storms and flooding in late January 2024 by postponing various personal income and business tax filing and payments deadlines to June 17, 2024, and the state subsequently conformed by similarly delaying its corresponding filing and payment deadlines. For tax year 2022, San Diego County accounted for about 7 percent of total personal income taxes collected in the state (\$7.7 billion out of \$104.6 billion) and less than 0.1 percent of total corporation taxes. As a result, the revenue forecast for the May Revision for fiscal year 2024-25 will be completed without certain cash data for San Diego County taxpayers that would normally be available.

- Global Relations and Trade. Markets for goods, services, and financial assets are globalized, and economic slowdowns in other countries or regions, geopolitical tensions, and deteriorating international trade relations may hamper the national and state economies. The course of the Russian invasion of Ukraine remains uncertain, although the war does not appear to have significantly affected the state’s economy or budget to date. Neither have the recent outbreak of war in Gaza or increased tensions between China and Taiwan, and the 2024-25 Governor’s Budget forecast 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 through at least the end of May 2024. These tariffs triggered Chinese retaliatory tariffs of 25 percent on over \$50 billion worth of U.S. exports. Because California is a transport hub, and China is the state’s largest trading partner by total trade value of goods (based on 2022 annual average data), an ongoing trade war could negatively impact the state’s economy.

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

- Health Care Costs. The state’s Medicaid program (“Medi-Cal”) is one of the state’s largest expenditures. The state also provides health benefits to its own employees and retirees. General Fund spending on health care costs is thus heavily dependent upon the rate of health care cost inflation. If this inflation rises faster than expected, annual General Fund spending could quickly rise by hundreds of millions of dollars. See “STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—State Expenditures—Health and Human Services.”
- Housing Constraints. California continues to face a critical housing shortage despite authorizing about 113,100 residential housing units in 2022 and 102,500 through November 2023, modest declines from the 2021 total of about 119,600, the highest annual figure since 2006. Exceptionally strong housing demand driven by high-income earners in 2021 through early 2022 drove the California median sales price (not seasonally adjusted) for an existing single-family home to a record-high of \$893,200 in May 2022. However, as interest rate hikes pushed up mortgage rates, the demand for housing weakened and by November 2023 the median sale price was down to \$822,200.

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

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

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

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

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

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

All these factors create challenges for regional growth and housing construction, especially if water is not available, and wildfires and flooding continue to be destructive. In 2020, a record 4 million acres burned in California, more than twice the previous record of approximately 2 million acres in 2018. The number of structures destroyed in those years was approximately 11,000 and approximately 24,000, respectively. Although these wildfire impacts have declined annually since 2020, with nearly 325,000 acres burned and fewer than 100 structures destroyed in 2023, the cumulative destruction of housing increases the demand for construction resources for rebuilding and worsens the state's housing imbalances for years following the incidents. Further, as mentioned above, the winter storms have demonstrated the unpredictable impact of climate change on the state.

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

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

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

recipient and provider of personal, private, and/or sensitive information, the state is subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems.

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

- Pandemics. California’s pandemic state of emergency ended on February 28, 2023, and the 2024-25 Governor’s Budget economic forecast assumes that COVID-19 will not create any further major disruptions to national and international economies. Nevertheless, a new pandemic or a surge in COVID-19 cases such as from a more severe new variant could slow labor force and employment growth and cause supply chain disruptions like fiscal year 2020-21, among other negative impacts. No assurances can be given that the state would receive federal aid like the aid it received in 2020 and 2021 in the case of a future pandemic.

DEBTS AND LIABILITIES UNDER PROPOSITION 2

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

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

The 2024-25 Governor's Budget proposes to apply Proposition 2 debt repayment funding to prefund state retiree health benefits (\$375 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 (\$836 million), and make a supplemental pension payment toward the unfunded liability of CalPERS state plans (\$885 million).

The 2023 Budget Act used 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 (\$290 million), and make a supplemental pension payment toward the unfunded liability of the state employee pension plans (\$1.7 billion).

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

Pursuant to Senate Bill 84, Chapter 50, Statutes of 2017, the 2017-18 Budget included a \$6 billion supplemental pension payment to CalPERS from proceeds of a loan from the Surplus Money Investment Fund (a state fund managed by the State Treasurer's Office as part of the Pooled Money Investment Account to invest surplus cash from funds held by state departments) that is expected to reduce unfunded liabilities and stabilize state contribution rates (the "SB 84 Loan"). As of the 2024-25 Governor's Budget, the Department of Finance projects the supplemental pension payment will save an estimated \$5.6 billion (net of principal and interest on the SB 84 Loan) in state contributions to CalPERS from all state funded sources through fiscal year 2037-38.

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

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

be repaid from other funds that contribute to CalPERS and are expected to benefit from the supplemental pension payment.

TABLE 6
Debts and Liabilities under Proposition 2
2024-25 Governor’s Budget
(Dollars in Millions)

	Fiscal Year				
	Outstanding Amount July 1, 2024 ^(a)	2024-25 Pay Down	Projected 2025-26 Pay Down	Projected 2026-27 Pay Down	Projected 2027-28 Pay Down
State Retirement Liabilities (Unfunded Actuarial Estimate)					
State Retiree Health	\$ 82,413	\$ 375	\$ 385	\$ 395	\$ 395
State Employee Pensions—SB 84 Loan ^(b)	0	836	590	556	556
State Employee Pensions ^(c)	70,818 ^{(d)(e)}	885	1,272	1,134	1,253
Teachers’ Pensions	85,803 ^(f)	0	0	0	0
Judges’ Pensions	2,771	0	0	0	0
Total	\$ 241,805	\$ 2,096	\$ 2,247	\$ 2,085	\$ 2,204

- (a) These amounts reflect unfunded actuarial liabilities measured as of June 30, 2022.
- (b) As of January 1, 2024, the outstanding balance of the SB 84 Loan from all funds was \$2.9 billion. The outstanding balance does not include the interest cost on the loan, which is calculated using the quarterly 2-year constant maturity U.S. Treasury rate. The pay down amounts reflect the repayment of the General Fund’s share of the \$6 billion SB 84 Loan described in this section. The first column of this table reflects estimates of unfunded actuarial state retirement liabilities. The outstanding amount of the SB 84 Loan is not an estimate of unfunded actuarial state retirement liabilities and, accordingly, the outstanding balance of the SB 84 Loan is not included in that column.
- (c) The pay down amounts under State Employee Pensions reflect supplemental payments towards the unfunded liabilities of the CalPERS state plans.
- (d) The amount includes the unfunded liability for the 1959 Survivor Benefit Program, which is an estimated \$36 million as of June 30, 2022.
- (e) The amount does not reflect the reduction in the outstanding amount as a result of the pay down amounts described in this section and in footnote (c). The effect of supplemental pension payments made on the liability will subsequently be amortized by CalPERS according to its policy and will be incorporated in the next actuarial valuation report.
- (f) The state portion of the unfunded liability for teachers’ pensions is \$10.256 billion.

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

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.

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 appealed and the Court of Appeal issued a decision on February 27, 2024 in which it reversed the trial court and declared the regulation as valid as to all retailers. (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. (First District Court of Appeal No. A165963.) It is unknown what future financial impact this litigation may have on the state's General Fund.

FINANCIAL STATEMENTS

The State of California Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022 (the "2022 Annual Comprehensive Financial Report") was released on March 15, 2024. It is included as an appendix to this Official Statement and incorporated into APPENDIX A. The 2022 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 2022 Annual Comprehensive Financial Report, including the Independent State Auditor's Report contained therein, the California State Auditor (the "State Auditor") issued a modified opinion on two components of the Basic Financial Statements and issued an unmodified opinion on each of the remaining components of the Basic Financial Statements, including the General Fund. A modified opinion, comprised of a qualified opinion, has been issued for the Federal Fund financial statements and the Governmental Activities component of the government-wide financial statements. The modified opinions are the result of ongoing financial accounting and reporting challenges experienced by the state's Employment Development Department ("EDD"), primarily related to difficulties estimating ineligible claims under the federally funded pandemic unemployment insurance programs administered by EDD. 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 2022 Annual Comprehensive Financial Report. The State Auditor also issued modified opinions on certain components of the State of California Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2020 (the "2020 Annual Comprehensive Financial Report") and the State of California Annual Comprehensive Financial Report for the

Fiscal Year Ended June 30, 2021 (the “2021 Annual Comprehensive Financial Report”) but, in each case, issued an unmodified opinion on the General Fund.

According to the Independent State Auditor’s Report, the financial statements contained in the 2022 Annual Comprehensive Financial Report, except for the Federal Fund, present fairly, in all material respects, the respective financial position of each major fund.

On March 15, 2024, 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, 2022” (the “Auditor’s 2022 Internal Control and Compliance Report”). The Auditor’s 2022 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 2022 Annual Comprehensive Financial Report and led to the issuance of the modified opinions mentioned above, as well as EDD’s response and planned corrective actions. The Auditor’s 2022 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.

In connection with the release of the 2022 Annual Comprehensive Financial Report, State Controller Malia Cohen noted that it was the fifth consecutive year that the state’s Annual Comprehensive Financial Report was released well beyond March 31 of the subsequent fiscal year. According to the State Controller, the delay in completion of the state’s Annual Comprehensive Financial Report began when state departments and the Office of the State Controller began transitioning to a new statewide accounting, budget, cash management and procurement information technology system called the Financial Information System for California (“FI\$Cal”). The cumulative impact of the delays in the completion of the state’s Annual Comprehensive Financial Reports for fiscal years 2017-18, 2018-19, 2019-20, 2020-21, and 2021-22, have resulted in a significant delay in the issuance of the State of California Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2023 (the “2023 Annual Comprehensive Financial Report”), beyond March 31, 2024, and are expected to continue to impact the ability of the state to provide basic financial statements by March 31 for one or more subsequent fiscal years.

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

The 2022 Annual Comprehensive Financial Report describes certain financial information of the state as of June 30, 2022. This Appendix A contains more current financial information relating to the General Fund essential to making an informed investment decision. Potential investors are therefore advised to read the entire Appendix A, including without limitation “RECENT DEVELOPMENTS,” “CURRENT STATE BUDGET,” “ECONOMIC

AND BUDGET RISKS,” “STATE DEBT TABLES,” and “EXHIBIT 1—PENSION SYSTEMS.”

In addition, the State Controller issues a monthly report on General Fund cash receipts and disbursements. These reports are available on the State Controller’s website and are normally released by the 10th day of every calendar month for the period ended on the last day of the prior month. The State Controller’s unaudited reports of General Fund cash receipts and disbursements for the periods July 1, 2022 through June 30, 2023 and July 1, 2023 through February 29, 2024, 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.

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

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, which is updated and revised by May 14 each year, the Legislature takes up the proposal. The voter-approved Balanced Budget Amendment (Proposition 58) requires the Legislature to pass a balanced budget bill, which means that for the ensuing fiscal year, projected General Fund expenditures must not exceed projected General Fund revenues plus the projected beginning General Fund balance. Those projections must be set forth in the budget bill. Proposition 58 also provides for mid-year adjustments in the event the budget falls out of balance and the Governor calls a legislative special session to address the shortfall. The use of general obligation bonds, revenue bonds, and certain other forms of borrowing are prohibited to cover fiscal year end budget deficits. The restriction does not apply to certain other types of borrowing, such as: (i) short-term borrowing to cover cash shortfalls in the General Fund (including RANs or RAWs as described in "CASH MANAGEMENT—Traditional Cash Management Tools"), or (ii) inter-fund borrowings.

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

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

The General Fund

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

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

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

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

Restrictions on Raising or Using General Fund Revenues

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

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

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

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

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

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

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

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

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

Sources of Tax Revenue

In calendar year 2020, the state experienced a dramatic decline in economic activity in the second quarter, due to the COVID-19 pandemic, followed by an uneven recovery for the remainder of the year. However, the downturn and record unemployment in calendar year 2020 largely impacted lower-income taxpayers, and because of the state'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.

In 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. The strong economy and rising asset prices through the end of 2021 disproportionately benefited high-income earners and led to California's General Fund revenues and transfers surging 39 percent year-over-year in fiscal year 2020-21 and increasing by an additional 20 percent in fiscal year 2021-22.

However, these trends reversed in calendar year 2022 with declining stock market and asset prices, increasing interest rates, and a slowing economy. As a result, revenues and transfers, following the two-year surge in 2020-21 and 2021-22, are estimated to have decreased 22.4 percent in fiscal year 2022-23. While this year-over-year decline is substantial and comparable to declines in prior recessions, the 2024-25 Governor's Budget revenue forecast does not assume a recession but rather reflects a correction of revenue growth and a reversal to trend following record growth in 2020-21 and 2021-22. Despite this significant revenue correction, fiscal year 2022-23 revenues and transfers remain 28.8 percent above the fiscal year 2018-19 pre-pandemic levels. Modest revenue growth is projected to resume following fiscal year 2022-23, with revenues and transfers projected to grow 9.1 percent in fiscal years 2023-24 and 2024-25. Excluding transfers, growth is projected to be 8.2 percent in fiscal year 2023-24 and 2.8 percent in fiscal year 2024-25.

The IRS extended various income tax filing and payment deadlines for most individuals and businesses in California to October 16, 2023, and subsequently to November 16, 2023, in response to 2022-23 winter storms impacting the state. As a result, the revenue forecast for the 2023 Budget Act was completed without critical cash data related to prior year and current year taxes that is normally available. Given the extension applied to 55 of the state's 58 counties comprising over 99 percent of Californians and to payments spanning several months (beginning in January 2023), a total of \$42 billion in payments was projected to shift from January 2023 through September 2023 to October 2023, including \$28.4 billion in personal income tax and \$13.3 billion in corporation tax revenues (including \$8.3 billion related to the PTET).

From April through November 2023, cash receipts from personal income tax and corporation income tax combined were \$25.7 billion lower than projected in the 2023 Budget Act. Personal income tax receipts were down \$19.1 billion due to non-withholding payments falling short by \$17.6 billion and refunds exceeding the forecast by \$3.3 billion. On the other hand, personal income withholding receipts were up \$1.3 billion cumulatively through November 2023 and increased 5 percent from May through November 2023 compared to the same period in 2022. Corporation tax cash receipts were down \$6.6 billion, including a \$2-

billion shortfall in PTET payments. Significantly lower cash receipts through November 2023 led to substantially lower revenue projections in the 2024-25 Governor's Budget.

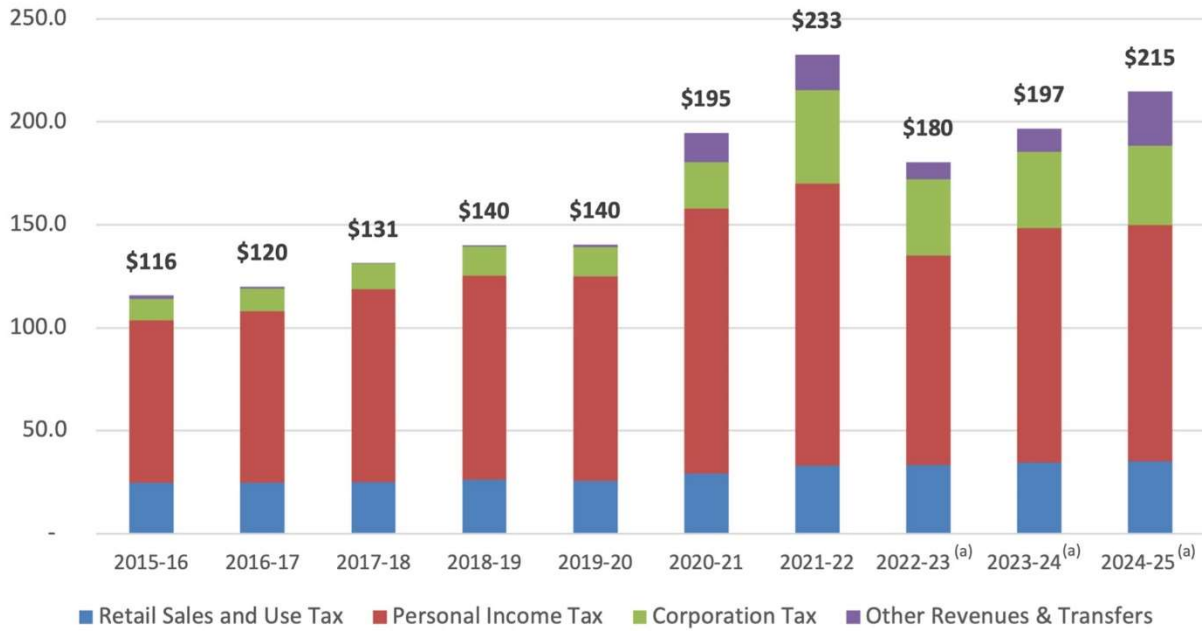
The 2024-25 Governor's Budget proposes the following tax changes: (1) conform to federal law by limiting net operating loss deductions to 80 percent of taxable income in a given year; (2) conform to federal law in limiting income tax deductions for charitable conservation easements to two and a half times the value of the taxpayer's investment; (3) remove lenders' ability to claim a sales tax deduction or refund for taxes paid on accounts subsequently charged off as bad debt; (4) eliminate the percentage depletion allowance for mineral and other natural resources; (5) eliminate the accelerated expensing allowed to oil and gas companies for intangible drilling costs; and (6) eliminate the credit allowed for enhanced oil recovery costs. The estimated cumulative revenue increase from these proposals is projected to be \$402 million in fiscal year 2024-25.

The following is a summary of the state's major tax revenues and transfers. In fiscal years 2023-24 and 2024-25, similarly to 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 in fiscal years 2015-16 through 2021-22 and 2023-24, and to the Safety Net Reserve Fund in fiscal years 2018-19, 2020-21, and 2021-22, that are represented as reductions in the total amount of other General Fund revenues and transfers. Transfers are represented as a reduction in the total amount of other General Fund revenues and transfers can result in a negative amount. Additionally, there are transfers from the BSA and the Safety Net Reserve Fund to the General Fund, also referred to as withdrawals, in fiscal year 2024-25, which represent increases in the total amount of other General Fund revenues and transfers.

Cost recovery revenues for federal reimbursement of expenses related to the COVID-19 pandemic and wildfires are expected to positively impact General Fund revenues and transfers by \$80 million in fiscal year 2022-23, \$1.6 billion in fiscal year 2023-24, and \$5.2 billion in fiscal year 2024-25. General Fund revenues and transfers in fiscal year 2022-23 are negatively impacted by \$1.1 billion in net loan repayments to special funds. General Fund revenues and transfers in fiscal year 2023-24 are negatively impacted by a \$1.4 billion transfer to the BSA and positively impacted by \$1.8 billion due to net loans and loan repayments to the General Fund from special funds. General Fund revenues and transfers in fiscal year 2024-25 are positively impacted by to a \$12 billion transfer from the BSA and \$37 million in net loans and loan repayments to the General Fund from special funds.

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

Total General Fund Revenue and Transfers by Source (Billions of Dollars)



^(a) Projected.

Note: Chart reflects yearly transfers from the General Fund to the BSA of \$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, \$2.1 billion in fiscal year 2019-20, \$5.1 billion in fiscal year 2020-21, \$7.1 billion in fiscal year 2021-22, and \$1.4 billion 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 withdrawal from the BSA in fiscal year 2020-21 of \$2.7 billion), and a withdrawal of \$12 billion in fiscal year 2024-25. 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, a deposit of \$450 million to the Safety Net Reserve Fund in fiscal year 2021-22, and a withdrawal of the full amount available in the Safety Net Reserve Fund (\$900 million) in fiscal year 2024-25. 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.

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

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
	Dollars	Percentage	Dollars	Percentage	Dollars	Percentage	Dollars	Percentage	
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	137,144	59.0	33,026	14.2	45,128	19.4	17,238	7.4	232,537
2022-23 ^(a)	101,749	56.4	33,186	18.4	37,140	20.6	8,341	4.6	180,416
2023-24 ^(a)	113,768	57.8	34,643	17.6	36,913	18.8	11,535	5.9	196,859
2024-25 ^(a)	114,826	53.5	35,148	16.4	38,336	17.9	26,389	12.3	214,699

(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 Golden State Stimulus I (GSS I). Reflects -\$18.4 billion in fiscal year 2021-22, -\$16.5 billion in fiscal year 2022-23, and \$17.7 billion in fiscal year 2023-24, and -\$18.6 billion in fiscal year 2024-25 for tax credits related to the PTET.

(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 \$21.7 billion in fiscal year 2021-22, \$17.7 billion in fiscal year 2022-23, \$19 billion in 2023-24, and \$19.2 billion in 2024-25 related to the PTET.

(d) Reflects transfers between the General Fund and the BSA for rainy day purposes and transfers between the General Fund and the Safety Net Reserve Fund. Fiscal year 2020-21 includes a \$7.8 billion withdrawal from the BSA, a \$5.1 billion deposit into the BSA, and a \$450 million withdrawal from the Safety Net Reserve Fund. Fiscal year 2021-22 includes a \$7.1 billion deposit into the BSA and a transfer of \$450 million to the Safety Net Reserve Fund. Fiscal year 2022-23 does not include transfers into the BSA or Safety Net Reserve Fund. Fiscal year 2023-24 includes a \$1.4 billion deposit into the BSA. Fiscal year 2024-25 includes a \$12 billion withdrawal from the BSA and a \$900 million withdrawal from the Safety Net Reserve Fund.

(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, \$80 million in fiscal year 2022-23, \$1.6 billion in fiscal year 2023-24, and \$5.2 billion in 2024-25.

(f) Includes a net \$1.9 billion in loans and loan repayments to the General Fund in fiscal year 2020-21, -\$861 million in General Fund loans and loan repayments to special funds in fiscal year 2021-22, and -\$1.1 billion in General Fund loans and loan repayments to special funds in fiscal year 2022-23, \$1.8 billion in General Fund loans and loan repayments from special funds in fiscal year 2023-24, and \$37 million in General Fund loans and loan repayments from special funds in fiscal year 2024-25. Negative amounts denote net losses to the General Fund.

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 (not including the 1 percent surcharge), are adjusted annually for inflation. Personal, dependent, and other credits are allowed against the gross tax liability. Taxpayers may be subject to the state’s alternative minimum tax (“AMT”). California’s PIT structure is highly progressive. For example, the Franchise Tax Board (“FTB”) estimates that the top 1 percent of state income taxpayers paid 49.9 percent of the state’s total PIT in tax year 2021, the latest tax year for which data is available.

Proposition 30 and Proposition 55, passed in 2012 and 2016, respectively, provided for a 1 percent increase in the PIT rate for joint filing taxpayers with income above \$500,000 and equal to or below \$600,000; a 2 percent increase for incomes above \$600,000 and equal to or below \$1,000,000; and a 3 percent increase for incomes above \$1,000,000 in calendar years 2012 to 2030. For single filers these tax rate increases start at incomes one-half those for joint filers. The brackets for these higher rates are indexed for inflation each year, with the income thresholds for joint filers at \$698,274, \$837,922, and \$1,369,542, respectively, for the rates above for tax year 2023. The 2024-25 Governor’s Budget projects the revenue from these additional tax brackets to be \$8.2 billion in fiscal year 2022-23, \$8.3 billion in fiscal year 2023-24, and \$8.8 billion in fiscal year 2024-25.

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

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	
2015-16 ^(b)	\$11,713	10.1%	\$ 67,022	57.9%	\$ 78,735	68.1%
2016-17 ^(b)	12,255	10.2	71,010	59.2	83,264	69.4
2017-18 ^(b)	14,457	11.0	79,319	60.5	93,776	71.5
2018-19 ^(b)	15,082	10.8	84,107	60.1	99,189	70.8
2019-20 ^(b)	16,274	11.6	83,324	59.3	99,599	70.9
2020-21 ^{(b)(c)}	24,636	12.7	104,220	53.6	128,856	66.2
2021-22 ^{(b)(d)(e)}	29,690	12.8	107,454	46.2	137,144	59.0
2022-23 ^{(b)(d)(e)}	15,205	8.4	86,544	48.0	101,749	56.4
2023-24 ^{(b)(d)(e)}	16,211	8.2	97,557	49.6	113,768	57.8
2024-25 ^{(b)(d)(e)}	17,573	8.2	97,253	45.3	114,826	53.5

- (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) Reflects a reduction of revenues due to the Earned Income Tax Credit and the Young Child Tax Credit of \$200 million in fiscal year 2015-16, \$205 million in fiscal year 2016-17, \$348 million in fiscal year 2017-18, \$394 million in fiscal year 2018-19, \$1.1 billion in fiscal year 2019-20, \$1.3 billion in fiscal year 2020-21, \$1.1 billion in fiscal year 2021-22, \$1.4 billion in fiscal year 2022-23, \$1.4 billion in fiscal year 2023-24, and \$1.4 billion in fiscal year 2024-25.
- (c) Reflects a reduction of revenues of \$2.9 billion in fiscal year 2020-21 due to tax refunds issued related to GSS I.
- (d) Estimated. For fiscal year 2021-22, only the portion of total PIT attributable to capital gains remains subject to possible further revision.
- (e) Reflects a decrease in revenues of \$18.4 billion in fiscal year 2021-22, \$16.5 billion in fiscal year 2022-23, \$17.7 billion in fiscal year 2023-24, and \$18.6 billion in fiscal year 2024-25 from the PTET. See “Corporation Tax” below.

Source: State of California, Department of Finance. Estimated calendar year capital gains revenues based on actual capital gains realizations for 2015 through 2021, and estimated realizations for 2022 and forward. Fiscal year totals for capital gains shown in this table are estimated by adding 70 percent of calendar year total in first half of fiscal year to 30 percent of calendar year total in second half of fiscal year.

Income taxes on capital gains realizations, which are linked to stock market and real estate performance, can add significant volatility to PIT receipts. 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. In fiscal year 2021-22, capital gains tax receipt peaked at nearly \$30 billion and represented 12.8 percent of all General Fund revenues and transfers. The 2024-25 Governor’s Budget projects that capital gains would account for 8.4 percent of General Fund revenues and transfers in fiscal year 2022-23 and 8.2 percent in fiscal years 2023-24 and 2024-25. 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.”

PTET, which was enacted in the 2021 Budget Act, is projected to decrease personal income tax revenues by an estimated \$16.5 billion in fiscal year 2022-23, \$17.7 billion in fiscal year 2023-24, and \$18.6 billion in 2024-25, with offsetting revenue gains in corporate income taxes.

2. Sales and Use Tax

California imposes a sales tax on 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 \$9.4 billion in fiscal year 2022-23, \$9.6 billion in fiscal year 2023-24, and \$9.8 billion in fiscal year 2024-25.

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 2024. See "CURRENT STATE BUDGET" for a projection of the SFEU balance for fiscal years 2023-24 and 2024-25.

3. Corporation Tax

Corporation tax revenues are derived from the following taxes:

- The franchise tax and the corporate income tax are levied at an 8.84 percent rate on profits. The former is imposed on corporations for the privilege of doing business in California, while the latter is imposed on corporations that derive income from California sources but are not sufficiently present to be classified as doing business in the state.
- Banks and other financial corporations are subject to the franchise tax plus an additional tax at the rate of 2 percent on their net income. This additional tax is in lieu of personal property taxes and business license taxes.
- In general, the AMT is based on a higher level of net income computed by adding back certain tax preferences. This tax is imposed at a rate of 6.65 percent.
- A minimum franchise tax of up to \$800 is imposed on corporations and Sub-Chapter S corporations. Limited partnerships ("LPs"), limited liability partnerships ("LLPs"), and LLCs are also subject to the \$800 minimum franchise tax. New corporations are exempted from the minimum franchise tax for the first year of incorporation, as are LPs, LLPs, and LLCs registered between January 1, 2021, and January 1, 2024.
- Sub-Chapter S corporations are taxed at 1.5 percent of profits.

Fees and taxes paid by LPs, LLPs, and LLCs are estimated to be \$1.4 billion in fiscal year 2024-25.

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 PTET). 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 their 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 PTET paid generates a dollar of personal income tax credit. The PTET is estimated to increase corporate income tax revenues by \$17.7 billion in fiscal year 2022-23, \$19 billion in fiscal year 2023-24, and \$19.2 billion in fiscal year 2024-25, with roughly equivalent offsetting revenue losses in personal income tax revenues.

4. Insurance Tax

Most of the 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 \$3.7 billion in fiscal year 2022-23 and is projected to generate \$3.9 billion in fiscal year 2023-24 and \$4 billion in fiscal year 2024-25.

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 27 percent of all special fund revenues in fiscal year 2024-25. Principal sources of this income are motor vehicle fuel taxes, registration and weight fees, and vehicle license fees. In fiscal year 2024-25, approximately \$21.5 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 2024).

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)
2015-16	\$22,128	\$1,870	\$755	--	\$4,957	\$6,809	\$1,656
2016-17	22,144	1,757	1,155	--	4,843	7,166	2,578
2017-18	23,271	2,119	2,080	\$85	6,352	8,549	2,469
2018-19	24,481	2,297	1,990	299	7,558	9,848	2,456
2019-20	24,049	2,268	1,906	484	7,798	9,735	1,672
2020-21	26,351	3,111	1,909	770	7,811	10,641	2,318
2021-22	31,001	4,946	1,778	813	8,455	10,713	2,517
2022-23 ^(a)	32,249	2,567	1,575	537	8,653	11,316	2,074
2023-24 ^(a)	32,485	2,392	1,433	660	9,145	11,808	8,269
2024-25 ^(a)	33,226	2,596	1,394	694	9,309	12,188	9,770

(a) Projected.

(b) These figures include allocations to Public Transportation Account, State Fiscal Recovery Fund (“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, \$2.3 billion in fiscal year 2023-24, and \$2.5 billion in 2024-25 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 MCO Tax in 2024 as adopted in the 2023 Budget Act.

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 \$47 million going to the General Fund and \$1.6 billion going to special funds in fiscal year 2022-23. 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 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 delayed the effective date of the flavor ban to December 2022. The flavor ban resulted in a further decline in the consumption of cigarettes and tobacco products beginning in fiscal year 2022-23.

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 aged 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 2024-25 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 are projected to receive funding of \$76.5 billion from the General Fund for fiscal year 2024-25 (both Non-Proposition 98 and Proposition 98). The state also provides instruction and support services for approximately 1.9 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 2023-24 and 2024-25” 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 2024-25 Governor’s Budget reflects these conditions being met, requiring a deposit in fiscal year 2024-25 of approximately \$751 million. Economic conditions as of the 2023 Budget Act required deposits in fiscal years 2022-23 and 2023-24 of approximately \$1.8 billion and approximately \$903 million, respectively, but Proposition 2 requires a two-year true up on this transfer calculation, and after the true up, deposits totaling approximately \$339 million and approximately \$288 million, respectively, are required. The 2024-25 Governor’s Budget also reflects discretionary withdrawals from the PSSSA of approximately \$3 billion in fiscal year 2023-24 and \$2.6 billion in fiscal year 2024-25 to avoid programmatic reductions. 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 2023-24, school district reserve caps of 10 percent will be triggered for applicable districts in fiscal year 2024-25 pursuant to state law.

Proposition 98 Funding for Fiscal Years 2023-24 and 2024-25. Test 1 is operative in fiscal years 2023-24 and 2024-25 requiring approximately 39 percent of General Fund revenues to be spent on K-14 education. As shown in Table 10, the funding provided to K-12 schools and community colleges is estimated to decrease in fiscal year 2023-24 and increase in fiscal year 2024-25. The 2024-25 Governor’s Budget reflects the Proposition 98 minimum guarantee at approximately \$109.1 billion in fiscal year 2024-25, an increase of approximately \$768 million compared to the amount assumed for fiscal year 2024-25 in the 2023 Budget Act.

The 2024-25 Governor’s Budget also proposes statutory changes to address a roughly \$8 billion decrease for school districts and community colleges in fiscal year 2022-23, recognizing that the delay in the tax filing deadline to November 16 impacted state revenue projections for fiscal year 2022-23 available at the time of the 2023 Budget Act. Without impacting local budgets, these statutory changes would reduce certain state-level educational expenditures in fiscal year 2022-23 and account for those costs using Non-Proposition 98 General Fund resources in fiscal years 2025-26 through 2029-30. The accounting for these supplementary payments from the General Fund will be approximately \$1.4 billion per year for school districts and \$182 million per year for community colleges, and will not count towards the Proposition 98 minimum funding obligation.

Proposition 28, which was passed by voters in the November 2022 election, 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 is rebenchmarked to permanently include Proposition 28. The 2024-25 Governor’s Budget includes ongoing funding of \$931 million for Proposition 28. The 2024-25 Governor’s Budget also includes ongoing funding to accommodate enrollment increases related to the expansion of transitional kindergarten. The 2023 Budget Act rebenchmarked the Test 1 percentage, from

approximately 38.6 percent to approximately 39.5 percent, to increase the percentage of General Fund revenues due to the minimum guarantee.

The 2024-25 Governor's Budget reflects a revised funding level for K-12 schools and community colleges in fiscal year 2023-24 of approximately \$105.6 billion, which is approximately \$2.7 billion less than the level assumed at the 2023 Budget Act as estimates of state revenues have been revised downward.

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

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)

	2022-23		Fiscal Year 2023-24		2024-25	Change From Enacted 2023-24 to Proposed 2024-25	
	Enacted ^(a)	Revised ^(c)	Enacted ^(b)	Revised ^(c)	Proposed ^(c)	Amount	Percent
K-12 Proposition 98							
State General Fund	\$ 59,536	\$ 56,520	\$ 55,591	\$ 58,581	\$ 60,231	\$ 1,650	3%
Education Protection Account ^(f)	11,599	4,071	12,510	7,576	7,719	143	2%
Local property tax revenue ^(d)	24,389	25,882	26,852	26,917	27,975	1,057	4%
Subtotals	\$ 95,524	\$ 86,473	\$ 94,953	\$ 93,074	\$ 95,925	\$ 2,851	3%
Community College Proposition 98							
State General Fund	\$ 7,519	\$ 7,131	\$ 6,907	\$ 7,252	\$ 7,239	\$ (13)	0%
Education Protection Account ^(f)	1,434	503	1,546	936	954	18	2%
Local property tax revenue ^(d)	3,653	3,860	4,003	4,036	4,210	175	1%
Subtotals	\$ 12,606	\$ 11,494	\$ 12,456	\$ 12,224	\$ 12,404	\$ 179	1%
Total Proposition 98							
State General Fund	\$ 67,055	\$ 63,651	\$ 62,499	\$ 65,833	\$ 67,470	\$ 1,637	2%
Public School System Stabilization Account	2,224	339	903	288	751	463	161%
Education Protection Account ^(f)	13,033	4,574	14,056	8,512	8,673	161	2%
Local property tax revenue ^(d)	28,042	29,742	30,854	30,953	32,185	1,232	4%
Totals^(e)	\$ 110,354	\$ 98,306	\$ 108,312	\$ 105,586	\$ 109,080	\$ 3,493	3%

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

(b) As of the 2023 Budget Act, enacted on June 27, 2023, as amended July 10, 2023.

(c) As of the 2024-25 Governor's Budget

(d) Local property tax revenues include amounts shifted to schools because of the elimination of redevelopment agencies. Fiscal years 2022-23 through 2024-25 include the one-time distribution of cash assets held by redevelopment agencies.

(e) Totals may not add due to rounding.

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

Source: State of California, Department of Finance.

2. Higher Education

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

As discussed above, the state funds its community colleges under Proposition 98. Including funds for Adult Education, the 2024-25 Governor’s Budget proposes \$12.4 billion Proposition 98 funds for community colleges (consisting of \$8.2 billion from the General Fund and Education Protection Account and \$4.2 billion from local property taxes).

There are currently 116 community colleges operated by 73 community college districts in California. These colleges provide associate degrees, certificates, and a limited number of baccalaureate degrees 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 296,000 associate degrees, certificates, and other awards in the 2022-23 academic year. For the 2022-23 academic year, about 1.1 million full-time equivalent students were enrolled at CCCs.

CSU provides undergraduate and graduate programs, awarding approximately 127,000 degrees in the 2022-23 academic year. CSU enrolled approximately 383,000 full-time equivalent students at 23 campuses in the 2022-23 academic year.

UC provides a range of undergraduate, graduate, and professional programs, awarding approximately 86,000 degrees in the 2022-23 academic year. The ten UC campuses and UC College of the Law San Francisco (formerly, Hastings College of Law) enrolled 295,155 full-time equivalent students in the 2022-23 academic year.

In fiscal year 2022-23, community colleges enrollment increased from the prior year, although community college enrollment continues to be below pre-pandemic levels; the CSU continued to experience overall enrollment declines; and overall UC enrollment remained stable. 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 2024-25 Governor’s Budget proposes withdrawals from the PSSSA. For community colleges, this withdrawal totals approximately \$722 million over the three-year budget window, and the resources will be used to support general purpose apportionment funding for the CCC system and to mitigate the need for programmatic reductions in the CCC system. The 2024-25 Governor’s Budget also proposes statutory changes to address a roughly \$910 million decrease for the community colleges in fiscal year 2022-23, recognizing that the delay in the tax filing deadline to November 16 impacted state revenue projections for fiscal year 2022-23 available at the time of adoption of the 2023 Budget. Without impacting local budgets, this action would reduce state-level general purpose apportionment funding for the CCC system expenditures in fiscal year 2022-23 and account for those costs using Non-Proposition 98 General Fund resources in fiscal years 2025-26 through 2029-30. To address the projected budget shortfall, the 2024-25 Governor’s Budget also defers the planned fiscal year 2024-25 investments of \$227.8 million for the UC and \$240.2 million for the CSU, and the planned UC investment of \$31

million to offset revenue reductions associated with the replacement of 902 nonresident undergraduate students in fiscal year 2024-25. These deferrals would largely maintain ongoing General Fund support for the UC and CSU at the fiscal year 2023-24 levels. The following table summarizes the direct General Fund support for the three segments of state public higher education:

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

Fiscal Year	CSU ^{(a)(b)}	UC ^(b)	CCCs ^{(c)(d)}
2020-21	\$4.0	\$3.5	\$7.4
2021-22	5.4	4.8	8.7
2022-23	5.3	4.9	7.6
2023-24	5.4	4.9	8.2
2024-25	5.5	4.7	8.2

(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 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 2024-25 Governor’s Budget estimates an average monthly caseload of 14.8 million in fiscal year 2023-24 and 13.8 million in fiscal year 2024-25. The federal Families First Coronavirus Response Act (H.R. 6201) required continuous Medicaid coverage for beneficiaries through the duration of the federal COVID-19 Public Health Emergency as a condition for receiving enhanced Federal Medical Assistance Percentage (“FMAP”), which concluded December 31, 2023. California resumed Medi-Cal eligibility redeterminations in June 2023. After Medi-Cal eligibility redeterminations are complete in July 2024, it is estimated that caseload will level out at approximately 13.8 million beneficiaries. There is significant uncertainty in the caseload estimates given that California is resuming Medi-Cal eligibility redeterminations for the first time since the beginning of the federal COVID-19 Public Health Emergency. The 2023 Budget Act includes expenditures of \$135.4 billion (\$30.9 billion General Fund) in fiscal year 2022-23 and projects expenditures of \$151.8 billion (\$37.5 billion General Fund) in fiscal year 2023-24 for the Medi-Cal program. The \$6.6 billion General Fund expenditure increase from fiscal year 2022-23 to fiscal year 2023-24 is primarily due to costs associated with a shift of repayment for claims not eligible for federal funds; the Managed Care Organization (“MCO”) Provider Tax renewal General Fund offset; conclusion of the enhanced

FMAP on December 31, 2023, and the end of the federal COVID-19 Public Health Emergency in May 2023; increased costs for full-scope Medi-Cal Coverage for Undocumented Adults ages 50 and over; implementation of full-scope Medi-Cal Coverage for Undocumented Adults ages 26 through 49 beginning January 1, 2024; and revised implementation timelines for Behavioral Health programs, including but not limited to, the Children and Youth Behavioral Health Initiative.

The 2024-25 Governor's Budget includes expenditures of \$157.5 billion (\$37.3 billion General Fund) in fiscal year 2023-24 and \$156.6 billion (\$35.9 billion General Fund) in fiscal year 2024-25 for the Medi-Cal program. Compared to the 2023 Budget Act, Medi-Cal expenditures for fiscal year 2023-24 increased \$5.7 billion, however, General Fund expenditures decreased \$195.6 million. The General Fund decrease is primarily due to additional projected General Fund savings from the MCO Enrollment Tax and increased General Fund savings from drug rebates in the Medi-Cal program, offset by increased caseload costs due to a higher number of individuals remaining eligible for Medi-Cal after eligibility redeterminations required following the COVID-19 Public Health Emergency, and an increased one-time repayment for claims not eligible for federal funds.

Some of these changes are drivers of the increase in estimated special fund and federal fund expenditures compared to the 2023 Budget Act. The \$1.4 billion General Fund expenditure decrease from fiscal year 2023-24 to fiscal year 2024-25 is primarily due to reduced caseload costs associated with Medi-Cal beneficiaries disenrolling from the program as a result of negative eligibility redeterminations, a one-time repayment of over-claimed federal funds occurring only in fiscal year 2023-24, primarily offset by increased costs associated with the full-scope Medi-Cal eligibility expansion to income-eligible adults aged 26 to 49, regardless of immigration status.

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.

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

The following table shows Medi-Cal expenditures as of the 2024-25 Governor’s Budget.

TABLE 12
Medi-Cal Expenditures
(Dollars in Billions)

Fiscal Year	General Fund	Other State Funds^(a)	Federal Funds^(b)	Total
2020-21	\$20.6	\$15.1	\$77.5	\$113.2
2021-22	24.5	10.2	84.4	119.0
2022-23	30.6	13.4	90.0	134.1
2023-24	37.3	24.4	95.8	157.5
2024-25	35.9	23.2	97.6	156.6

Note: Totals may not add due to rounding.

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

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

Year-over-year changes. The \$1.2 billion decrease in other state funds from fiscal year 2023-24 to fiscal year 2024-25 is largely attributable to one-time payments received through the Hospital Quality Assurance Fee program in fiscal year 2023-24 and dropping off in fiscal year 2024-25. The \$900 million decrease in estimated federal fund spending from fiscal year 2023-24 to fiscal year 2024-25 is primarily associated with the conclusion of enhanced FMAP as of December 31, 2023, in addition to lower caseload costs in fiscal year 2024-25.

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

Medi-Cal Coverage for Undocumented Adults. Pursuant to Chapter 47, Statutes of 2022 (SB 184), effective January 1, 2024, full-scope Medi-Cal coverage was expanded to income-eligible adults aged 26 through 49, regardless of immigration status. The 2024-25 Governor’s Budget projects expenditures of \$3.4 billion (\$2.9 billion General Fund) in fiscal year 2024-25, increasing to \$3.7 billion (\$3.2 billion General Fund) in fiscal year 2025-26 and thereafter, inclusive of In-Home Supportive Services costs. With this expansion, Medi-Cal is available to all income-eligible individuals, regardless of immigration status.

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

The 2023 Budget Act authorized the state to request a new MCO tax, effective April 1, 2023, through December 31, 2026, which received federal approval on December 15, 2023. The 2024-25 Governor’s Budget proposes an amendment to increase the recently approved MCO Tax by \$1.5 billion compared to the 2023 Budget Act, which requires legislative action by mid-March 2024 and subsequent federal approval. On a cash basis, assuming approval of the amendment, the MCO Tax would result in gross revenue of \$34.7 billion over the period of the tax, resulting in \$20.9 billion in total funding to the state, after payments for increased managed care capitation rates. Of the \$20.9 billion, the 2024-25 Governor’s Budget includes General Fund savings of \$12.9 billion over the period of the tax, including \$4.4 billion in fiscal year 2023-24 and \$4.6 billion in fiscal year 2024-25. Compared to the 2023 Budget Act, this is a savings increase of \$3.8 billion across the two fiscal years.

The remaining \$8 billion will be transferred to the Medi-Cal Provider Payment Reserve Fund for additional investments proposed in the 2024-25 Governor’s Budget to support the Medi-Cal program over the period of the tax. The 2024-25 Governor’s Budget proposes \$2.8 billion (\$1.2 billion Medi-Cal Provider Payment Fund) in fiscal year 2024-25 and approximately \$6.5 billion (\$2.7 billion Medi-Cal Provider Payment Reserve Fund) in fiscal year 2025-26 and annually thereafter. The federal government has signaled its intent to change federal regulations associated with health care related taxes, so it is uncertain whether an MCO Tax of a similar size would be approved in the future.

California Advancing and Innovating Medi-Cal (CalAIM). CalAIM is a multi-year plan which began in January 2022, to transform the Medi-Cal program by adopting a whole-person care model, reducing system complexity, and improving enrollee outcomes. The 2024-25 Governor’s Budget includes \$3.4 billion (\$1.3 billion General Fund) in fiscal year 2023-24 and \$2.5 billion (\$827.3 million General Fund) in fiscal year 2024-25, to support CalAIM initiatives, inclusive of costs for the Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment (BH-CONNECT) Demonstration.

Health Care Worker Minimum Wage. Effective June 1, 2024, Chapter 890, Statutes of 2023 (SB 525) creates a statewide multi-tiered schedule of minimum wage increases up to \$25-per-hour for health care workers employed by specified covered health care facilities. The full impact of SB 525 is currently unknown and is preliminarily estimated to result in costs of \$4 billion (\$1.4 billion General Fund) in fiscal year 2024-25, as currently chaptered. The 2024-25 Governor’s Budget does not include funding for these minimum wage increases and the Administration is seeking early legislative approval to add an annual “trigger” to the statute to make the minimum wage increases subject to General Fund revenue availability, among other proposed changes.

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.

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

TABLE 13
IHSS Expenditures
(Dollars in Billions)

Fiscal Year	Caseload	General Fund Expenditures
2020-21 ^(a)	566,994	\$4.3
2021-22 ^(b)	586,627	4.6
2022-23 ^(c)	623,181	5.7
2023-24 ^{(d)(e)}	660,497	8.0
2024-25 ^{(d)(f)}	691,075	9.0

- (a) 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.
- (b) Fiscal year 2021-22 General Fund expenditures reflect (1) full-year implementation of the state hourly minimum wage increase from \$13 to \$14, effective January 1, 2021, and half year costs for the statewide minimum wage increase 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 10 percent over three years option.
- (c) Fiscal year 2022-23 General Fund expenditures reflect (1) full-year implementation of the state hourly minimum wage increase from \$14 to \$15, effective January 1, 2022, and half year costs for the statewide minimum wage increase to \$15.50, effective January 1, 2023; (2) growth in caseload and average service hours per case; (3) both costs and savings related to COVID-19; (4) phased-in implementation of Undocumented 50 and Above Full Scope Expansion; (5) full-year costs for Electronic Visit Verification penalties to FMAP; and (6) implementation of the permanent back-up provider system for IHSS recipients to avoid disruptions to caregiving due to an immediate need or emergencies.
- (d) Estimated as of 2024-25 Governor’s Budget.
- (e) 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.
- (f) Fiscal year 2024-25 General Fund expenditures reflect (1) full-year implementation of the state hourly minimum wage increase from \$15.50 to \$16.00, effective January 1, 2024, and half year costs for the statewide minimum wage increase to \$16.50, effective January 1, 2025; (2) growth in caseload and costs per hour; (3) full-year implementation of Undocumented 26-49 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. This program provides temporary cash assistance to low-income families with children to meet basic needs, such as shelter, food, and clothing. CalWORKs includes specific state requirements for eligibility, and there are significant federal funds available for this program subject to compliance with certain federal requirements. In fiscal years 2020-21 through 2024-25 the General Fund expenditures for CalWORKs ranged from \$0.6 billion to \$1.5 billion (with the last two of such fiscal years consisting of projected expenditures).

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 2024-25 Governor’s Budget includes approximately \$3.7 billion General Fund for the SSI/SSP program in fiscal year 2024-25, reflective of full year costs for a 9.2 percent SSP increase effective January 1, 2024 (totaling \$292 million General Fund). The average monthly caseload in this program is estimated to be 1.1 million recipients in fiscal year 2024-25.

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 458,228 individuals in the community and approximately 302 individuals in state-operated facilities in fiscal year 2024-25.

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

TABLE 14
Department of Developmental Services Expenditures
(Dollars in Billions)

Fiscal Year	Caseload	General Fund Expenditures
2020-21	360,389	\$ 5.7
2021-22	379,097	6.3
2022-23	404,244	6.9
2023-24 ^(a)	429,755	8.2
2024-25 ^(a)	458,530	10.0

^(a) Estimated as of the 2024-25 Governor’s Budget.

The 2021 Budget Act initiated the multi-year phase-in of service provider rate reform. At full implementation, as of the 2024-25 Governor’s Budget, the estimated ongoing cost of this policy is \$2.7 billion (\$1.6 billion General Fund). In fiscal years 2021-22 and 2022-23, associated General Fund program costs for rate reform were fully offset by increased federal funding for home and community-based services (“HCBS”) made available through the federal American Rescue Plan Act of 2021 and expended through California’s HCBS Spending Plan. The HCBS Spending Plan also partially offsets General Fund costs in fiscal year 2023-24. The 2024-25 Governor’s Budget proposes to maintain rate adjustments in effect as of January 1, 2023, through fiscal year 2024-25, delaying full implementation from fiscal year 2024-25 to fiscal year 2025-26. Costs to support rate reform in fiscal year 2024-25 are estimated at \$1.7 billion (\$1 billion General Fund).

Child Care. Families can access child care subsidies through centers that contract directly with the Department of Social Services, local educational agencies, or vouchers from county welfare departments and Alternative Payment Programs.

The 2021 Budget Act initiated a multiyear plan to expand access to subsidized spaces for children in a child care center or family child care home (referred to as child care slots). The 2024-25 Governor’s Budget maintains this commitment and works towards the goal of adding about 200,000 child care slots by fiscal year 2026-27. The 2024-25 Governor’s Budget includes \$2.1 billion total funds (\$1.8 billion General Fund) to fund the 118,000 new child care slots that have materialized since the plan was initiated in fiscal year 2021-22 and an additional 28,000 slots expected to be filled by fiscal year 2024-25. The 2024-25 Governor’s Budget assumes the majority of child care slots will be funded by the General Fund beginning in fiscal year 2024-25 as one-time federal relief funding expires.

The current collective bargaining agreement the state reached with Child Care Providers United – California (“CCPU”) is effective September 13, 2023 to July 1, 2025. The 2024-25 Governor’s Budget maintains \$723.8 million General Fund to implement the current collective bargaining agreement and the parity provisions for non-represented providers pursuant to Chapter 193, Statutes of 2023 (SB 140). This agreement and SB 140 also outline the continued work towards a single rate structure and an alternative methodology for estimating the costs of care. Implementation of the alternative methodology is subject to federal approval, collective bargaining, and enactment of appropriations through the annual Budget Act.

4. Public Safety

The California Department of Corrections and Rehabilitation (“CDCR”) operates 32 adult correctional facilities, 34 adult camps, the Pine Grove Youth Conservation Camp to serve local justice-involved youth, and numerous other facilities to support correctional services. CDCR also contracts for multiple adult parolee service centers and reentry services. CDCR’s infrastructure includes more than 41 million square feet of building space on more than 21,000 acres of land (33 square miles) statewide.

The 2024-25 Governor’s Budget assumes an average daily adult incarcerated population of 91,685 individuals in fiscal year 2024-25 and an average daily adult parole population of 35,409 individuals in fiscal year 2024-25. The 2024-25 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 \$10.6 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 2024-25 Governor's Budget estimates that Proposition 57 will result in a population reduction of approximately 16,500 incarcerated adults in fiscal year 2024-25, with this population reduction of incarcerated individuals remaining at approximately 16,500 through fiscal year 2026-27 based on current projections.

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

Additionally, consistent with Chapter 337, Statutes of 2020 (SB 823) and Chapter 18, Statutes of 2021 (SB 92), the Division of Juvenile Justice within CDCR closed on June 30, 2023, and all youth who were not released from the Division of Juvenile Justice at the time of closure were 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 2024-25 Governor's Budget includes \$3.1 billion (General Fund) for the Receiver's costs in fiscal year 2024-25, which represents an increase of approximately \$88 million as compared to the 2023 Budget Act.

Citing "significant progress" in improving California's prison medical care, in January 2012 a federal District Court judge 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. A total of 22 institutions have transitioned back to the state, including Chuckawalla Valley State Prison, which will close in March 2025. The California Correctional Center and the California City Correctional Facility had been previously transitioned back to the state by the Receiver, bringing the total to 24 institutions delegated, but these institutions have since closed. There are ten institutions 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 2017-18 through 2021-22.

TABLE 15
Governmental Cost Funds (Budgetary Basis)
Schedule of Expenditures by Function and Character
Fiscal Years 2017-18 to 2021-22
(Dollars in Thousands)

<u>Expenditures by Function</u>	2017-18 ^{(f)(g)}	2018-19 ^{(f)(h)}	2019-20	2020-21 ⁽ⁱ⁾	2021-22
Legislative, Judicial, and Executive					
Legislative	\$ 397,732	\$ 421,437	\$ 441,848	\$ 461,674	\$ 522,804
Judicial	3,834,339	3,958,165	4,333,912	3,997,371	4,724,007
Executive	1,805,382	3,801,370	4,647,624	5,874,444	6,077,113
Business, Consumer Services, and Housing	891,944	1,153,072	1,870,110	1,886,945	2,775,611
Transportation	9,004,517	11,402,541	12,707,948	13,221,038	13,479,293
Natural Resources	3,546,890	3,752,276	4,048,044	3,177,098	7,461,692
Environmental Protection	3,686,908	5,773,010	4,248,665	5,402,081	7,085,879
Health and Human Services	59,990,840	62,648,933	64,085,968	72,071,862	78,595,207
Corrections and Rehabilitation	11,570,215	12,282,346	13,153,697	12,595,692	13,880,058
Education					
Education – K through 12	50,978,259	56,034,607	57,409,564	74,676,843	73,353,831
Higher Education	14,415,823	15,299,358	16,250,941	17,032,920	21,984,846
Labor and Workforce Development	799,250	797,943	803,637	809,271	1,263,295
Government Operations	1,563,657	5,165,749	1,808,617	4,441,530	10,347,058
General Government					
Non-Agency Departments ^(a)	2,543,663	2,734,197	2,900,994	2,635,801	2,952,697
Tax Relief	420,303	472,774	500,438	1,166,876	602,539
Shared Revenues	1,838,436	2,657,485	2,616,714	2,788,355	2,701,000
Other Statewide Expenditures ^(b)	6,647,638	9,079,225	6,755,228	6,543,476	7,578,401
Reserve for Liquidation of Encumbrances ^(c)	(1,127,577)	(4,086,372)	(3,152,377)	(675,970)	(8,333,205)
Statewide General Administration Expenditures (Pro Rata)	(117,284)	(109,029)	(98,186)	(70,611)	(98,006)
General Fund Credits from Federal Funds (SWCAP)	(161,186)	(196,766)	(178,234)	(179,933)	(167,992)
Total	\$172,529,749	\$ 193,042,321	\$ 195,155,152	\$ 227,856,763	\$246,786,128
Expenditures by Character					
State Operations ^(d)	\$ 47,759,563	\$ 59,323,118	\$ 55,540,187	\$ 57,865,379	\$ 71,560,545
Local Assistance	124,032,641	132,564,422	137,718,558	167,115,788	172,219,132
Capital Outlay ^(e)	737,545	1,154,781	1,896,407	2,875,596	3,006,451
Total	\$172,529,749	\$ 193,042,321	\$ 195,155,152	\$ 227,856,763	\$246,786,128

- (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) In fiscal year 2018-19, new funds were added which were a primary factor in the large variance to prior fiscal years. In fiscal year 2019-20, the decrease in Reserve for Liquidation of Encumbrances was mainly from the General Fund. In fiscal year 2020-21, the significant decrease in Reserve for Liquidation of Encumbrances was mainly because the Energy Resources Conservation and Development Commission reported only cash basis amounts for the Alternative and Renewable Fuel and Vehicle Technology Fund, the Electric Program Investment Charge Fund, and the Greenhouse Gas Reduction Fund. The cash basis amounts did not include current year encumbrance accruals. Please refer to footnote (i), below. However, in fiscal year 2021-22, the substantial increase in Reserve for Liquidation of Encumbrances is due to SCO receiving all the year-end financial statements before publishing the BLBAR, and the aforementioned funds are now reported with encumbrance accruals.

(Footnotes Continued on Following Page)

(Continued from Previous Page)

- (d) The increase in State Operations in fiscal year 2021-22 is mainly due to the Golden State Stimulus II Tax Refund program from the General Fund, pursuant to Welfare and Institutions Code Section 8150.2.
- (e) 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 the Greenhouse Gas Reduction Fund.
- (f) Executive Orders 18/19-A was issued by the Department of Finance, as authorized under Control Section 12.45 of the Budget Acts of 2017 pursuant to Government Code sections 12472.5 and 13302, to defer the June 2018 payroll expenditures for various governmental and nongovernmental cost funds to July 2018. This affected all state departments paid through the uniform payroll system. Beginning with fiscal year 2018-19, current year expenditures no longer include the deferral of June payroll expenditures to July pursuant to Senate Bill 83, Chapter 24, Statutes of 2019, which repealed Government Code sections 12472.5 and 13302(d), which provided authority to defer payroll from June to July of the following fiscal year.
- (g) Seventeen departments using FISCAL submitted estimated financial statements to the State Controller's Office for fiscal year 2017-18 which were included in the BLBAR.
- (h) 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.
- (i) In fiscal year 2020-21, the California Conservation Corps was not able to submit fiscal year 2020-21 financial statements for the General Fund and the Collins-Dugan California Conservation Corps Reimbursement Account prior to the cut-off for producing the BLBAR. The Energy Resources Conservation and Development Commission was not able to submit fiscal year 2020-21 financial statements for the Energy Resources Programs Account, Federal Trust Fund, Alternative and Renewable Fuel and Vehicle Technology Fund, Electric Program Investment Charge Fund, Greenhouse Gas Reduction Fund, and the Cost of Implementation Account, Air Pollution Control Fund prior to the cut-off of producing the BLBAR. The State Controller's Office included cash basis amounts from its legacy system for these eight funds in the BLBAR.

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

Budget Reserves

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

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

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

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

the balance in the General Fund so as to show the total moneys then available for General Fund purposes.

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

2. Budget Stabilization Account (“BSA”)

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

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

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

- Created 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.

The 2024-25 Governor’s Budget estimates that conditions exist for the Governor to declare a fiscal budget emergency, which allows the state to suspend a required transfer and withdraw funds from the BSA. Under the constitutional requirements, the 2024-25 Governor’s Budget projects no BSA transfer in fiscal year 2022-23 and total transfers of \$1.4 billion in fiscal year 2023-24 and \$2.1 billion in fiscal year 2024-25. The 2024-25 Governor’s Budget proposes to suspend the \$2.1 billion transfer in fiscal year 2024-25 and a withdrawal of \$12 billion, leaving a balance of \$11.1 billion in the BSA.

Under current projections, Proposition 2 will result in a total of \$21.2 billion in reductions of debts and liabilities through fiscal year 2024-25. 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 2024-25 Governor’s Budget proposes to withdraw the entire balance to support health and social services programs.

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 2024-25 Governor’s Budget includes deposits to the PSSSA of \$0.3 billion in fiscal year 2022-23, \$0.3 billion in fiscal year 2023-24, and \$0.8 billion in fiscal year 2024-25, which deposits are less than projected at the 2023 Budget Act by approximately \$1.3 billion. The Governor’s Budget proposes withdrawals of approximately \$3 billion in fiscal year 2023-24 and \$2.6 billion in fiscal year 2024-25 leaving a balance of \$3.9 billion in the PSSSA.

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

STATE FINANCES—OTHER ELEMENTS

Pension Systems

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

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

The state has always made its mandatory contributions. The annually required General Fund contributions to CalPERS and CalSTRS are approximately \$3.5 billion and \$4.2 billion, respectively, for fiscal year 2024-25. In addition to these required payments, the 2024-25 Governor's Budget includes a discretionary payment to CalPERS. See "OVERVIEW—State Pension Systems and Retiree Health Care Costs."

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

Retiree Health Care Costs

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

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

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

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

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

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

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

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

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

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

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

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

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

TABLE 16
OPEB Full-Funding^(a)
(Dollars in Billions)

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

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

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

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

TABLE 17
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)
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	2,134,075	2,134,075	374,398	735,000	365,000	3,243,473	2,873,473
2023-24 ^(a)	2,374,087	2,374,087	420,394	711,000	390,000	3,505,481	3,184,481
2024-25 ^(a)	2,722,580	2,722,580	483,950	683,000	375,000	3,889,530	3,581,530

^(a) Estimated Contributions.

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

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

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

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

Source: State of California, Department of Finance.

1. Ongoing Efforts

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

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

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

The state has set aside funds in a prefunding trust fund to pay for future retiree health benefits. As of the end of fiscal year 2023-24, the trust fund balance is expected to exceed \$8.5 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 and 2023-24 Budget included \$365 million and \$390 million, respectively, in one-time Proposition 2 funding for the employer’s share of General Fund prefunding contributions. The 2024-25 Governor’s Budget proposes \$375 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 2024-25 Governor’s Budget estimates that the state is under the limit in fiscal years 2022-23, 2023-24 and 2024-25 by \$29.7 billion, \$17.2 billion and by \$16.9 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 2020-21 through 2024-25.

TABLE 18
State Appropriations Limit
(Dollars in Millions)

	Fiscal Year				
	2020-21	2021-22	2022-23	2023-24	2024-25
State Appropriations Limit	\$115,860	\$125,695	\$135,650	\$141,492	\$148,054 ^(a)
Appropriations Subject to Limit	(133,036)	(104,049)	(105,986) ^(a)	(124,329) ^(a)	(131,118) ^(a)
Amount (Over)/Under Limit	\$(17,176)	\$21,646	\$29,664 ^(a)	\$17,163 ^(a)	\$16,936 ^(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 1,200 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 2024-25 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. Property Tax Revenues

The amount of property tax revenue generated each year can affect the state General Fund budget because local property tax revenue is allocated to offset General Fund expenditures for K-14 education required by Tests 2 and 3 of Proposition 98. Under Test 1 of Proposition 98, which is operative in fiscal year 2023-24 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 2024-25 Governor's Budget, statewide property tax revenues were estimated to increase 5.1 percent in fiscal year 2023-24 and 4.7 percent in fiscal year 2024-25. 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 2024-25 Governor's Budget estimates that schools will receive an additional \$3.2 billion in fiscal year 2023-24 and \$3.4 billion in fiscal year 2024-25 from property tax revenues. Such additional revenues are projected to average \$3.8 billion per year from fiscal year 2025-26 through fiscal year 2027-28, 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 2024-25: (1) a state special fund sales tax of 1.0625 percent (projected to total \$9.7 billion) and (2) \$853.9 million in VLF, projected as of the 2024-25 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 \$2.8 billion in fiscal year 2023-24.

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 January 2024 forecast continues to estimate that total disbursements from the UI Fund will exceed receipts. These estimates consider the decrease in FUTA tax credits described below.

The principal amount of the state UI Fund federal loan was approximately \$18 billion at the end of July 2023, and rose to \$20.2 billion as of January 2024. (The growth in the second half of 2023 is because 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 \$20.8 billion at the end of calendar year 2024 and \$21.3 billion at the end of calendar year 2025. As stated above, the increase to the UI Fund federal loan is due to the projected UI disbursements being higher than estimated UI tax receipts.

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

The Families First Coronavirus Response Act of 2020 provided interest-free federal loans through December 26, 2020, for states to continue UI program benefit payments. The Coronavirus Response and Relief Supplemental Appropriations Act then extended this interest free loan period through March 14, 2021. The federal American Rescue Plan Act of 2021 extended the interest free loan period again through September 6, 2021; however, the interest free loan period was not extended further. The interest due depends on a variety of factors, including the actual amount of the federal loan outstanding (which in turn will depend on the state rate of unemployment, employer contributions to the state UI Fund, and any state or federal

law changes relating to the funding of the programs) and the interest rate imposed by the federal government. The 2024-25 Governor’s Budget assumes an estimate of approximately \$331 million for the anticipated interest payment due September 30, 2024. The 2024-25 Governor’s Budget proposes to utilize \$100 million from the Employment Training Fund and \$231 million from the General Fund to pay the 2024 interest payment. Subdivision (a) of Section 1611 of the Unemployment Insurance Code authorizes the Employment Training Fund to be utilized to pay the interest on federal loans for the UI program.

If there is outstanding principal to be paid on the UI Fund Federal Loan, the annual interest payment is estimated to range between \$250 million to \$350 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 most fraud occurred in the much larger federal pandemic unemployment programs funded by the federal government and administered by the state. As of January 2024, 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 estimated \$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 most of the fraudulent claims are from the emergency federal Pandemic Unemployment Assistance program. EDD continues to attempt to recover fraudulent payments.

CASH MANAGEMENT

Traditional Cash Management Tools

1. *General*

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

In order to mitigate the effects of 2022-23 winter storm disruptions on individuals and many businesses and conform with federal income tax deadlines, the state delayed the deadline

for filing and payment of personal income taxes and corporation taxes to November 16, 2023, and also took other actions which resulted in delays in the state's receipt of sales and use taxes.

2. Internal Borrowing

The General Fund is currently authorized by law to borrow for cash management purposes from more than 800 of the state's approximately 1,500 other funds and accounts in the State Treasury (the "special funds" and each a "special fund"). Total borrowing from special funds must be approved quarterly by the Pooled Money Investment Board ("PMIB"). The State Controller submits an authorization request to the PMIB quarterly, based on forecasted available funds and borrowing needs. The Legislature may from time to time adopt legislation establishing additional authority to borrow from special funds. As of the 2024-25 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 2024-25. 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 increased from \$22.3 billion to \$24.0 billion in September 2023 and decreased to \$22.3 billion in October 2023. The balance of the BSA as of January 31, 2024, remains at \$22.3 billion and is projected to decrease in July 2024 to \$10.2 billion and is expected to increase in September 2024 to \$11.1 billion according to the 2024-25 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. External Borrowing

External borrowing has typically been done with revenue anticipation notes ("RANs") that are payable no later than the last day of the fiscal year in which they are issued. Prior to fiscal year 2015-16, RANs had been issued in all but one fiscal year since the mid-1980s 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 2020-21 through 2022-23, and estimates for fiscal years 2023-24 through 2024-25 based on the 2024-25 Governor’s Budget. See EXHIBIT 2 to APPENDIX A. The amount of internal borrowable resources fluctuates daily throughout the year.

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

TABLE 19
Internal Borrowable Resources
(Cash Basis)
(Dollars in Millions)

	Fiscal year ended June 30 ^(a)				
	2021	2022	2023 ^(b)	2024 ^(c)	2025 ^(c)
Internal Borrowable Resources	\$55,167	\$77,112	\$100,663	\$96,794	\$80,925
Less Reserve for PMIA and SMIF loans	6,003	4,712	3,090	3,183	\$3,183
Available Borrowable Resources	\$49,164	\$72,400	\$97,573	\$93,611	\$77,742
Outstanding Loans					
From Special Fund for Economic Uncertainties	0	0	0	0	0
Budget Stabilization Account	0	0	0	0	0
From Special Funds and Accounts	0	0	0	0	0
Total Outstanding Internal Loans	\$0	\$0	\$0	\$0	\$0
Unused Internal Borrowable Resources	\$49,164	\$72,400	\$97,573	\$93,611	\$77,742

(a) Totals may not add due to rounding.

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

(c) Estimated.

Source: Fiscal years ended June 30, 2021 through June 30, 2023: State of California, Office of the State Controller. Fiscal years ended June 30, 2024 and June 30, 2025: 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 were issued in every year except one between 1983 and 2014 with the most recent issues of RANs ranging in aggregate principal amounts of approximately \$2 billion to \$10 billion. See “—Traditional Cash Management Tools—External Borrowing” above. More recently, with the state’s improved budget and cash position through fiscal year 2022-23, and the growth of internal borrowable resources from special funds including new reserve funds, the state has not had to use external borrowing since the last RAN issue in fiscal year 2014-15. See Table 19. Based on current cash projections no RANs are planned through fiscal year 2024-25. See “COVID-19” and “—Cash Management in Fiscal Years 2020-21 through 2024-25” below.

Cash Management in Fiscal Years 2020-21 through 2024-25

In July of each fiscal year, the State Controller does a projection of Unused Internal Borrowable Resources balances for the fiscal year based on the cash flow estimates in the related budget act. If it is projected that Unused Internal Borrowable Resources, at any time during such fiscal year, could fall below \$2.5 billion the state’s practice is to seek external borrowing (such as RANs). The state does not plan to issue any RANs in fiscal year 2024-25, the tenth consecutive year in which external borrowing is not required.

The state has maintained significant cash resources over the last several years, and the 2024-25 Governor’s Budget cash flow estimates for fiscal year 2024-25 indicate that this trend will continue. The following table contains certain information concerning the actual cash and Internal Borrowable Resources available to meet the daily cash flow needs of the General Fund during fiscal years 2020-21 through 2022-23, as well as projections for fiscal years 2023-24 through 2024-25.

In preparing the daily projections for fiscal year 2023-24 through 2024-25, the State Controller utilized the 2024-25 Governor’s Budget cash flow estimates as of each month-end prepared by the Department of Finance and undertook an analysis of historical and current revenue and disbursement trends and scheduled payments, considering a variety of factors which may impact revenues and disbursements through the fiscal year, to project daily cash balances.

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

TABLE 20
Balances of General Fund Cash, Internal Loans and Internal Borrowable Resources
(Dollars in Millions)

	Fiscal Year				
	2020-21	Actuals 2021-22	2022-23	Projected 2023-24	Projected 2024-25
Beginning Cash/(Outstanding Loan) as of July 1	\$(20,049)	\$50,914	\$84,577	\$14,010	\$3,276
Lowest Daily Cash Available	0	11,567	13,809	0	0
Lowest Daily Available Internal Borrowable Resources	44,912	46,407	70,086	87,000	74,000
Highest Daily Amount of Outstanding Loans	(21,792)	0	0	(39,000)	(50,000)
Lowest Daily Unused Internal Borrowable Resources	30,987	46,407	70,086	54,000	26,000

Source: State Controller’s Office

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

Certain Cash Management Techniques

The state has employed cash management measures in addition to RANs during some fiscal years. All of the following techniques have been used at one time or another, but none of them are planned to be used during fiscal years 2023-24 and 2024-25.

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

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

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

State Warrants

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

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

1. Registered Warrants

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

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

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

2. Reimbursement Warrants

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

sale to investors to reimburse the General Cash Revolving Fund, thereby increasing cash resources for the General Fund to cover required payments. The General Cash Revolving Fund exists solely to facilitate the issuance of reimbursement warrants. Reimbursement warrants have a fixed maturity date which may not be later than the end of the fiscal year following the fiscal 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 reimbursement 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 supported by payments from the General Fund 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, 2024, 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, 2024)**

<u>Authorized and Outstanding</u>		<u>Authorized but Unissued*</u>	
<u>Primarily Payable from General Fund</u>	<u>Self-Liquidating</u>	<u>Primarily Payable from General Fund</u>	<u>Self-Liquidating</u>
\$70.0 billion	\$646.9 million	\$23.7 billion	\$803.8 million

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

A general obligation bond act titled “The Behavioral Health Infrastructure Bond Act of 2024,” was submitted to the voters on the March 5, 2024, ballot. If approved by the voters, this bond act authorizes \$6.38 billion in new general obligation bonds. The California Secretary of State will certify the election results by April 12, 2024, after all ballots are processed. Preliminary results indicate that this bond act is likely to be approved by the voters.

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 1.03 percent of the state’s total outstanding general obligation bonds.

Type of Bonds	Outstanding Principal Amount (\$000) as of January 1, 2024	Current Variable Rate Interest Mode	Liquidity Support^(a)
General Obligation	\$ 726,590	Daily/Weekly VRDO	Letters of Credit

^(a) See “Bank Arrangements Table.”

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

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

3. General Obligation Commercial Paper Program

Pursuant to legislation enacted in 1995, voter-approved general obligation indebtedness may be issued either as long-term bonds or, for some but not all bond acts, as commercial paper notes. The principal amounts of commercial paper notes are typically paid with proceeds of new commercial paper notes or proceeds from the issuance of long-term bonds. Interest on commercial paper notes is required to be paid from the General Fund. The state primarily uses commercial paper notes to provide interim funding for voter-approved projects under a bond act until long-term bonds are issued. Commercial paper notes are not included in the calculation of permitted variable rate indebtedness described under “Variable Rate General Obligation Bonds.” As of January 1, 2024, payment of a total of \$2.45 billion in principal amount of commercial paper notes, plus interest thereon, is supported by credit agreements with financial institutions. See the following section “Bank Arrangements.” The aggregate principal amount of commercial paper notes outstanding from time to time cannot exceed the aggregate principal amount then supported by such credit agreements. See “BANK ARRANGEMENTS TABLE” for a list of credit agreements that support payment of particular series of commercial paper notes.

4. Bank Arrangements

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

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

5. Lease Revenue Obligations

In addition to general obligation bonds, the state acquires and constructs capital projects through the issuance of lease revenue obligations. Such borrowing must be authorized by the Legislature in a separate act or appropriation. Under these arrangements, the State Public Works Board (“SPWB”), another state or local agency, or a joint powers authority uses proceeds of bonds to finance the acquisition or construction of a wide range of capital projects. These capital projects are leased to various state agencies under a long-term lease which provides the source of revenues which are pledged to the payment of the debt service on the lease revenue bonds. Under applicable court decisions, such lease arrangements do not constitute the creation of “indebtedness” within the meaning of the state constitutional provisions that require voter approval. For purposes of APPENDIX A and the tables under “STATE DEBT TABLES,” the terms “lease revenue obligation,” “lease revenue financing,” “lease-purchase obligation” or “lease-purchase” mean principally bonds or certificates of participation for capital projects where the lease payments providing the security are payable from the operating budget of the respective lessees, which are primarily, but not exclusively, derived from the General Fund. A summary of the lease revenue bonds outstanding as well as those authorized by the Legislature but unissued, in each case, as of January 1, 2024, is set forth in the following table.

**General Fund Supported Lease Revenue Obligations
(As of January 1, 2024)**

<u>Outstanding</u>	<u>Authorized but Unissued</u>
\$7.8 billion	\$6.5 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. For information about outstanding revenue obligations that are non-recourse to the General Fund issued by a particular state agency or conduit financing authority see the applicable website or EMMA filings of such agency or authority.

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 IRS 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, 2024, the state has approximately \$11.3 billion of outstanding BAB general obligation bonds and \$332 million of outstanding BAB lease revenue bonds. As of January 1, 2024, the aggregate amount of the subsidy payments expected to be received for the remaining part of fiscal year 2023-24 through the maturity of the outstanding BABs (mostly 20 to 30 years from issuance) is approximately \$4.1 billion for the general obligation BABs and \$80 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 2031. The amount of this reduction has been less than \$30 million annually and such reductions are presently scheduled to continue through September 30, 2031.

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

reduced by approximately \$288 million per calendar year for 2025 and 2026 and would be reduced by approximately \$285 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, 2024, the State Treasurer's Office estimates approximately \$5.1 billion of new money general obligation bonds (some of which may initially be in the form of commercial paper notes) and approximately \$1.4 billion of new money lease revenue bonds will be issued through the end of fiscal year 2023-24. In fiscal year 2024-25, the Department of Finance estimates issuance of approximately \$3.5 billion of new money general obligation bonds (some of which may initially be in the form of commercial paper notes) and approximately \$2.2 billion in lease revenue bonds. The estimates for fiscal year 2024-25 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 2024-25 Governor's Budget and the bond issuance estimates described in the paragraph above, the General Fund Debt Ratio is projected to equal approximately 3.95 percent in fiscal year 2023-24 and 4.02 percent in fiscal year 2024-25.

The General Fund Debt Ratio is calculated based on the amount of debt service expected to be paid, without adjusting for receipts from the U.S. Treasury for the state's current outstanding general obligation and lease revenue BABs or the availability of any special funds that may be used to pay a portion of the debt service to help reduce General Fund costs. The total of these offsets is projected to be approximately \$1.7 billion for fiscal year 2023-24 and \$1.8 billion for fiscal year 2024-25. Including the projected offsets reduce the General Fund Debt Ratio to 3.07 percent in fiscal year 2023-24 and 3.14 percent in fiscal year 2024-25. The actual General Fund Debt Ratio in future fiscal years will depend on a variety of factors, including actual debt issuance (which may include additional issuance approved in the future by the Legislature and, for general obligation bonds, the voters), actual interest rates, debt service structure, and actual General Fund revenues and transfers.

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

Tobacco Settlement Revenue Bonds

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

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

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

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

Department of Health Care Access and Information Guarantees

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

State law established the Health Facility Construction Loan Insurance Fund (the “Fund”) as a trust fund which is continuously appropriated and may only be used for purposes of this program. The Fund is used as a depository of fees and insurance premiums and any recoveries and is the initial source of funds used to pay administrative costs of the program and shortfalls resulting from defaults by insured borrowers. If the Fund is unable to make payment on an insured loan or bond, state law provides for the State Treasurer’s Office 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 October 31, 2023, HCAI insured 58 loans to nonprofit or publicly owned health facilities throughout California with a current outstanding aggregate par amount of approximately \$1.32 billion, and a cash balance of approximately \$133.4 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 2030-31, and a 90 percent likelihood that the Fund’s reserves as of June 30, 2020 would protect against any General Fund losses until at least fiscal year 2025-26.

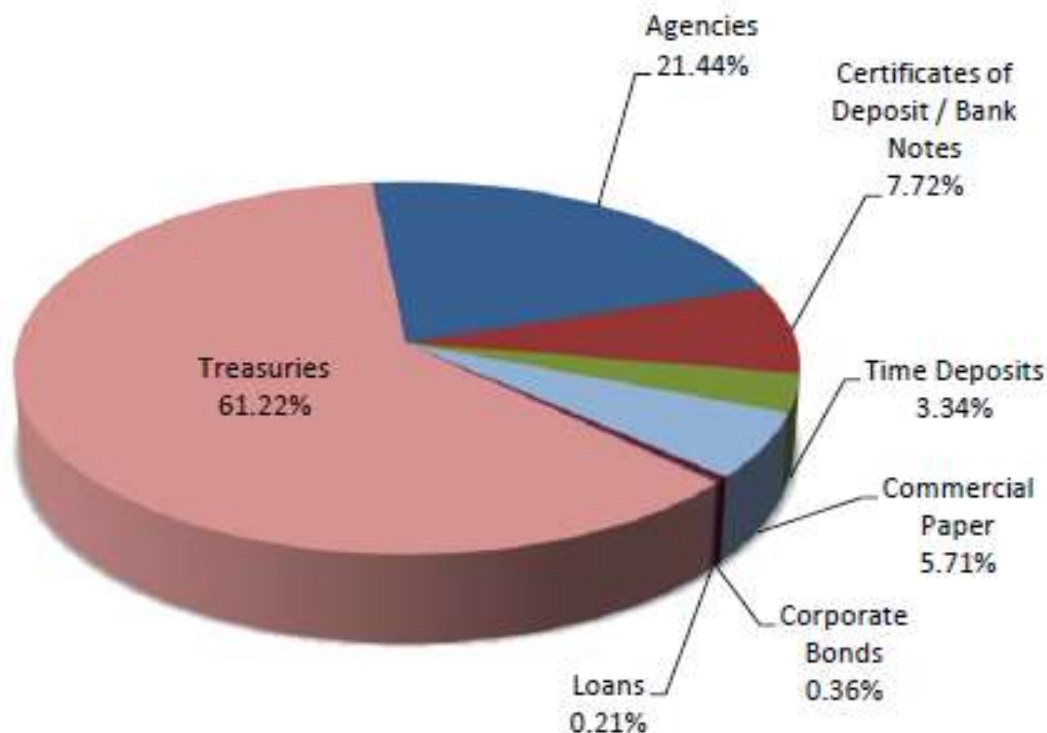
In December 2016, HCAI, the Department of Finance, and the State Treasurer’s Office entered into a memorandum of understanding that outlined the processes for the (i) issuance of debentures; (ii) payment of debentures from the General Fund should the Fund fail to pay the debentures; and (iii) repayment 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, 2023, the PMIA held approximately \$137.0 billion of state moneys and \$21.0 billion invested for about 2,350 local governmental entities through the Local Agency Investment Fund (“LAIF”). The assets of the PMIA as of December 31, 2023, are shown in the following chart. Amounts owing on the SB 84 Loan to fund the supplemental pension payment to CalPERS as described in “DEBTS AND LIABILITIES UNDER PROPOSITION 2,” and the \$2.1 billion investment, excluding earned accrued interest, in Demand Deposit State and Local Government Series securities 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.

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

PMIA Portfolio Composition - 12/31/2023 \$158.0 billion



Percentages may not total 100%, due to rounding.

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

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

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

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

The average life of the investment portfolio of the PMIA as of December 31, 2023, was 230 days. Over the prior 12 months, the average life has ranged from 281 days to 230 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, state voters may directly influence state government through the initiative, referendum, and recall processes. The state Constitution provides for mechanisms through which it may be amended or revised.

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

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

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

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

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

The executive branch is principally organized through eleven agency areas.

Some state programs are administered by boards and commissions, such as The Regents of the University of California, Public Utilities Commission, FTB and California Transportation Commission, which have authority over certain functions of state government with the power to establish policy and promulgate regulations. The appointment of members of boards and commissions is usually shared by the Legislature and the Governor, and often includes ex officio members.

Employee Relations

At the 2024-25 Governor's Budget, the state work force for fiscal year 2024-25 was estimated at approximately 426,000 positions. Approximately 173,000 of those positions represent state employees of the legislative and judicial branches of government, and institutions of higher education. Of the remaining 253,000 positions, over 80 percent are subject to collective bargaining on wages, hours, and other terms and conditions of employment with the Administration, which are contained in a Memorandum of Understanding ("MOU") subject to ratification by the Legislature; less than 20 percent are excluded from collective bargaining.

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

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

Collective bargaining negotiations will commence with bargaining units representing Highway Patrol Officers and Firefighters, whose contracts or side letter agreements expire in summer 2024. The 2024-25 Governor's Budget proposes to eliminate the telework stipend first offered to state employees in fiscal year 2021-22 through negotiations with 17 state bargaining units.

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, government, 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 2024-25—Development of Revenue Estimates" for a description of the latest economic forecast for the national and California economies.

California's total population was estimated at 39.1 million as of July 2023, a decline of 0.1 percent from the previous year. Since 2010, the state has grown by approximately 2 million persons. Births for fiscal year 2022-23 totaled approximately 410,000, a decline of approximately 3.1 percent from fiscal year 2021-22; 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 2022-23, net migration was negative 144,000. Foreign immigration recovered to pre-pandemic levels while net domestic out-migration declined but continued to exceed net international migration.

The 2021 total fertility rate in California, at 1.54 children per woman, is lower than the U.S. total fertility rate (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 79 years in 2020, among the highest of any U.S. state and well above the national life expectancy at birth of 77 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 approximately 22.9 percent of Californians under 18 years and 17.1 percent age 65 and older. Population growth rates will vary by age group. The state's overall projected five-year growth has slowed (totaling a projected 39.1 million in 2026), and the 25-64 year old working-age population is anticipated to decrease from approximately 19.5 million in 2022 to 19.1 million in 2026 (-1.8 percent.) Among younger ages, the 5-17 year old school-age group is expected to decline from 6.7 million in 2022 to 6.3 million in 2026 (-5.9 percent) and the 18-24-year-old college-age group is expected to increase by from 3.9 million in 2022 to almost 4 million in 2026 (2.3 percent.) Related to lower births in recent years, the 0-4 preschool-age group is expected to decrease from 2.2 million in 2022 to 2.1 million in 2026 (-4.1 percent.) The population of the 65-and-older retirement-age group is expected to expand rapidly, from approximately 6.7 million in 2022 to 7.5 million in 2026 (11.8 percent.)

In long-term projections, California's population growth has slowed and is projected to grow marginally from 39 million in 2022 to 39.5 million by 2060. With the population aging, deaths are expected to increase more than births, and this will lessen the state's growth over time, but projected gains from migration—in line with California's historical patterns—bolster younger age groups in each projection year. The projections assume that there are no major natural catastrophes or wars that affect the state or the nation, and that economic stability continues throughout the forecast period, which runs through the end of calendar year 2060. The

long-term impact of the COVID-19 pandemic on California’s population is still uncertain. COVID-19 and the related impacts on the economy and labor force created conditions that could have significant impacts on population growth. There were approximately 26,500 fewer deaths in fiscal year 2021-22 compared to fiscal year 2020-21. Births declined approximately 24,500 from fiscal year 2019-20 to fiscal year 2020-21 and increased by approximately 11,500 in fiscal year 2021-22.

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

**TABLE 21
Population**

Year	California	Annual Percent	United States	Annual Percent	California as % of United States
		Change		Change	
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	39,541,722	0.0	331,511,512	1.0	11.9
2021	39,246,702	-0.8	332,048,977	0.2	11.8
2022	39,146,273	-0.3	333,271,411	0.4	11.7
2023	39,109,070	-0.1	334,914,895	0.5	11.6

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 2023 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)**

Year	Labor Force	Employment	Unemployment Rate	
			California	United States
2014	18,677	17,265	7.6%	6.2%
2015	18,824	17,647	6.3	5.3
2016	19,012	17,965	5.5	4.9
2017	19,185	18,258	4.8	4.4
2018	19,290	18,470	4.3	3.9
2019	19,385	18,590	4.1	3.7
2020	18,959	17,037	10.2	8.1
2021	18,957	17,569	7.3	5.4
2022	19,169	18,349	4.3	3.6
2023	19,308	18,388	4.8	3.6

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

The following table shows California’s nonfarm payroll employment and distribution of employment for 2013 and 2023 by major sector.

TABLE 23
Nonfarm Payroll Employment by Major Sector
2013 and 2023
(Thousands)

Industry Sector	Employment		Distribution of Employment	
	2013	2023	2013	2023
Mining and Logging	28.4	19.6	0.2%	0.1%
Construction	637.9	913.5	4.2	5.1
Manufacturing	--	--	--	--
Nondurable Goods	471.2	466.2	3.1	2.6
Durable Goods	--	--	--	--
High Technology	342.2	381.5	2.3	2.1
Other Durable Goods	450.9	486.5	3.0	2.7
Trade, Transportation & Utilities	2,761.2	3,107.1	18.2	17.4
Information	454.3	559.0	3.0	3.1
Financial Activities	783.0	814.3	5.2	4.6
Professional & Business Services	2,347.9	2,775.4	15.5	15.6
Private Educational & Health Services	2,308.9	3,100.0	15.2	17.4
Leisure & Hospitality	1,675.2	2,010.6	11.1	11.3
Other Services	515.7	587.9	3.4	3.3
Government	--	--	--	--
Federal Government	245.6	250.4	1.6	1.4
State & Local Government	2,128.8	2,353.3	14.1	13.2
TOTAL	15,151.1	17,825.05	100.0%	100.0%

Totals may not add due to rounding.

Source: State of California, Employment Development Department.

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

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

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

Year	Total Personal Income	Annual % Change	California % of U.S.
2013	\$1,840,885	1.4	13.1
2014	1,955,718	6.2	13.2
2015	2,097,050	7.2	13.6
2016	2,191,138	4.5	13.8
2017	2,295,049	4.7	13.8
2018	2,411,055	5.1	13.8
2019	2,537,951	5.3	13.8
2020	2,767,521	9.0	14.1
2021	3,013,677	8.9	14.1
2022	3,006,647	-0.2	13.8

Preliminary annual data for 2023 will be available on March 29, 2024.

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

TABLE 25
Personal Income Per Capita
(Dollars)

Year	California	Annual % Change	United States	Annual % Change	California % of U.S.
2013	\$48,076	0.6	\$44,401	0.4	108.3
2014	50,619	5.3	46,287	4.2	109.4
2015	53,817	6.3	48,060	3.8	112
2016	55,863	3.8	48,971	1.9	114.1
2017	58,214	4.2	51,004	4.2	114.1
2018	60,984	4.8	53,309	4.5	114.4
2019	64,174	5.2	55,547	4.2	115.5
2020	70,061	9.2	59,153	6.5	118.4
2021	76,991	9.9	64,430	8.9	119.5
2022	77,036	0.1	65,470	1.6	117.7

Preliminary annual data for 2023 will be available on March 29, 2024.

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

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

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

Year	Units			Residential Valuation
	Total Number	Single-Family	Multi-Family	
2014	83,657	39,222	44,435	\$18,744
2015	98,188	45,644	52,544	22,637
2016	102,350	50,311	52,039	24,045
2017	114,780	57,132	57,648	27,782
2018	113,502	58,831	54,671	27,845
2019	110,197	58,575	51,622	26,583
2020	106,075	59,043	47,032	25,423
2021	119,436	65,890	53,546	28,725
2022	119,667	63,717	55,950	28,848
2023 ^{p/}	111,221	57,959	53,262	27,605

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

p/ Preliminary and calculated as year-to-date monthly average. Final 2023 annual data will be updated on May 1, 2024.

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
2014	\$173,869	3.4
2015	165,360	(4.9)
2016	163,261	(1.3)
2017	171,920	5.3
2018	178,175	3.6
2019	173,755	(2.5)
2020	155,919	(10.3)
2021	174,860	12.2
2022	186,238	6.5
2023	178,717	(4.0)

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

Source: U.S. Census Bureau.

BANK ARRANGEMENTS TABLE

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

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

BANK ARRANGEMENTS TABLE

(See “STATE INDEBTEDNESS AND OTHER OBLIGATIONS—Capital Facilities Financing—Bank Arrangements.”)
As of January 1, 2024

Program	Series	Outstanding Par Amount	Credit Provider*	Expiration Date	Type of Credit	Reset Mode
GO VRDOs	2003A 1	\$34,000,000	Barclays Bank PLC	8/25/2025	LOC	Daily
GO VRDOs	2003C 1	68,300,000	TD Bank, N.A.	5/10/2028	LOC	Weekly
GO VRDOs	2003C 3-4	68,100,000	U.S. Bank National Association	12/16/2024	LOC	Weekly
GO VRDOs	2004A 2 & 3	95,900,000	State Street Bank & Trust Company	12/29/2025	LOC	Daily
GO VRDOs	2004 A 9	32,000,000	State Street Bank & Trust Company	12/29/2025	LOC	Weekly
GO VRDOs	2005A-2-1	143,200,000	Sumitomo Mitsui Banking Corporation	5/8/2026	LOC	Weekly
GO VRDOs	2005B-1	147,100,000	Wells Fargo Bank, N.A.	4/22/2025	LOC	Weekly
GO VRDOs	2005B-3	49,100,000	Sumitomo Mitsui Banking Corporation	5/8/2026	LOC	Weekly
GO VRDOs	2005B-5	88,890,000	U.S. Bank National Association	11/18/2024	LOC	Daily
Total GO VRDOs		\$726,590,000				
GO CP ^(a)	A1/B1	\$500,000,000	Wells Fargo Bank, N.A.	4/22/2025	LOC	Up to 90 days
	A2/B2	500,000,000	Royal Bank of Canada	10/10/2025	LOC	Up to 90 days
	A3/B3	250,000,000	UBS AG, Stamford Branch	12/5/2025	LOC	Up to 90 days
	A4/B4	200,000,000	TD Bank, N.A.	5/15/2028	LOC	Up to 90 days
	A5/B5	225,000,000	U.S. Bank National Association	12/16/2024	LOC	Up to 90 days
	A6/B6	350,000,000	Bank of America, N.A.	7/17/2026	LOC	Up to 90 days
	A7/B7	300,000,000	State Street Bank & Trust Company	12/7/2027	LOC	Up to 90 days
	A8/B8	125,000,000	Bank of Montreal, Chicago Branch	12/12/2025	LOC	Up to 90 days
Total GO CP		\$2,450,000,000				
Grand Total		\$3,176,590,000				

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

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

STATE DEBT TABLES

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

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

The following tables, as applicable, do not reflect (i) principal or interest paid since the respective dates of such tables or (ii) commercial paper that has been issued or paid since January 1, 2024.

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

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

	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21 (a)</u>	<u>2021-22 (b)</u>	<u>2022-23 (c)</u>
Outstanding Debt (d)					
General Obligation Bonds					
General Fund (Non-Self Liquidating).....	\$ 72,651,425	\$ 71,968,035	\$ 70,837,455	\$ 69,215,805	\$ 70,666,075
Enterprise Fund (Self Liquidating).....	\$ 841,255	\$ 778,920	\$ 586,850	\$ 525,695	\$ 662,785
Total General Obligation Bonds.....	<u>\$ 73,492,680</u>	<u>\$ 72,746,955</u>	<u>\$ 71,424,305</u>	<u>\$ 69,741,500</u>	<u>\$ 71,328,860</u>
Revenue Bonds					
Lease-Purchase Debt.....	\$ 8,667,400	\$ 8,477,095	\$ 8,337,925	\$ 8,388,130	\$ 7,829,965
Total Revenue Bonds.....	<u>\$ 8,667,400</u>	<u>\$ 8,477,095</u>	<u>\$ 8,337,925</u>	<u>\$ 8,388,130</u>	<u>\$ 7,829,965</u>
Total Outstanding General Obligation and Revenue Bonds.....	<u>\$ 82,160,080</u>	<u>\$ 81,224,050</u>	<u>\$ 79,762,230</u>	<u>\$ 78,129,630</u>	<u>\$ 79,158,825</u>
Bond Sales During Fiscal Year					
Non-Self Liquidating General Obligation Bonds.....	\$ 7,017,660	\$ 7,763,245	\$ 6,313,765	\$ 6,639,495	\$ 8,590,580
Self Liquidating General Obligation Bonds.....	\$ 193,410	\$ 0	\$ 96,680	\$ 0	\$ 167,130
Lease-Purchase Debt.....	\$ 121,825	\$ 487,500	\$ 437,180	\$ 2,055,580	\$ 776,955
Debt Service (e)					
Non-Self Liquidating General Obligation Bonds.....	\$ 7,027,289	\$ 6,966,463	\$ 6,997,006	\$ 6,901,633	\$ 6,778,871
Lease-Purchase Debt.....	\$ 1,008,868	\$ 957,788	\$ 950,782	\$ 860,438	\$ 836,812
General Fund Receipts (f).....	\$ 145,612,779	\$ 127,446,834	\$ 226,200,168	\$ 245,820,459	\$ 174,196,665
Non-Self Liquidating General Obligation Bonds					
Debt Service as a Percentage of General					
Fund Receipts.....	4.83%	5.47%	3.09%	2.81%	3.89%
Lease-Purchase Debt Service as a					
Percentage of General Fund Receipts.....	0.69%	0.75%	0.42%	0.35%	0.48%
Population (g).....	39,476,064	39,529,566	39,541,722	39,246,702	39,146,273
Non-Self Liquidating General Obligation Bonds					
Outstanding per Capita.....	\$ 1,840.39	\$ 1,820.61	\$ 1,791.46	\$ 1,763.61	\$ 1,805.18
Lease-Purchase Debt Outstanding per Capita.....	\$ 219.56	\$ 214.45	\$ 210.86	\$ 213.73	\$ 200.02
Personal Income (h).....	\$ 2,411,055,000	\$ 2,537,951,000	\$ 2,767,521,000	\$ 3,013,677,000	\$ 3,006,647,000
Non-Self Liquidating General Obligation Bonds					
Outstanding as Percentage of Personal Income.....	3.01%	2.84%	2.56%	2.30%	2.35%
Lease-Purchase Debt Outstanding as					
Percentage of Personal Income.....	0.36%	0.33%	0.30%	0.28%	0.26%

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

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

(c) Includes the 2022 Forward Delivery Bonds.

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

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

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

(g) See Table 22 of Appendix A.

(h) See Table 25 of Appendix A.

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

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

Population: State of California, Department of Finance

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

AUTHORIZED AND OUTSTANDING GENERAL OBLIGATION BONDS

As of January 1, 2024

(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	9,555	0	0
1990 School Facilities Bond Act ^(b)	123	06/05/90	797,875	8,835	0	0
1992 School Facilities Bond Act ^(b)	155	11/03/92	898,211	18,680	0	0
California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002 ^(f)	40	03/05/02	2,596,643	1,499,965	14,905	102,143
California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Act of 2018	68	06/05/18	4,100,000	1,092,315	69,365	2,826,160
California Library Construction and Renovation Bond Act of 1988 ^(b)	85	11/08/88	72,405	2,155	0	0
* California Park and Recreational Facilities Act of 1984 ^(b)	18	06/05/84	368,900	1,955	0	0
* California Parklands Act of 1980	1	11/04/80	285,000	50	0	0
California Reading and Literacy Improvement and Public Library Construction and Renovation Bond Act of 2000	14	03/07/00	350,000	185,925	0	5,040
* California Safe Drinking Water Bond Law of 1976 ^(b)	3	06/08/76	172,500	830	0	0
* California Safe Drinking Water Bond Law of 1984	28	11/06/84	75,000	350	0	0
* California Safe Drinking Water Bond Law of 1986	55	11/04/86	100,000	4,600	0	0
California Safe Drinking Water Bond Law of 1988	81	11/08/88	75,000	9,285	0	0
California Stem Cell Research and Cures Bond Act of 2004	71	11/02/04	3,000,000	767,215	39,455	74,990
California Stem Cell Research, Treatments, and Cures Bond Act of 2020	14	11/03/20	5,500,000	616,065	0	4,883,935
* California Wildlife, Coastal, and Park Land Conservation Act ^(b)	70	06/07/88	768,670	22,025	0	0
Children's Hospital Bond Act of 2004	61	11/02/04	750,000	520,115	180	1,350
Children's Hospital Bond Act of 2008	3	11/04/08	980,000	743,805	1,510	41,245
Children's Hospital Bond Act of 2018	4	11/06/18	1,500,000	169,210	41,980	1,254,505
Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998 (Hi-Ed)	1A	11/03/98	2,500,000	969,160	0	0
Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998 (K-12)	1A	11/03/98	6,700,000	1,999,460	65	35
* Clean Air and Transportation Improvement Bond Act of 1990	116	06/05/90	1,990,000	208,725	0	0
* Clean Water Bond Law of 1984	25	11/06/84	325,000	175	0	0
* Clean Water and Water Conservation Bond Law of 1978	2	06/06/78	375,000	925	0	0
Clean Water and Water Reclamation Bond Law of 1988	83	11/08/88	65,000	3,115	0	0
County Correctional Facility Capital Expenditure and Youth Facility Bond Act of 1988	86	11/08/88	500,000	6,875	0	0
Disaster Preparedness and Flood Prevention Bond Act of 2006 ^{(c)(h)}	1E	11/07/06	3,960,560	2,761,070	40,085	229,167

AUTHORIZED AND OUTSTANDING GENERAL OBLIGATION BONDS
As of January 1, 2024
(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 ^(e)	122	06/05/90	292,510	2,200	0	0
* Fish and Wildlife Habitat Enhancement Act of 1984	19	06/05/84	85,000	1,995	0	0
Higher Education Facilities Bond Act of 1988	78	11/08/88	600,000	4,370	0	0
Higher Education Facilities Bond Act of June 1990	121	06/05/90	450,000	6,985	0	540
Higher Education Facilities Bond Act of June 1992	153	06/02/92	900,000	44,255	0	0
Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006	1B	11/07/06	19,925,000	13,178,400	125,550	569,825
Housing and Emergency Shelter Trust Fund Act of 2002	46	11/05/02	2,100,000	107,450	7,920	57,045
Housing and Emergency Shelter Trust Fund Act of 2006	1C	11/07/06	2,850,000	775,290	12,610	202,870
Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (CCC)	51	11/08/16	2,000,000	861,770	20,055	982,140
Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (K-12)	51	11/08/16	7,000,000	5,641,835	4,975	219,500
Kindergarten-University Public Education Facilities Bond Act of 2002 (Hi-Ed)	47	11/05/02	1,650,000	974,680	0	0
Kindergarten-University Public Education Facilities Bond Act of 2002 (K-12)	47	11/05/02	11,400,000	5,840,170	0	5,455
Kindergarten-University Public Education Facilities Bond Act of 2004 (Hi-Ed)	55	03/02/04	2,300,000	1,448,470	0	58,019
Kindergarten-University Public Education Facilities Bond Act of 2004 (K-12)	55	03/02/04	10,000,000	5,880,050	0	16,160
Kindergarten-University Public Education Facilities Bond Act of 2006 (Hi-Ed)	1D	11/07/06	3,087,000	2,345,885	0	38,775
Kindergarten-University Public Education Facilities Bond Act of 2006 (K-12)	1D	11/07/06	7,329,000	4,972,540	8,470	137,860
* New Prison Construction Bond Act of 1986	54	11/04/86	500,000	835	0	0
New Prison Construction Bond Act of 1988	80	11/08/88	817,000	1,890	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	201,275	0	4,650
Public Education Facilities Bond Act of 1996 (K-12) ^(e)	203	03/26/96	2,012,035	300,695	0	0
Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Act ^(e)	13	03/07/00	1,884,000	959,405	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	3,138,735	97,600	607,202
Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Act of 2000	12	03/07/00	2,100,000	882,645	4,825	13,080
Safe, Clean, Reliable Water Supply Act ^(e)	204	11/05/96	969,500	290,580	0	62,915
Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century	1A	11/04/08	9,950,000	4,388,250	47,595	3,254,790
* School Building and Earthquake Bond Act of 1974	1	11/05/74	150,000	3,990	0	0

AUTHORIZED AND OUTSTANDING GENERAL OBLIGATION BONDS
As of January 1, 2024
(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	11,685	0	0
School Facilities Bond Act of 1992	152	06/02/92	1,900,000	21,445	0	10,280
Seismic Retrofit Bond Act of 1996	192	03/26/96	2,000,000	553,765	0	0
* State, Urban, and Coastal Park Bond Act of 1976	2	11/02/76	280,000	665	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	236,985	38,415	300,045
Veterans and Affordable Housing Bond Act of 2018	1	11/06/18	3,000,000	569,145	101,800	2,306,965
Voting Modernization Bond Act of 2002	41	03/05/02	200,000	35,635	0	10,430
Water Conservation Bond Law of 1988 ^(g)	82	11/08/88	54,765	4,575	0	0
* Water Conservation and Water Quality Bond Law of 1986 ^(e)	44	06/03/86	136,500	6,360	0	230
Water Quality, Supply, and Infrastructure Improvement Act of 2014 ^(f)	1	11/04/14	7,465,000	2,490,300	207,075	4,335,560
Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 ^(e)	50	11/05/02	3,345,000	2,151,400	24,210	173,874
Total General Fund Bonds			156,477,176	69,988,990	908,645	22,832,951

AUTHORIZED AND OUTSTANDING GENERAL OBLIGATION BONDS
As of January 1, 2024
(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	35	0	167,600
Veterans Bond Act of 1986	42	06/03/86	850,000	3,465	0	0
Veterans Bond Act of 1988	76	06/07/88	510,000	6,240	0	0
Veterans Bond Act of 1990	142	11/06/90	400,000	14,335	0	0
Veterans Bond Act of 1996	206	11/05/96	400,000	25,640	0	0
Veterans Bond Act of 2000	32	11/07/00	500,000	114,555	0	0
Veterans Bond Act of 2008 ^(d)	12	11/04/08	300,000	158,570	0	0
Veterans and Affordable Housing Bond Act of 2018 (CalVet)	1	11/06/18	1,000,000	324,095	0	636,235
Total Enterprise Fund Bonds			5,710,000	646,935	0	803,835
TOTAL GENERAL OBLIGATION BONDS			162,187,176	70,635,925	908,645	23,636,786

(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, 2024

Fiscal Year Ending June 30	Current Debt		
	Interest	Principal	Total (a)
2024 (b)	11,469,672.52	-	11,469,672.52
2025	22,840,186.29	10,225,000.00	33,065,186.29
2026	22,669,708.79	6,965,000.00	29,634,708.79
2027	22,230,531.29	26,585,000.00	48,815,531.29
2028	21,531,276.91	23,880,000.00	45,411,276.91
2029	20,787,868.15	28,070,000.00	48,857,868.15
2030	19,648,747.52	43,290,000.00	62,938,747.52
2031	18,208,595.02	42,895,000.00	61,103,595.02
2032	16,987,678.77	28,440,000.00	45,427,678.77
2033	15,887,035.02	34,535,000.00	50,422,035.02
2034	14,751,038.77	31,275,000.00	46,026,038.77
2035	13,933,405.02	17,445,000.00	31,378,405.02
2036	13,365,765.02	18,185,000.00	31,550,765.02
2037	12,763,855.02	18,970,000.00	31,733,855.02
2038	12,129,018.14	19,800,000.00	31,929,018.14
2039	11,542,010.01	15,055,000.00	26,597,010.01
2040	11,006,698.76	15,725,000.00	26,731,698.76
2041	10,353,030.01	21,920,000.00	32,273,030.01
2042	9,546,772.51	24,315,000.00	33,861,772.51
2043	8,657,448.76	25,960,000.00	34,617,448.76
2044	7,694,258.76	26,895,000.00	34,589,258.76
2045	6,677,234.38	26,785,000.00	33,462,234.38
2046	5,622,285.00	27,825,000.00	33,447,285.00
2047	4,564,900.00	26,415,000.00	30,979,900.00
2048	3,620,152.50	21,175,000.00	24,795,152.50
2049	2,816,725.00	16,515,000.00	19,331,725.00
2050	2,113,100.00	13,825,000.00	15,938,100.00
2051	1,475,387.50	12,800,000.00	14,275,387.50
2052	887,012.50	10,075,000.00	10,962,012.50
2053	304,975.00	11,090,000.00	11,394,975.00
Total	\$ 346,086,372.94	\$ 646,935,000.00	\$ 993,021,372.94

(a) Includes scheduled mandatory sinking fund payments.

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

SOURCE: State of California, Office of the Treasurer.

**SCHEDULE OF DEBT SERVICE REQUIREMENTS
FOR GENERAL FUND NON-SELF LIQUIDATING BONDS**

Fixed Rate

As of January 1, 2024

Fiscal Year Ending June 30	Current Debt		
	Interest (a)	Principal	Total (b)
2024 (c)	1,737,735,656.42	843,640,000.00	2,581,375,656.42
2025	3,404,498,631.77	3,433,605,000.00	6,838,103,631.77
2026	3,245,830,086.10	3,416,250,000.00	6,662,080,086.10
2027	3,079,004,914.12	3,640,025,000.00	6,719,029,914.12
2028	2,916,192,236.55	3,730,815,000.00	6,647,007,236.55
2029	2,749,203,802.80	3,758,620,000.00	6,507,823,802.80
2030	2,575,010,351.55	3,607,060,000.00	6,182,070,351.55
2031	2,410,634,347.80	3,556,700,000.00	5,967,334,347.80
2032	2,242,521,020.30	3,757,010,000.00	5,999,531,020.30
2033	2,072,062,341.55	3,706,330,000.00	5,778,392,341.55
2034	1,908,306,869.02	3,838,635,000.00	5,746,941,869.02
2035	1,657,521,012.08	3,274,920,000.00	4,932,441,012.08
2036	1,489,757,985.17	3,264,980,000.00	4,754,737,985.17
2037	1,329,997,132.67	3,172,425,000.00	4,502,422,132.67
2038	1,160,756,758.90	3,530,055,000.00	4,690,811,758.90
2039	1,022,600,667.62	3,519,015,000.00	4,541,615,667.62
2040	731,458,276.37	2,212,745,000.00	2,944,203,276.37
2041	565,341,100.04	2,179,625,000.00	2,744,966,100.04
2042	455,556,009.41	1,588,660,000.00	2,044,216,009.41
2043	377,801,918.78	1,691,560,000.00	2,069,361,918.78
2044	304,585,443.78	999,820,000.00	1,304,405,443.78
2045	269,544,543.78	893,925,000.00	1,163,469,543.78
2046	218,235,962.53	1,144,865,000.00	1,363,100,962.53
2047	172,098,881.28	887,500,000.00	1,059,598,881.28
2048	130,828,759.40	850,000,000.00	980,828,759.40
2049	106,643,012.52	490,000,000.00	596,643,012.52
2050	84,518,012.52	675,000,000.00	759,518,012.52
2051	54,489,787.52	600,000,000.00	654,489,787.52
2052	40,911,662.51	350,000,000.00	390,911,662.51
2053	26,802,287.50	250,000,000.00	276,802,287.50
2054	10,463,643.75	398,615,000.00	409,078,643.75
Total	\$ 38,550,913,116.11	\$ 69,262,400,000.00	\$ 107,813,313,116.11

(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, 2024 through June 30, 2024.

SOURCE: State of California, Office of the Treasurer.

**SCHEDULE OF DEBT SERVICE REQUIREMENTS
FOR GENERAL FUND NON-SELF LIQUIDATING BONDS
Variable Rate
As of January 1, 2024**

Fiscal Year Ending June 30	Current Debt		
	Interest (a)	Principal	Total (b)
2024 (c)	8,203,504.50	57,900,000.00	66,103,504.50
2025	17,999,303.86	38,800,000.00	56,799,303.86
2026	16,754,276.11	67,900,000.00	84,654,276.11
2027	14,792,188.36	13,300,000.00	28,092,188.36
2028	14,473,180.26	13,900,000.00	28,373,180.26
2029	14,058,785.61	19,600,000.00	33,658,785.61
2030	13,352,725.65	109,290,000.00	122,642,725.65
2031	9,545,211.15	116,800,000.00	126,345,211.15
2032	6,721,265.23	167,800,000.00	174,521,265.23
2033	2,783,993.23	120,600,000.00	123,383,993.23
2034	19,650.42	300,000.00	319,650.42
2035	10,819.98	-	10,819.98
2036	10,866.90	-	10,866.90
2037	10,773.13	-	10,773.13
2038	10,820.00	-	10,820.00
2039	10,819.98	-	10,819.98
2040	9,920.90	400,000.00	409,920.90
Total	\$ 118,768,105.27	\$ 726,590,000.00	\$ 845,358,105.27

(a) The estimate of future interest payments is based on rates in effect as of January 1, 2024. The interest rates for the daily and weekly rate bonds range from 2.25-3.70%.

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

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

SOURCE: State of California, Office of the Treasurer.

**SCHEDULE OF DEBT SERVICE REQUIREMENTS
FOR LEASE-REVENUE DEBT
Fixed Rate
As of January 1, 2024**

Fiscal Year Ending June 30	Current Debt		
	Interest (a)	Principal	Total (b)
2024 (c)	189,376,036.50	188,755,000.00	378,131,036.50
2025	368,237,999.96	510,910,000.00	879,147,999.96
2026	342,513,767.45	525,010,000.00	867,523,767.45
2027	315,967,565.20	555,225,000.00	871,192,565.20
2028	288,056,419.04	569,855,000.00	857,911,419.04
2029	259,372,576.67	541,380,000.00	800,752,576.67
2030	232,964,647.47	538,545,000.00	771,509,647.47
2031	206,556,856.31	534,095,000.00	740,651,856.31
2032	179,431,924.92	548,560,000.00	727,991,924.92
2033	151,159,457.36	497,525,000.00	648,684,457.36
2034	125,731,006.63	484,420,000.00	610,151,006.63
2035	100,467,914.47	450,720,000.00	551,187,914.47
2036	80,147,641.02	317,730,000.00	397,877,641.02
2037	65,505,275.02	308,590,000.00	374,095,275.02
2038	52,338,656.27	249,040,000.00	301,378,656.27
2039	41,771,718.77	202,990,000.00	244,761,718.77
2040	33,318,600.02	159,930,000.00	193,248,600.02
2041	27,761,371.89	81,550,000.00	109,311,371.89
2042	24,129,853.14	85,190,000.00	109,319,853.14
2043	20,358,750.02	88,945,000.00	109,303,750.02
2044	16,356,962.52	92,970,000.00	109,326,962.52
2045	12,170,500.02	97,130,000.00	109,300,500.02
2046	7,973,703.14	89,635,000.00	97,608,703.14
2047	3,937,681.26	72,400,000.00	76,337,681.26
2048	1,402,306.26	20,045,000.00	21,447,306.26
2049	450,590.63	19,485,000.00	19,935,590.63
Total	\$ 3,147,459,781.96	\$ 7,830,630,000.00	\$ 10,978,089,781.96

(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, 2024 through June 30, 2024.

SOURCE: State of California, Office of the Treasurer.

**STATE PUBLIC WORKS BOARD AND
OTHER LEASE-REVENUE FINANCING
OUTSTANDING ISSUES
As of January 1, 2024**

<u>GENERAL FUND SUPPORTED ISSUES^(a):</u>	<u>Outstanding</u>
State Public Works Board Issues (by Facility Lessee)	
Air Resources Board	\$ 288,910,000
Board of State and Community Corrections	158,110,000
California Community Colleges	83,020,000
California Department of Corrections and Rehabilitation	3,039,075,000
California Department of Forestry and Fire Protection	220,645,000
California Department of Veterans Affairs	204,120,000
Department of Developmental Services	67,540,000
Department of Education	103,655,000
Department of General Services	1,280,545,000
Department of Public Health	42,470,000
Department of State Hospitals	174,885,000
Judicial Council	1,897,290,000
Other State Facilities	170,980,000
Trustees of the California State University	96,805,000
Total State Public Works Board Issues	\$ 7,828,050,000
Total Non-State Public Works Board State Facilities Issues	\$ 2,580,000
Total General Fund Supported Issues	\$ 7,830,630,000
TOTAL	\$ 7,830,630,000

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

SOURCE: State of California, Office of the Treasurer.

**GENERAL OBLIGATION AND REVENUE BONDS
SUMMARY OF DEBT SERVICE REQUIREMENTS
As of January 1, 2024**

	Total Debt		
GENERAL OBLIGATION BONDS	Interest	Principal	Total (a)
<u>GENERAL FUND NON-SELF LIQUIDATING (b)</u>			
Fixed Rate	\$ 38,550,913,116.11	\$ 69,262,400,000.00	\$ 107,813,313,116.11
Variable Rate (c)	118,768,105.27	726,590,000.00	845,358,105.27
 <u>ENTERPRISE FUND SELF LIQUIDATING</u>			
Fixed Rate	346,086,372.94	646,935,000.00	993,021,372.94
 REVENUE BONDS			
<u>GENERAL FUND LEASE-REVENUE</u>			
Lease-Revenue	3,147,459,781.96	7,830,630,000.00	10,978,089,781.96
 <hr style="border-top: 1px solid black;"/>			
General Fund and Lease-Revenue Total (d)	\$ 42,163,227,376.28	\$ 78,466,555,000.00	\$ 120,629,782,376.28

(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, 2024. The interest rates for the daily and weekly rate bonds range from 2.25-3.70%.

(d) Estimated interest included.

SOURCE: State of California, Office of the Treasurer.

EXHIBIT 1 TO APPENDIX A
PENSION SYSTEMS

TABLE OF CONTENTS

	Page
PENSION SYSTEMS.....	EX-1-1
General.....	EX-1-1
CalPERS	EX-1-2
1. General.....	EX-1-2
2. Members and Employers	EX-1-2
3. Retirement Benefits	EX-1-4
4. Member and State Contributions	EX-1-5
5. Prospective Funding Status; Future State Contributions	EX-1-8
6. Investment Policy; Investment Returns	EX-1-13
7. Actuarial Methods and Assumptions.....	EX-1-15
8. Actuarial Valuation; Determination of Required Contributions.....	EX-1-17
9. Funding Status	EX-1-17
10. Other Retirement Plans	EX-1-18
CalSTRS	EX-1-19
1. General.....	EX-1-19
2. Members and Employers	EX-1-20
3. Retirement Benefits	EX-1-20
4. Funding for the DB Program	EX-1-21
5. Accounting Standards	EX-1-23
6. Funding for the SBMA	EX-1-24
7. Actuarial Methods and Assumptions.....	EX-1-24
8. Actuarial Valuation.....	EX-1-26
9. Funding Status	EX-1-27
10. Prospective Funding Status; Future Contributions	EX-1-28
11. Investment Policy; Investment Returns	EX-1-28

TABLE OF CONTENTS

(continued)

Page

TABLES

TABLE 28 CALPERS STATE EMPLOYEE MEMBERSHIP AS OF JUNE 30.....	EX-1-3
TABLE 29 CALPERS (STATE ONLY) SCHEDULE OF PENSION BENEFITS PAID	EX-1-4
TABLE 30 STATE CONTRIBUTIONS TO PERF, INCLUDING CSU.....	EX-1-6
TABLE 31 PERF TIME-WEIGHTED INVESTMENT RESULTS BASED ON MARKET VALUE	EX-1-14
TABLE 32 PERF TIME-WEIGHTED AVERAGE RETURNS AS OF JUNE 30, 2023	EX-1-14
TABLE 33 ACTUARIAL ASSUMPTIONS—STATE PLANS	EX-1-15
TABLE 34 PERF SCHEDULE OF FUNDING STATUS STATE EMPLOYEES ONLY	EX-1-18
TABLE 35 DB PROGRAM MEMBERSHIP.....	EX-1-20
TABLE 36 DB PROGRAM SCHEDULE OF BENEFITS PAID AND ADMINISTRATIVE EXPENSES.....	EX-1-21
TABLE 37 SCHEDULE OF GENERAL FUND CONTRIBUTIONS FROM THE STATE	EX-1-24
TABLE 38 ACTUARIAL METHODS AND ASSUMPTIONS—DB PROGRAM.....	EX-1-26
TABLE 39 DB PROGRAM SCHEDULE OF FUNDING STATUS.....	EX-1-27
TABLE 40 CALSTRS INVESTMENT RESULTS BASED ON MARKET VALUE ...	EX-1-29
TABLE 41 CALSTRS TIME-WEIGHTED NET RETURNS AS OF JUNE 30, 2023 ..	EX-1-29

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 2024-25 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 neither makes any representation nor expresses any opinion as to the accuracy of the information produced by CalPERS and CalSTRS.

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

CalPERS

1. General

CalPERS administers a total of 14 funds, including four funds for the defined benefit retirement plans: the Public Employees' Retirement Fund ("PERF"), the Legislators' Retirement Fund ("LRF"), the Judges' Retirement Fund ("JRF"), and the Judges' Retirement Fund II ("JRF II"). These plans, as well as the other plans administered by CalPERS, are described in the comprehensive financial reports of CalPERS, which can be found on CalPERS' website at www.calpers.ca.gov. Such information is not incorporated by reference herein.

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

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

2. Members and Employers

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

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

The following table reflects the number of state employee members of CalPERS as of June 30, 2022, and June 30, 2023.

TABLE 28
CalPERS State Employee Membership as of June 30

Category	2022	2023
Retirees	231,789	237,415
Survivors and Beneficiaries	41,236	40,752
Active Members	275,297	278,717
Inactive Members	114,338	118,503
Total	662,660	675,387

Source: CalPERS Annual Comprehensive Financial Report for Fiscal Years ended June 30, 2022, and June 30, 2023.

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

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

3. Retirement Benefits

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

The Public Employees’ Pension Reform Act of 2013 (“PEPRA”) (AB 340, Chapter 296, Statutes of 2012) increased the retirement age for new CalPERS members hired on or after January 1, 2013 (“PEPRA members”). State Miscellaneous and State Industrial PEPRA members who retire at age 62 are eligible for a benefit equal to 2 percent of final compensation for each year of credited service (increased to 2.5 percent of final compensation for members retiring after age 67). State Safety PEPRA members who retire at age 57 are eligible for a benefit equal to 2 percent under the Basic Safety Plan, 2.5 percent under the Safety Option Plan One, or 2.7 percent under the Safety Option Plan Two; the applicable percentage is multiplied by the PEPRA member’s final compensation and numbers of years of credited service. Approximately 53 percent of the state active member population consists of PEPRA members as of June 30, 2023.

The following table shows the amount of pension benefits paid from CalPERS for fiscal years 2017-18 through 2021-22.

TABLE 29
CalPERS (State Only)
Schedule of Pension Benefits Paid
(Dollars in Millions)

<u>Fiscal Year</u>	<u>Benefits Paid</u>
2017-18	\$9,213
2018-19	9,779
2019-20	10,347
2020-21	11,011
2021-22	11,607

Source: CalPERS State Actuarial Valuation for Fiscal Years Ended June 30, 2018, through June 30, 2022.

4. Member and State Contributions

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

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

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

The 2024-25 Governor’s Budget includes the following employer contribution rates for fiscal year 2024-25:

	Employer Contribution Rates^{(a)(b)(c)}
State Miscellaneous Tier 1	26.60%
California State University, Miscellaneous Tier 1	26.60
State Miscellaneous Tier 2	26.60
State Industrial	15.58
State Safety	19.18
State Peace Officers & Firefighters	30.45
California State University, Peace Officers and Firefighters	30.45
California Highway Patrol ^(d)	69.52

- (a) Includes additional contributions pursuant to Government Code Section 20683.2 (d).
- (b) Includes the impact of the \$1.881 billion and the \$2.925 billion, Proposition 2 supplemental pension payments authorized in the 2021 Budget Act and the 2022 Budget Act, respectively.
- (c) Reflects the impact of the proposed application in the 2024-25 Governor’s Budget of the \$1.7 billion supplemental pension payments authorized in the 2023 Budget Act, which in part results in lower contribution rates for fiscal year 2024-25. See “Proposition 2 Debt Repayment” below.
- (d) Reflects Bargaining Unit 5 Memorandum of Understanding requirements.

The table below shows the state’s actual and estimated contributions to PERF for fiscal years 2020-21 through 2024-25.

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
2020-21 ^{(a)(c)}	\$4,925	\$2,432	\$680	\$680	\$5,604	\$3,112
2021-22 ^{(a)(d)}	5,363	2,556	677	677	6,040	3,233
2022-23 ^{(a)(e)}	7,475	3,821	744	744	8,219	4,565
2023-24 ^{(b)(f)}	7,728	3,928	744	744	8,472	4,672
2024-25 ^{(b)(g)}	6,268	2,873	615	615	6,882	3,488

- (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 Chapter 859, Statutes of 2019 (AB 118), as described in this section.
- (b) Estimated contributions.
- (c) Does not include the \$243 million supplemental pension payment using Proposition 2 debt repayment funding in fiscal year 2020-21 pursuant to Chapter 16, Statutes of 2020 (AB 84), as described in this section.
- (d) Does not include the \$1.9 billion supplemental pension payment using Proposition 2 debt repayment funding in fiscal year 2021-22 included in the 2021 Budget Act, as described in this section.
- (e) Does not include the \$2.9 billion supplemental pension payment using Proposition 2 debt repayment funding in fiscal year 2022-23 included in the 2022 Budget Act, as described in this section.
- (f) Does not include the \$1.7 billion supplemental pension payment using Proposition 2 debt repayment funding in fiscal year 2023-24 included in the 2023 Budget Act, as described in this section.
- (g) Does not include the \$885 million supplemental pension payment using Proposition 2 debt repayment funding in fiscal year 2024-25 proposed in the 2024-25 Governor’s Budget, as described in this section. Reflects the impact on fiscal year 2024-25 contributions of the proposed application in the 2024-24 Governor’s Budget of the \$1.7 supplemental pension payments authorized in the 2023 Budget Act. See “Proposition 2 Debt Repayment” below.

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

Proposition 2 Debt Repayment

The 2024-25 Governor’s Budget proposes \$885 million in Proposition 2 debt repayment funding in fiscal year 2024-25 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 \$3.7 billion in Proposition 2 debt repayment funding will be paid to CalPERS over the remaining forecast period (fiscal years 2025-26 to 2027-28), depending on the availability of Proposition 2 debt funding.

The 2023 Budget Act included \$1.7 billion in Proposition 2 debt repayment funding in fiscal year 2023-24 to reduce the state’s unfunded liabilities. This payment was in addition to the statutorily required state pension contributions for fiscal year 2023-24 captured in the above table.

The 2024-25 Governor's Budget proposes to apply this supplemental fiscal year 2023-24 payment to unfunded liabilities in a manner that, in part, results in reduced 2024-25 contributions.

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 long-term gross savings of \$5.8 billion.

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

Supplemental Pension Payments

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 Chapter 33, Statutes of 2019 (SB 90) was adjusted by Chapter 859, Statutes of 2019 (AB 118) to attribute a share of the total payment (\$243 million in fiscal year 2020-21) to the CalPERS California Highway Patrol (CHP) Plan, which had been previously excluded. AB 84 eliminated the \$500 million in remaining General Fund payments for fiscal years 2020-21 through 2022-23 and authorized the use of Proposition 2 debt repayment funding to make the \$243 million payment to the CHP plan in fiscal year 2020-21.

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

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

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

For the pension loan further described below that funded the fiscal year 2017-18 supplemental pension payment to CalPERS, the General Fund's share of the remaining repayment over the expected term (approximately \$1.4 billion estimated as of the 2024-25 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 2024-25 Governor's Budget, the Department of Finance projects that the \$6 billion supplemental pension payment will save an estimated \$5.6 billion in state contributions (net of principal and interest on the loan) to CalPERS from all state funded sources over the next two decades.

5. Prospective Funding Status; Future State Contributions

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

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

The state has also used supplemental pension payments in response to a decrease in the retirement systems' discount rate assumptions. For example, in December 2016, the CalPERS Board voted to lower its assumed rate of return from 7.5 to 7 percent over three years, which resulted in contribution increases for the state, for other employers, and for some employees. The increase in contributions the state incurred was implemented over a five-year period, with full implementation in fiscal year 2023-24. Another example is the 2017-18 Budget which included a

\$6 billion one-time, supplemental pension payment to CalPERS in fiscal year 2017-18, which resulted in a decrease to the state’s projected contributions beginning in fiscal year 2018-19. More examples include the 2021 Budget Act, which authorized a \$1.9 billion supplemental pension payment and the 2022 Budget Act, which authorized an additional \$2.9 billion supplemental pension payment. The 2024-25 Governor’s Budget authorizes a \$1.7 billion supplemental pension payment in fiscal year 2023-24. See Section 4. “Member and State Contributions” for additional details.

The projected state contribution rates for fiscal years 2024-25 through 2028-29 as included in the latest published actuarial valuation for the fiscal year ended June 30, 2022, are included in the table below. These projected rates reflect the preliminary investment return for fiscal year 2022-23 as of June 30, 2023 and the 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, 2022, valuation, also set forth below.

The projected state contribution rates do not reflect the projected additional contributions required to offset increased member contributions under PEPPRA, or the estimated impact of the supplemental pension payments included in the 2022 Budget Act using Proposition 2 funding. The Bargaining Unit 5 agreement to delay savings expires June 30, 2024 and is reflected in the projected employer rates for California Highway Patrol plan beginning in FY 2024-25. See “Member and State Contributions.”

	<u>Projected Contribution Rates</u>				
	Fiscal Year				
<u>Plan:</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>
State Miscellaneous	31.8%	32.7%	33.2%	35.1%	34.9%
State Industrial	20.3	21.0	21.5	23.1	22.9
State Safety	22.3	23.0	23.4	25.0	24.8
State Peace Officers & Firefighters	47.6	48.9	49.6	52.5	52.0

Source: CalPERS State Actuarial Valuation for Fiscal Year Ended June 30, 2022.

In accordance with state law, the actuarial valuation for the fiscal year ended June 30, 2022, 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, 2022, contains information concerning the specific impact on employer contribution rates and unfunded liability resulting from these different discount rate assumptions.

The actuarial valuation also includes a projection of two different investment return scenarios. The tables below show projected state contribution rates for fiscal years 2024-25 through 2028-29 for the employee categories under two different investment return scenarios, based on the preliminary 5.8 percent investment return for fiscal year 2022-23, as of June 30, 2023.

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, 2042, are as follows:

- The first scenario assumes a 3.0 percent return for each of the fiscal years. This represents the 5 percent lower bound for a 20-year stochastic analysis of five thousand possible outcomes.
- The second scenario assumes a 10.8 percent return for each of the fiscal years. This represents the 95 percent upper bound for a 20-year stochastic analysis of five thousand possible outcomes.

In all the scenarios, rates are expressed as a percentage of payroll.

State Miscellaneous

	Projected Contribution Rates				
	Fiscal Year				
<u>Assumed annual return from fiscal years 2023-24 to 2042-43</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>	<u>2028-29</u>
3.0% (5 th percentile)	31.8%	33.2%	34.8%	38.1%	39.9%
10.8% (95 th percentile)	31.8	32.4	32.2	32.9	31.0

State Industrial

	Projected Contribution Rates				
	Fiscal Year				
<u>Assumed annual return from fiscal years 2023-24 to 2042-43</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>	<u>2028-29</u>
3.0% (5 th percentile)	20.3%	21.5%	22.9%	25.8%	27.4%
10.8% (95 th percentile)	20.3	20.9	20.7	21.3	19.6

State Safety

	Projected Contribution Rates Fiscal Year				
<u>Assumed annual return from fiscal years 2023-24 to 2042-43</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>	<u>2028-29</u>
3.0% (5 th percentile)	22.3%	23.5%	24.8%	27.8%	29.5%
10.8% (95 th percentile)	22.3	22.8	22.6	23.2	21.5

State Peace Officers & Firefighters

	Projected Contribution Rates Fiscal Year				
<u>Assumed annual return from fiscal years 2023-24 to 2042-43</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>	<u>2028-29</u>
3.0% (5 th percentile)	47.6%	49.8%	52.2%	57.6%	60.5%
10.8% (95 th percentile)	47.6	48.5	48.0	48.9	45.8

California Highway Patrol

	Projected Contribution Rates Fiscal Year				
<u>Assumed annual return from fiscal years 2023-24 to 2042-43</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>	<u>2028-29</u>
3.0% (5 th percentile)	68.2%	70.8%	71.2%	77.1%	80.1%
10.8% (95 th percentile)	68.2	69.4	66.5	67.4	63.7

Source: CalPERS State Actuarial Valuation for Fiscal Year Ended June 30, 2022.

In addition, the actuarial valuation for the year ended June 30, 2022, includes projections based on volatility scenarios of the portfolio.

The tables below demonstrate the fiscal years 2024-25 and 2025-26 rate impacts of realizing losses of 5.2 percent and 17.2 percent in fiscal year 2023-24. 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 do not exceed the 6.8 percent discount rate, rates will continue to trend upward.

State Miscellaneous

	<u>Current Rate Fiscal Year</u>	<u>Projected Contribution Rates Fiscal Year</u>	
<u>Assumed annual return for fiscal year 2023-24</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>
-17.2%	30.87%	31.8%	36.1%
-5.2%	30.87	31.8	34.4

State Industrial

	<u>Current Rate Fiscal Year</u>	<u>Projected Contribution Rates Fiscal Year</u>	
<u>Assumed annual return for fiscal year 2023-24</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>
-17.2%	19.54%	20.3%	24.1%
-5.2%	19.54	20.3	22.6

State Safety

	<u>Current Rate Fiscal Year</u>	<u>Projected Contribution Rates Fiscal Year</u>	
<u>Assumed annual return for fiscal year 2023-24</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>
-17.2%	21.54%	22.3%	26.1%
-5.2%	21.54	22.3	24.5

State Peace Officers & Firefighters

	<u>Current Rate Fiscal Year</u>	<u>Projected Contribution Rates Fiscal Year</u>	
<u>Assumed annual return for fiscal year 2023-24</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>
-17.2%	46.26%	47.6%	54.6%
-5.2%	46.26	47.6	51.7

California Highway Patrol

	<u>Current Rate Fiscal Year</u>	<u>Projected Contribution Rates Fiscal Year</u>	
<u>Assumed annual return for fiscal year 2023-24</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>
-17.2%	67.69%	68.2%	76.1%
-5.2%	67.69	68.2	73.0

Source: CalPERS State Actuarial Valuation for Fiscal Year Ended June 30, 2022.

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 revisions to support the implementation of the Private Asset Classes new Strategic Asset Allocations (which were approved by the CalPERS Board in November 2021) and additional conforming changes for organization and business process changes. These revisions took effect November 1, 2023.

The following tables set forth the total return on all assets for PERF for fiscal years 2013-14 through 2022-23, as well as time-weighted average returns.

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

Fiscal Year	Annualized Rate of Return
2013-14	18.4%
2014-15	2.4
2015-16	0.6
2016-17	11.2
2017-18	8.6
2018-19	6.7
2019-20	4.7
2020-21	21.3
2021-22	-6.1
2022-23	5.8

Source: CalPERS Annual Comprehensive Financial Reports for Fiscal Year ended June 30, 2014, through June 30, 2023.

TABLE 32
PERF Time-Weighted Average Returns as of June 30, 2023

Period	Time Weighted Average Rate of Return
3 years	6.4%
5 years	6.1
10 years	7.1
20 years	7.0

Source: CalPERS Annual Comprehensive Financial Report for Fiscal Year ended June 30, 2023. July 19, 2023, CalPERS Newsletter for the 20-year 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. This amount was re-evaluated in 2021, and a 6.8 percent return was estimated for the following 5 years, and the CalPERS Board adopted 6.8 percent as the new actuarially assumed discount rate. 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

Assumption	Fiscal Year		
	2020-21	2021-22[*]	2022-23
Investment Returns	7.00%	6.80%	6.80%
Inflation	2.50	2.3	2.3
Salary Increase (Total Payroll)	2.75	2.8	2.8

* Actuarial assumptions updated as of November 2021 CalPERS Board Meeting.

On November 18, 2015, the CalPERS Board adopted a Funding Risk Mitigation Policy (“CalPERS Funding Risk Mitigation Policy”) that seeks to reduce funding risk over time. It establishes a mechanism whereby CalPERS investment performance that significantly outperforms the discount rate triggers adjustments to the discount rate, expected investment return, and strategic asset allocation targets. Reducing the volatility of investment returns is expected to increase the long-term sustainability of CalPERS pension benefits for members. In February 2017, the CalPERS Board revised the CalPERS Funding Risk Mitigation Policy. The revisions included suspension of the CalPERS Funding Risk Mitigation Policy until fiscal year 2020-21, and a decrease of the required first excess investment return threshold from 4 to 2 percent.

CalPERS’ investment return for the fiscal year ended June 30, 2021, was 21.3 percent, which outperformed the assumed 7 percent discount rate; thereby triggering the CalPERS Funding Risk Mitigation Policy described above. Approximately half of the excess return was used for rate relief and half of the excess return was used to lower the discount rate to 6.8 percent. CalPERS notes that for a given risk mitigation event, it is estimated that employer rates will decrease by about half of what they would have with no risk mitigation. The CalPERS Funding Risk Mitigation Policy requires staff to implement a new strategic asset allocation that will take effect on October 1 of the fiscal year immediately following the year the policy was triggered—in this case, fiscal year 2020-21 is the trigger year. CalPERS completed its Asset Liability Management Process in November 2021 and this effort resulted in a new strategic asset allocation that keeps the discount rate at 6.8 percent and incorporates a 5 percent leverage allocation. CalPERS is advancing the implementation of the strategic asset allocation, including benchmarks, ranges, and timeline, through a series of updates to the Total Fund Policies, including those for Private Equity and Real Assets and the inclusion of Private Debt. Policy revisions and deployment of assets according to the new allocation are ongoing.

The discount rate was lowered to 6.8 percent for all future years in accordance with thresholds established in the CalPERS Funding Risk Mitigation Policy. The resulting impact to the required employer contribution rate changes were effective in fiscal year 2022-23 for state and school plans and in fiscal year 2023-24 for public agencies. The discount rate reduction will be in effect until either the CalPERS Board makes the decision to change it, or another risk-mitigation event is triggered in a later year.

On July 19, 2023, CalPERS reported a preliminary 5.8 percent net return on investment for the fiscal year ended June 30, 2023. The return underperforms the system’s actuarially assumed 6.8 percent rate of return for the fiscal year. Using a 6.8 percent discount rate and these preliminary fiscal year returns, the funded status of the overall PERF is estimated at 72 percent on a preliminary basis.

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

8. Actuarial Valuation; Determination of Required Contributions

The required state contributions to PERF are determined on an annual basis by the CalPERS Chief Actuary. The actuary uses demographic and other data (such as employee age, salary, and service credits) and various assumptions (such as estimated salary increases, interest rates, employee turnover, and mortality and disability rates) to determine the amount that the state must contribute in a given year to provide sufficient funds to PERF to pay benefits when due. The actuary then produces a report, called the “actuarial valuation,” in which the actuary reports on the assets, liabilities, and required contribution for the following fiscal year. State law requires the state to make the actuarially required contribution to PERF each year.

A portion of the actuarial valuations performed by CalPERS actuaries are independently reviewed each year by a third-party actuarial firm. The actuarial valuations specific to state employees are reviewed every three years. The most recent review was for the June 30, 2021 actuarial valuation and was completed in December 2022 and presented at the February 13, 2023 CalPERS Board Meeting.

9. Funding Status

The following table sets forth the schedule of funding status relating to the state’s participation in PERF as of the five most recent actuarial valuation dates. Funding status is measured by a comparison of the state’s share of PERF assets to pay state employee benefits with plan liabilities.

On April 18, 2023, the CalPERS Board adopted the contribution rates for the state plans for fiscal year 2023-24. CalPERS issued a notice to state employers on April 19, 2023, that includes the final contribution rates for the state plans for fiscal year 2023-24. The unfunded liability allocable to state employees (excluding judges and elected officials) is estimated to be \$70.8 billion as of June 30, 2022, which is an increase of \$27.2 billion from the June 30, 2021 valuation. The funded ratio decreased to 70.3 percent as of June 30, 2022, from 80.7 percent as of June 30, 2021. The CalPERS Annual Comprehensive Financial Report as of June 30, 2022, estimates the funded ratio for the overall PERF at 72 percent. Based on CalPERS’ July 19, 2023 announcement on its preliminary returns for fiscal year 2022-23, the funded ratio for the overall PERF is estimated at 72 percent as of June 30, 2023.

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

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

	Year (June 30)				
	2018	2019	2020	2021	2022
Market Value of Assets (MVA)	\$136,231	\$143,466	\$151,209	\$182,354	\$167,420
Actuarial Accrued Liabilities	195,906	204,836	214,161	225,974	238,203
Excess of Market Value of Assets over AAL or Surplus (Unfunded) Actuarial Accrued Liabilities (UAAL) MVA Basis	(59,675)	(61,370)	(62,952)	(43,621)	(70,783)
Covered Payroll	19,662	20,581	21,527	21,485	22,624
Funded Ratio (MVA)	69.5%	70.0%	70.6%	80.7%	70.3%

Source: CalPERS State Actuarial Valuation for Fiscal Years Ended June 30, 2018 through June 30, 2022.

In the state's 2022 Annual Comprehensive Financial Report, the state's proportionate share of the Net Pension Liability for PERF as of the June 30, 2021 measurement date (as calculated in accordance with GASB Statement 68) was approximately \$36.2 billion. See Note 10 in the 2022 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 approximately \$64.0 billion for the June 30, 2022 measurement date.

10. Other Retirement Plans

In addition to PERF, CalPERS also administers the JRF, the JRF II, the LRF, and the 1959 Survivor Benefit program.

In the JRF actuarial reports for the year ended June 30, 2023, CalPERS reported that the JRF had an unfunded actuarial liability of approximately \$2.6 billion. For the same year, the JRF II reported an unfunded actuarial liability of \$28.5 million and the LRF reported an unfunded actuarial liability of \$70,000. For the fiscal year ended June 30, 2022, the 1959 Survivor Benefit Program reported an unfunded actuarial liability of approximately \$36 million.

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. This amount was re-evaluated in 2021, a 6.8 percent return was estimated for the following 5 years, and the CalPERS Board adopted 6.8 percent as the new actuarially assumed discount rate. Actual investment returns lower than the actuarially assumed level will result in decreased funding status and increased actuarially required contributions.

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 Annual Comprehensive Financial Report of the State of California for the Year Ended June 30, 2022, 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, the 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, 2023, 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, 2022, and 2023.

TABLE 35
DB Program Membership

<u>Membership</u>	<u>June 30, 2022</u>	<u>June 30, 2023</u>
Active Members	449,418	458,645
Inactive Members	227,163	234,479
Retirees and Beneficiaries	325,468	328,932
Total	1,002,049	1,022,056

Source: CalSTRS Annual Comprehensive Financial Report for Fiscal Years ended June 30, 2022, and June 30, 2023 – Statistical Section.

Based on information CalSTRS reported in its Annual Comprehensive Financial Report for fiscal year ended June 30, 2023, over the past six years, the number of active members grew by 2.9 percent, while the number of retirees and beneficiaries had grown by 11 percent. Over the past year, the number of active members has increased by about 2 percent, while the number of retirees and beneficiaries has grown by about 1 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, 2022, there were about 160,000 active PEPRA members. According to CalSTRS, there were about 181,000 active PEPRA members as of June 30, 2023, representing roughly 39 percent of the total active population.

Benefits are increased by 2 percent (a simple, not a compounded, cost-of-living increase) of the initial allowance, on each September 1 following the first anniversary of the effective date of the benefit.

The following table shows the dollar amount of benefits and administrative expenses paid under the DB Program for fiscal years 2017-18 through 2021-22:

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

Fiscal Year	Amount of Benefits Paid	Administrative Expenses Paid
2017-18	\$13,855	\$204
2018-19	14,528	244
2019-20	15,199	213
2020-21	15,868	238
2021-22	16,583	185

Source: CalSTRS Actuarial Valuations for Fiscal Years ended June 30, 2018 through June 30, 2022.

4. Funding for the DB Program

The DB Program is funded with a combination of investment earnings and contributions from members, employers, and the state. The DB Program is one of the four programs under the STRP. Although specific amounts vary from year to year, from 1993 through 2023, approximately 61 percent of total inflows to the STRP were derived from investment earnings, according to CalSTRS. As described below, historically the contribution rates of the members, employers, and the state are determined by statute in the Education Code instead of actuarially determined amounts as is done for the CalPERS system. Over time, this has contributed to an underfunding of the DB Program.

On June 24, 2014, Governor Brown signed AB 1469, a comprehensive long-term funding solution intended to eliminate the current CalSTRS unfunded liability in the DB Program by 2046. The changes in contribution rates for members, employers and the state required by AB 1469 are described below. While the plan is intended to eliminate the unfunded liability of the DB Program by 2046, there is no assurance that it will be eliminated by that date. See “—Prospective Funding Status; Future Contributions” below. Accordingly, there can be no assurances that the required amounts annually payable among the members, employers, and state will not significantly increase in the future.

Multiple supplemental pension payments from the state to CalSTRS were authorized as part of the budget for fiscal years 2019-20, 2020-21, and 2021-22. 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. This condition was met in fiscal year 2018-19, which increased the contribution rate for PEPRA members to 10.205 percent. Current rates remain at 10.25 percent for members not subject to PEPRA and 10.205 percent for members subject to PEPRA.

Employer Contributions. Employers are required to make contributions to the DB Program. Prior to the passage of AB 1469, the employer contribution rate was 8.25 percent of creditable compensation. Under AB 1469, employer contributions have increased from 8.25 percent of creditable compensation to the current rate of 19.1 percent. Beginning in fiscal year 2021-22 through fiscal year 2045-46, AB 1469 authorizes the CalSTRS Board to adjust the total employer contribution rate based on a 2046 target date to eliminate the unfunded actuarial obligation associated with benefit improvements enacted after July 1, 1990, and for service prior to July 1, 2014. The rate may be increased or decreased by up to 1 percentage point each year, but may be no higher than 20.25 percent and no lower than 8.25 percent under AB 1469. In May 2023, the CalSTRS Board elected not to adjust the employer contribution rate for fiscal year 2023-24, and to keep it at 19.1 percent.

Included in the contribution rates listed above is 0.25 percent to be applied toward the cost of unused sick leave credit. Each year, a portion of the employers' contributions is also transferred to the Medicare Premium Program which has the effect of reducing aggregate annual contributions to the DB Program.

State Contributions. The state's General Fund base contribution to the DB Program is 2.017 percent of creditable compensation from two fiscal years prior. For example, for fiscal year 2021-22, the state's contribution was based on creditable compensation from fiscal year 2019-20. Before fiscal year 2014-15, the state also contributed a supplemental contribution based on a percentage of creditable compensation from two fiscal years prior when there was an unfunded obligation or a normal cost deficit existed for benefits in place as of July 1, 1990, in an amount not to exceed 1.505 percent of creditable compensation from two fiscal years prior.

Under AB 1469, the state increased its supplemental contribution to the July 1, 1990, benefit obligation to a rate of 4.311 percent in fiscal year 2016-17. Beginning in fiscal year 2017-18 through fiscal year 2045-46, the CalSTRS Board is authorized to adjust the supplemental state contribution rate up 0.50 percent each year to eliminate the unfunded obligation for benefits in place as of July 1, 1990. If there is no unfunded obligation, the supplemental contribution shall be reduced to zero. In fiscal years 2017-18, 2018-19, 2019-20, and 2021-22 the CalSTRS Board adopted the maximum increase allowed. AB 84 amended the statute to suspend the CalSTRS Board's authority to adjust the state contribution rate for fiscal year 2020-21. The 2020-21 Budget instead authorized the state to make supplemental pension payments to CalSTRS using available Proposition 2 debt repayment funding. The 2021 Budget Act included a \$410 million supplemental pension payment in fiscal year 2021-22 towards the state's share of

unfunded liability for the DB Program. The 2022 Budget Act and 2024-25 Governor’s Budget do not include any supplemental payments to the DB Program.

As described above, AB 1469 provides the CalSTRS Board with limited authority to increase or decrease the school and state contributions based on changing conditions. The plan is intended to eliminate the unfunded liability of the DB Program by 2046. However, while AB 1469 provides for significant increases in the statutorily required contributions to CalSTRS from the state, employers and members, it does not provide that such statutory rates be adjusted to equal actuarially required amounts. Actuarially required amounts will vary periodically based on a variety of factors, including actuarial assumptions, investment performance and member benefits. To the extent rates established pursuant to AB 1469 are from time to time less than actuarially required amounts, such circumstances could materially adversely affect the funded status of CalSTRS.

5. Accounting Standards

The Basic Financial Statements contained in the CalSTRS Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2023 (the “CalSTRS 2023 Financial Statements”) were prepared in accordance with generally accepted accounting principles. The net pension liability was prepared in accordance with GASB Statement 67. GASB Statement 67 impacts the financial reporting requirements for CalSTRS but does not change the funding requirements for members, employers, or the state. The CalSTRS Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2023, 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 2023 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, 2023 (which is available on the CalSTRS website at www.calstrs.com, however, such information is not incorporated by reference herein), 32.393 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 33.47 percent or \$15.2 billion as of the June 30, 2021, measurement date pursuant to the state’s financial statements for the fiscal year ended June 30, 2022. See Note 10 in the 2022 Annual Comprehensive Financial Report.

6. Funding for the SBMA

The SBMA is a separate account within the DB Program that is funded with a combination of investment income and contributions from the state. The contribution rate for the state’s funding of the SBMA is determined by statute in the Education Code. The Purchasing Power Protection Program funded from the SBMA provides quarterly payments to retired and disabled members and beneficiaries to restore purchasing power to beneficiaries if the purchasing power of their initial retirement or disability allowances have fallen below a specified percentage. The Purchasing Power Protection Program payments are made only to the extent funds are available in the SBMA and are not a vested benefit.

The state’s General Fund contribution to the SBMA is 2.5 percent of creditable compensation of the fiscal year ending in the prior calendar year, less a specified amount that is currently limited to \$72 million.

The following table displays the total state contributions to CalSTRS for the DB Program, SBMA, and the additional Pre-1990 Defined Benefit supplemental payments scheduled pursuant to AB 1469 for fiscal years 2020-21 through 2024-25.

TABLE 37
Schedule of General Fund Contributions from the State
(Dollars in Millions)

<u>Fiscal Year</u>	<u>DB Program</u>	<u>SBMA</u>	<u>Pre-1990 DB</u>	<u>Total</u>
2020-21 ^(a)	\$683	\$775	\$1,969	\$3,427
2021-22 ^(a)	701	796	2,366 ^(b)	3,863
2022-23 ^(a)	705	802	2,205	3,712
2023-24 ^(a)	747	854	2,338	3,939
2024-25 ^(a)	803	923	2,513	4,239

^(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 2024, the CalSTRS Consulting Actuary prepared the most recent experience report and recommended changes to the actuarial assumptions. The CalSTRS Board adopted these recommended changes at its January 2024 meeting. These

assumptions will be reflected in the June 30, 2023 valuation report for the DB Program that will be presented to the board in May 2024 and will be used to set contribution rates for fiscal year 2024-25. The new assumptions are expected to slightly improve funding levels and reduce the unfunded actuarial obligation for the DB Plan. Employer and state contribution rates are expected to remain unchanged for fiscal year 2024-25. The most recent valuation report for the DB Program (the “2022 CalSTRS Valuation”) was based on the actuarial assumptions adopted by the CalSTRS Board in January 2020. The 2022 CalSTRS Valuation provides an annual update of the fund’s assets and liabilities for the Defined Benefit Program as of June 30, 2022.

In preparing the 2022 CalSTRS Valuation, the CalSTRS Consulting Actuary used the Entry Age Actuarial Cost Method to measure the accruing costs of benefits under the DB Program. GASB Statements 67 and 68 require all state and local governments with pension liabilities to use the Entry Age Actuarial Cost Method beginning in fiscal year 2014-15 if they are not already doing so. Under the Entry Age Actuarial Cost Method, the actuarial present value of projected benefits of each individual is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. The portion of the actuarial present value allocated to the valuation year is called the normal cost and represents the cost assigned to a member for a given year, such that it would meet the continuing costs of a particular benefit if contributed each year starting with the date of membership. The CalSTRS Consulting Actuary notes that the Entry Age Actuarial Cost Method is designed to produce a normal cost rate that remains a level percentage of earned salaries and that the normal cost rate is expected to remain stable so long as the benefit provisions are not amended, the assumptions are not changed, membership experience emerges as assumed, and the demographic characteristics of the membership remain reasonably consistent. Some of the key demographic information taken into account includes assumptions about membership, service retirements, disability retirements, deaths, and merit salary increases, and some of the economic items include assumptions about investment performance, inflation, and wage growth.

The portion of the actuarial value of benefits not provided for at a valuation date by the actuarial present value of future normal costs is called the actuarial obligation, and the excess, if any, of the actuarial obligation over the actuarial value of assets is the unfunded actuarial obligation. Assumptions about how long benefits will be paid for active and inactive members and when such members will retire and how long they will live are required in calculating the actuarial obligation, and economic assumptions and valuation methods are required in valuing assets. The following table sets forth certain actuarial methods and assumptions for the four fiscal years ended June 30.

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

TABLE 38
Actuarial Methods and Assumptions—DB Program

Methods	Fiscal Year			
	2019-20	2020-21	2021-22	2022-23
Actuarial Cost Method	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Amortization Method	Level Percent of payroll	Level Percent of payroll	Level Percent of payroll	Level Percent of payroll
Amortization Period	Closed	Closed	Closed	Closed
Amortization Period End Date	June 30, 2046	June 30, 2046	June 30, 2046	June 30, 2046
Asset Valuation Method	Adjustment to market value	Adjustment to market value	Adjustment to market value	Adjustment to market value
Actuarial Assumptions				
Investment Rate of Return	7.00%	7.00%	7.00%	7.00%
Interest on Accounts	3.00	3.00	3.00	3.00
Wage Growth	3.50	3.50	3.50	3.50
Consumer Price Inflation	2.75	2.75	2.75	2.75
Post-retirement Benefit Increases	2.00 (simple)	2.00 (simple)	2.00 (simple)	2.00 (simple)

Source: CalSTRS Annual Comprehensive Financial Reports for Fiscal Years ended June 30, 2020 through June 30, 2023.

At its January 10, 2024, 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 2024 experience study also adopted by the CalSTRS Board in January 2024. These changes will be effective with the 2023 CalSTRS Valuation that will be used to set contribution rates for fiscal year 2024-25. The new assumptions are expected to slightly improve funding levels and reduce the unfunded actuarial obligation for the DB Plan. Employer and state contribution rates are expected to remain unchanged for fiscal year 2024-25.

8. Actuarial Valuation

In calculating the actuarial value of assets, contributions for the past year are added to the actuarial value of assets at the end of the prior year; benefits and expenses are subtracted; an assumed rate of return is added, and as described below, a portion of market value gains and losses are added or subtracted. The assumed investment rate of return on DB Program assets (net of investment and administrative expenses) and the assumed interest to be paid on refunds of member accounts are based in part on an inflation assumption of 2.75 percent for fiscal years 2017-18 and thereafter.

To reduce rate volatility, actual market gains and losses are spread or “smoothed” over a three-year period; that is, one third of the difference between the expected actuarial value of assets and the fair market value of assets is taken into account to determine the actuarial value of assets. For example, based on the 2022 CalSTRS Valuation, due to the asset smoothing method, approximately two-thirds of the approximately \$4.1 billion investment gain has not been

recognized (resulting in a difference of \$2.7 billion between the AVA and MVA in the table below).

GASB Statements 67 and 68, beginning in fiscal year 2013-14 for pension plans and fiscal year 2014-15 for employers, required state and local governments with pension liabilities to recognize the differences between expected and actual investment returns over a closed 5-year period instead of the 3-year period currently used by CalSTRS. CalSTRS continues to use the 3-year period for valuation purposes and the 5-year period for financial reporting purposes.

9. Funding Status

The following table sets forth the schedule of funding status as of the five most recent actuarial valuation dates based on information provided by CalSTRS from the actuarial valuation reports for such years. Funding status is measured by a comparison of DB Program assets with DB Program liabilities.

TABLE 39
DB Program Schedule of Funding Status
(Dollars in Millions)

	2017-18 ^(a)	2018-19 ^(a)	2019-20 ^(a)	2020-21 ^(a)	2021-22 ^(a)
Market Value of Assets (MVA)	\$195,611	\$208,083	\$214,128	\$271,946	\$260,286
Actuarial Value of Assets (AVA)	190,451	205,016	216,252	242,363	257,537
Actuarial Accrued Liabilities (AAL)-entry age	297,603	310,719	322,127	332,082	346,089
Excess of Market Value of Assets over AAL or Surplus (Unfunded) Actuarial Accrued Liabilities (UAAL) MVA Basis(a)	(101,992)	(102,636)	(107,999)	(60,136)	(85,803)
Excess of Actuarial Value of Assets over AAL or Surplus (Unfunded) Actuarial Accrued Liabilities (UAAL) AVA Basis	(107,152)	(105,703)	(105,875)	(89,719)	(88,552)
Covered Payroll	31,884	32,897	33,811	33,914	36,017
Funded Ratio (MVA)	66%	67%	66.5%	81.9%	75.2%
Funded Ratio (AVA)	64%	66%	67.1%	73%	74.4%

^(a) The AAL is referred to as the Actuarial Obligation and the UAAL is referred to as the Unfunded Actuarial Obligation (UAO) in the 2018, 2019, 2020, 2021, and 2022 CalSTRS Valuation.

Source: CalSTRS Actuarial Valuations for Fiscal Years ended June 30, 2018, through June 30, 2022.

The market value of the entire DB Program investment assets was \$260.3 billion as of June 30, 2022, a 4.3 percent decrease from \$271.9 billion as of June 30, 2021.

10. Prospective Funding Status; Future Contributions

The 2024-25 Governor's Budget includes \$4.2 billion from the General Fund for fiscal year 2024-25 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 is anticipated to 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 Statement," serve to guide CalSTRS asset allocation strategy for all CalSTRS' programs, including the DB Program. The CalSTRS Board reviews the Investment Policy Statement annually. CalSTRS follows strategic allocation guidelines that identify targets for the percentage of funds to be invested in each asset class. These targets are typically implemented over a period of several years. The CalSTRS Board approved updated asset allocation targets at its May 4, 2023 meeting. Additional information concerning CalSTRS investments can be found on the CalSTRS website. Such information is not incorporated by reference herein.

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

The following tables sets forth the total return on all CalSTRS' assets (including the DB Program assets) for the fiscal years ended June 30, 2014, through June 30, 2023, as well as time-weighted average returns.

TABLE 40
CalSTRS Investment Results Based On Market Value

Fiscal Year	Time-Weighted Annual Return
2013-14	18.3%
2014-15	4.5
2015-16	1.4
2016-17	13.4
2017-18	9.0
2018-19	6.8
2019-20	3.9
2020-21	27.2
2021-22	-1.3
2022-23	6.3

Source: CalSTRS Annual Comprehensive Financial Report for Fiscal Year ended June 30, 2023.

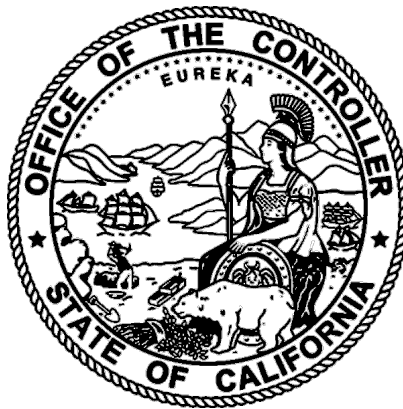
TABLE 41
CalSTRS Time-Weighted Net Returns as of June 30, 2023

Period	Time-Weighted Rate of Return
3 years	10.1%
5 years	8.2
10 years	8.7
20 years	8.0

Source: CalSTRS Annual Comprehensive Financial Report for Fiscal Year ended June 30, 2023.

June 2023

**STATEMENT of GENERAL FUND
CASH RECEIPTS and DISBURSEMENTS**



MALIA M. COHEN
California State Controller

July 10, 2023

Enclosed is the Statement of General Fund Cash Receipts and Disbursements for the period of July 1, 2022, through June 30, 2023. This statement reflects the state's General Fund cash position and compares actual receipts and disbursements for the 2022-23 fiscal year to cash flow estimates prepared by the Department of Finance (DOF).

The statement is provided in compliance with Provision 5 of Budget Act item 0840-001-0001, using records compiled by the State Controller's Office. Prior-year actual amounts also are displayed for comparative purposes. Attachment A compares actual receipts and disbursements for the 2022-23 fiscal year to cash flow estimates published in the 2023-24 May Revision. These cash flow estimates are predicated on projections and assumptions made by the DOF in preparation of the 2023-24 May Revision. Attachment B compares actual receipts and disbursements for the 2022-23 fiscal year to cash flow estimates prepared by the DOF based upon the 2022-23 Budget Act.

These monthly financial reports are also available online at www.sco.ca.gov on the Financial Reports, Taxes, and Economy page.

Please direct any questions relating to this report to Coleen Morrow, Bureau Chief of the State Accounting and Reporting Division, Bureau of Cash Management, at (916) 327-1751.

Sincerely,

Original signed by

KC MOHSENI
Division Chief, State Accounting and Reporting Division

STATEMENT OF GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS
A Comparison of Actual to 2023-24 May Revision Estimates
(Amounts in thousands)

	July 1 through June 30				
	2023		Actual Over or (Under) Estimate		2022
	Actual	Estimate (a)	Amount	%	Actual
GENERAL FUND BEGINNING CASH BALANCE	\$ 84,577,276	\$ 84,577,276	\$ -	-	\$ 50,914,128
Or Beginning Outstanding Loan Balance	-	-	-	-	-
Add Receipts:					
Revenues	166,697,494	166,209,145	488,349	0.3	230,387,940
Nonrevenues	7,499,171	7,126,976	372,195	5.2	15,432,519
Total Receipts	174,196,665	173,336,121	860,544	0.5	245,820,459
Less Disbursements (c):					
State Operations	64,519,698	69,632,074	(5,112,376) (g)	(7.3)	56,142,996
Local Assistance	167,940,875	174,085,667	(6,144,792)	(3.5)	138,089,030
Capital Outlay	1,732,138	1,742,259	(10,121) (j)	(0.6)	693,792
Nongovernmental	10,570,389	10,144,979	425,410	4.2	17,231,493
Total Disbursements	244,763,100	255,604,979	(10,841,879)	(4.2)	212,157,311
Receipts Over / (Under) Disbursements	(70,566,435)	(82,268,858)	11,702,423	(14.2)	33,663,148
Net Increase / (Decrease) in Temporary Loans	-	-	-	-	-
GENERAL FUND ENDING CASH BALANCE	14,010,841	2,308,418	11,702,423		84,577,276
Special Fund for Economic Uncertainties	3,318,616	3,463,343	(144,727)	(4.2)	3,978,641
TOTAL CASH	\$ 17,329,457	\$ 5,771,761	\$ 11,557,696		\$ 88,555,917
BORROWABLE RESOURCES					
Special Fund for Economic Uncertainties	\$ 3,318,616	\$ 3,463,343	\$ (144,727) (h)	(4.2)	\$ 3,978,641
Budget Stabilization Account	23,288,422	23,288,422	-	-	15,781,422
Other Internal Sources (f)	74,055,664	68,394,000	5,661,664	8.3	57,351,982
Cash Balance from Borrowable Resources	100,662,702	95,145,765	5,516,937	5.8	77,112,045
Less:					
PMIA Loans (AB 55, GC 16312 and 16313)	358,954	343,000	15,954	4.7	828,153
SMIF Loans (SB 84, GC 20825)	2,730,869	3,230,000	(499,131)	(15.5)	3,214,305
SMIF Loans (AB 1054, PUC 3285)	-	-	-	-	670,000
Total Available Borrowable Resources (e)	97,572,879	91,572,765	6,000,114	6.6	72,399,587
Outstanding Loans to General Fund (b)	-	-	-	-	-
Outstanding Loans to the SFEU Fund	-	-	-	-	-
UNUSED BORROWABLE RESOURCES	\$ 97,572,879	\$ 91,572,765	\$ 6,000,114	6.6	\$ 72,399,587

General Note:

This report is based upon funded cash. Funded cash is cash reported to and recorded in the records of the State Controller's Office. Amounts reported as funded cash may differ from amounts in other reports to the extent there are timing differences in the recording of in-transit items.

Footnotes:

- (a) A Statement of Estimated Cash Flow for the 2022-23 fiscal year was prepared by the Department of Finance for the 2023-24 May Revision. Any projections or estimates are set forth as such and not as representation of facts. (Footnote pertains to all pages in this report)
- (b) Outstanding loan balance of \$0.00 billion is comprised of \$0.00 billion of internal borrowing. Current balance is comprised of \$0.00 billion carried forward from June 30, 2022, plus current year Net Increase/(Decrease) in Temporary Loans of \$0.00 billion. (Footnote ties to page A1; Outstanding Loans to General Fund)
- (c) If shown, negative amounts are the result of repayments received that are greater than disbursements made. (Footnote ties to pages A1, A3 and A4; Disbursements)
- (d) Debt Service amounts are net of offsets such as federal subsidies and reimbursements from other sources. To the extent that these offsets do not occur when anticipated, there can be variances between actuals and estimates on a month-to-month basis. (Footnote ties to page A3; Debt Service)

(Continued on A2)

SCHEDULE OF CASH RECEIPTS

(Amounts in thousands)

	June		July 1 through June 30				2022 Actual
	2023	2022	2023		Actual Over or (Under) Estimate		
			Actual	Estimate (a)	Amount	%	
REVENUES							
Alcoholic Beverage Excise Tax	\$ 32,608	\$ 35,339	\$ 421,647	\$ 432,742	\$ (11,095)	(2.6)	\$ 432,629
Corporation Tax	6,489,917	10,620,546	29,936,654	29,019,296	917,358	3.2	46,005,502
Cigarette Tax	4,536	4,584	48,542	47,416	1,126	2.4	55,297
Estate, Inheritance, and Gift Tax	-	-	348	311	37	11.9	64
Insurance Companies Tax	255,879	440,069	3,666,334	3,672,635	(6,301)	(0.2)	3,482,729
Personal Income Tax	9,645,857	13,488,546	94,678,329	95,827,529	(1,149,200) (i)	(1.2)	143,618,719
Retail Sales and Use Taxes	3,052,162	3,189,880	33,234,802	33,210,245	24,557	0.1	32,805,438
Vehicle License Fees	-	-	2	-	2	-	1
Pooled Money Investment Interest	252,860	28,302	1,929,132	1,856,033	73,099	3.9	173,212
Not Otherwise Classified	1,148,575	1,944,302	2,781,704	2,142,938	638,766	29.8	3,814,349
Total Revenues	20,882,394	29,751,568	166,697,494	166,209,145	488,349	0.3	230,387,940
NONREVENUES							
Transfers from Special Fund for Economic Uncertainties	24,405	5,020	563,395	498,288	65,107 (h)	13.1	765,067
Transfers from Other Funds	110,248	570,559	6,233,917	5,972,468	261,449	4.4	14,128,190
Miscellaneous	42,605	105,881	701,859	656,220	45,639	7.0	539,262
Total Nonrevenues	177,258	681,460	7,499,171	7,126,976	372,195	5.2	15,432,519
Total Receipts	\$ 21,059,652	\$ 30,433,028	\$ 174,196,665	\$ 173,336,121	\$ 860,544	0.5	\$ 245,820,459

(Continued from A1)

- (e) Cash Balance from Borrowable Resources has been reduced by Pooled Money Investment Account (PMIA) loans pursuant to Assembly Bill (AB) 55 (Chapter 6/1987, Government Code (GC) sections 16312 and 16313) and Surplus Money Investment Fund (SMIF) loans pursuant to Senate Bill (SB) 84 (Chapter 50/2017, GC section 20825) and AB 1054 (Chapter 79/2019, Public Utilities Codes (PUC) section 3285). (Footnote ties to page A1; Total Available Borrowable Resources)
- (f) Other Internal Sources balance includes \$900.0 million for the Safety Net Reserve Fund pursuant to AB 1830 (Chapter 42/2018, Welfare and Institutions Code (WIC) section 11011) and \$9.51 billion for the Public School System Stabilization Account pursuant to Section 21 of Article XVI of the California Constitution. (Footnote ties to page A1; Other Internal Sources)
- (g) Includes a \$1.4 billion transfer from the Golden State Stimulus Emergency Fund made to the General Fund pursuant to SB 88 (Chapter 8, Statutes of 2021, Welfare and Institutions Code (WIC) section 8150 (f) (3)). (Footnote ties to page A1; State Operations and page A3; Governmental Operations)
- (h) Pursuant to Control Section 12.30 of the 2022 Budget Act the annual transfer of funds between the General Fund and the Special Fund for Economic Uncertainties (SFEU) to bring the balance in the SFEU to \$3.51 billion was expected in January 2023, but occurred in February 2023. (Footnote ties to page A1; Special Fund for Economic Uncertainties and Borrowable Resources - Special Fund for Economic Uncertainties and page A2; Transfers from Special Fund for Economic Uncertainties)
- (i) Personal Income Tax revenues are lower than projected for the 2023-24 May Revision due to the stock market substantially declining in 2022. Moreover, on March 2, 2023 the Franchise Tax Board extended the Personal Income Tax filing and payment due date to October 16, 2023. (Footnote ties to page A2; Personal Income Tax)
- (j) Pursuant to AB 178 (Chapter 45, Statutes of 2022), a transfer of \$917 million from the General Fund to the State Project Infrastructure Fund was anticipated as a Transfer to Other Funds, but was recorded as Capital Outlay. (Footnote ties to page A1; Capital Outlay and page A4; Capital Outlay and Transfer to Other Funds)

SCHEDULE OF CASH DISBURSEMENTS

(Amounts in thousands)

	June		July 1 through June 30				2022 Actual
	2023	2022	2023		Actual Over or (Under) Estimate		
			Actual	Estimate (a)	Amount	%	
STATE OPERATIONS (c)							
Legislative/Judicial/Executive	\$ 293,687	\$ 324,154	\$ 10,654,802	\$ 10,164,788	\$ 490,014	4.8	\$ 4,294,516
Business, Consumer Services and Housing	12,050	9,121	146,567	276,558	(129,991)	(47.0)	73,246
Transportation	9,580	24,082	461,801	727,345	(265,544)	(36.5)	138,408
Resources	467,750	189,940	3,828,398	3,894,996	(66,598)	(1.7)	3,090,767
Environmental Protection Agency	23,539	66,007	367,224	512,599	(145,375)	(28.4)	949,685
Health and Human Services:							
Health Care Services and Public Health	27,217	18,100	1,018,832	1,383,161	(364,329)	(26.3)	2,152,184
Department of State Hospitals	232,143	229,541	2,273,192	2,245,089	28,103	1.3	2,082,976
Other Health and Human Services	80,477	43,490	816,348	1,061,734	(245,386)	(23.1)	756,825
Education:							
University of California	11,009	16,337	4,647,872	4,840,568	(192,696)	(4.0)	4,496,693
State Universities and Colleges	68,734	536	5,765,446	4,936,453	828,993	16.8	5,212,131
Other Education	29,204	26,716	458,706	523,544	(64,838)	(12.4)	757,313
Dept. of Corrections and Rehabilitation	1,043,748	1,100,568	13,490,242	13,516,068	(25,826)	(0.2)	12,927,866
Governmental Operations	140,458	104,990	12,695,525	14,901,500	(2,205,975)	(g) (14.8)	11,501,973
General Government	250,693	303,115	3,533,529	3,748,859	(215,330)	(5.7)	2,626,832
Public Employees' Retirement System	(348,537)	(259,452)	(258,430)	773,020	(1,031,450)	(133.4)	558,941
Debt Service (d)	(346,211)	(472,157)	4,605,588	6,109,389	(1,503,801)	(24.6)	4,518,131
Interest on Loans	25	-	14,056	16,403	(2,347)	(14.3)	4,509
Total State Operations	1,995,566	1,725,088	64,519,698	69,632,074	(5,112,376)	(7.3)	56,142,996
LOCAL ASSISTANCE (c)							
Public Schools - K-12	13,354,282	9,029,420	79,941,358	84,286,275	(4,344,917)	(5.2)	68,053,698
Community Colleges	727,534	1,132,069	9,847,255	10,245,098	(397,843)	(3.9)	8,220,567
Debt Service-School Building Bonds	-	-	-	-	-	-	-
State Teachers' Retirement System	-	-	3,712,257	3,712,257	(0)	-	3,862,582
Other Education	296,999	523,126	7,317,978	6,397,383	920,595	14.4	3,612,125
School Facilities Aid	-	-	-	-	-	-	-
Dept. of Corrections and Rehabilitation	35,753	30,567	789,060	780,370	8,690	1.1	561,671
Dept. of Alcohol and Drug Program	-	-	-	-	-	-	-
Health Care Services and Public Health:							
Medical Assistance Program	2,377,966	2,414,231	30,614,624	30,677,817	(63,193)	(0.2)	24,216,961
Other Health Care Services/Public Health	18,396	102,980	568,911	600,930	(32,019)	(5.3)	1,053,952
Developmental Services - Regional Centers	337,163	48,200	5,948,781	5,925,938	22,843	0.4	5,482,690
Department of State Hospitals	-	-	-	-	-	-	-
Dept. of Social Services:							
SSI/SSP/IHSS	1,170,978	1,261,120	9,030,766	8,983,447	47,319	0.5	8,233,419
CalWORKs	17,507	43,394	2,505,653	2,735,531	(229,878)	(8.4)	1,962,391
Other Social Services	151,320	232,490	2,299,127	2,204,826	94,301	4.3	1,852,798
Tax Relief	-	-	387,750	415,001	(27,251)	(6.6)	393,372
Other Local Assistance	770,929	278,168	14,977,355	17,120,794	(2,143,439)	(12.5)	10,582,804
Total Local Assistance	19,258,827	15,095,765	167,940,875	174,085,667	(6,144,792)	(3.5)	138,089,030

See notes on page A1 and A2.

(Continued)

SCHEDULE OF CASH DISBURSEMENTS (Continued)

(Amounts in thousands)

	June		July 1 through June 30				2022
	2023	2022	Actual	Estimate (a)	Actual Over or (Under) Estimate		Actual
					Amount	%	
CAPITAL OUTLAY (c)	33,697	12,975	1,732,138	1,742,259	(10,121) (j)	(0.6)	693,792
NONGOVERNMENTAL (c)							
Transfer to Special Fund for Economic Uncertainties	-	5,020	-	-	-	-	4,788,781
Transfer to Budget Stabilization Account	-	-	7,507,000	7,507,000	-	-	7,471,000
Transfer to Other Funds	305,073	414,695	3,014,137	2,618,456	395,681 (j)	15.1	4,930,658
Transfer to Revolving Fund	(1,729)	(1,745)	84,211	88,235	(4,024)	(4.6)	28,574
Advance:							
MediCal Provider Interim Payment	-	-	-	-	-	-	-
State-County Property Tax Administration Program	8,803	-	(22,462)	(11,842)	(10,620)	89.7	(38,973)
Social Welfare Federal Fund	65,827	83,070	(45,598)	(111,425)	65,827	(59.1)	83,028
Local Governmental Entities	-	-	(1,348)	(1,348)	-	-	-
Tax Relief and Refund Account	-	-	-	-	-	-	-
Counties for Social Welfare	333,233	298,784	34,449	55,903	(21,454)	(38.4)	(31,575)
Total Nongovernmental	711,207	799,824	10,570,389	10,144,979	425,410	4.2	17,231,493
Total Disbursements	\$ 21,999,297	\$ 17,633,652	\$ 244,763,100	\$ 255,604,979	\$ (10,841,879)	(4.2)	\$ 212,157,311
TEMPORARY LOANS							
Special Fund for Economic Uncertainties	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -
Budget Stabilization Account	-	-	-	-	-	-	-
Outstanding Registered Warrants Account	-	-	-	-	-	-	-
Other Internal Sources	-	-	-	-	-	-	-
Revenue Anticipation Notes	-	-	-	-	-	-	-
Net Increase / (Decrease) Loans	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -

See notes on page A1 and A2.

COMPARATIVE STATEMENT OF REVENUES RECEIVED
All Governmental Cost Funds
(Amounts in thousands)

	July 1 through June 30			
	General Fund		Special Funds	
	2023	2022	2023	2022
MAJOR TAXES, LICENSES, AND INVESTMENT INCOME:				
Alcoholic Beverage Excise Taxes	\$ 421,647	\$ 432,629	\$ -	\$ -
Corporation Tax	29,936,654	46,005,502	-	-
Cigarette Tax	48,542	55,297	1,585,419	1,798,238
Cannabis Excise Taxes	-	-	528,238	878,560
Estate, Inheritance, and Gift Tax	348	64	-	-
Insurance Companies Tax	3,666,334	3,482,729	443	(1,570)
Motor Vehicle Fuel Tax:				
Gasoline Tax	-	-	7,299,063	7,123,553
Diesel & Liquid Petroleum Gas	-	-	1,356,898	1,324,711
Jet Fuel Tax	-	-	4,099	4,129
Vehicle License Fees	2	1	3,475,649	3,180,074
Personal Income Tax	94,678,329	143,618,719	1,700,965	2,571,295
Retail Sales and Use Taxes	33,234,802	32,805,438	20,411,635	19,422,597
Pooled Money Investment Interest	1,929,132	173,212	2,280	240
Total Major Taxes, Licenses, and Investment Income	163,915,790	226,573,591	36,364,689	36,301,827
NOT OTHERWISE CLASSIFIED:				
Alcoholic Beverage License Fees	2,133	1,656	79,081	62,330
Motor Vehicle Registration and Other Fees	10	-	8,122,530	7,588,888
Cannabis Licensing Fees	-	-	76,730	100,594
Electrical Energy Tax	-	-	877,428	741,713
Private Rail Car Tax	9,866	9,326	-	-
Penalties on Traffic Violations	-	-	3	4
Health Care Receipts	1,928	(9,230)	-	-
Revenues from State Lands	151,350	170,813	-	-
Abandoned Property	1,086,742	612,045	-	-
Trial Court Revenues	25,748	25,629	1,422,209	1,405,285
Horse Racing Fees	-	-	19,419	18,244
Cap and Trade	-	-	4,013,036	4,500,750
Individual Shared Responsibility Penalty Assessments	303,750	242,569	-	-
Miscellaneous Tax Revenue	-	-	2,074,055	2,517,502
Miscellaneous	1,200,177	2,761,541	14,824,065	13,965,972
Not Otherwise Classified	2,781,704	3,814,349	31,508,556	30,901,282
Total Revenues, All Governmental Cost Funds	\$ 166,697,494	\$ 230,387,940	\$ 67,873,245	\$ 67,203,109

STATEMENT OF GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS
A Comparison of Actual to 2022-23 Budget Act
(Amounts in thousands)

	July 1 through June 30				
	2023				2022
	Actual	Estimate (a)	Actual Over or (Under) Estimate		Actual
			Amount	%	
GENERAL FUND BEGINNING CASH BALANCE	\$ 84,577,276	\$ 84,577,276	\$ -	-	\$ 50,914,128
Or Beginning Outstanding Loan Balance	-	-	-	-	-
Add Receipts:					
Revenues	166,697,494	219,388,398	(52,690,904)	(24.0)	230,387,940
Nonrevenues	7,499,171	3,518,453	3,980,718	(j) 113.1	15,432,519
Total Receipts	174,196,665	222,906,851	(48,710,186)	(21.9)	245,820,459
Less Disbursements (c):					
State Operations	64,519,698	74,717,223	(10,197,525)	(k) (13.6)	56,142,996
Local Assistance	167,940,875	174,752,624	(6,811,749)	(g)/(i) (3.9)	138,089,030
Capital Outlay	1,732,138	1,291,774	440,364	(h) 34.1	693,792
Nongovernmental	10,570,389	9,673,710	896,679	9.3	17,231,493
Total Disbursements	244,763,100	260,435,331	(15,672,231)	(6.0)	212,157,311
Receipts Over / (Under) Disbursements	(70,566,435)	(37,528,480)	(33,037,955)	88.0	33,663,148
Net Increase / (Decrease) in Temporary Loans	-	-	-	-	-
GENERAL FUND ENDING CASH BALANCE	14,010,841	47,048,796	(33,037,955)		84,577,276
Special Fund for Economic Uncertainties	3,318,616	3,514,325	(195,709)	(l) (5.6)	3,978,641
TOTAL CASH	\$ 17,329,457	\$ 50,563,121	\$ (33,233,664)		\$ 88,555,917
BORROWABLE RESOURCES					
Special Fund for Economic Uncertainties	\$ 3,318,616	\$ 3,514,325	\$ (195,709)	(l) (5.6)	\$ 3,978,641
Budget Stabilization Account	23,288,422	23,288,422	-	-	15,781,422
Other Internal Sources (f)	74,055,664	65,532,000	8,523,664	13.0	57,351,982
Cash Balance from Borrowable Resources	100,662,702	92,334,747	8,327,955	9.0	77,112,045
Less:					
PMIA Loans (AB 55, GC 16312 and 16313)	358,954	800,000	(441,046)	(55.1)	828,153
SMIF Loans (SB 84, GC 20825)	2,730,869	3,768,000	(1,037,131)	(27.5)	3,214,305
SMIF Loans (AB 1054, PUC 3285)	-	-	-	-	670,000
Total Available Borrowable Resources (e)	97,572,879	87,766,747	9,806,132	11.2	72,399,587
Outstanding Loans to General Fund (b)	-	-	-	-	-
Outstanding Loans to the SFEU Fund	-	-	-	-	-
UNUSED BORROWABLE RESOURCES	\$ 97,572,879	\$ 87,766,747	\$ 9,806,132	11.2	\$ 72,399,587

General Note:

This report is based upon funded cash. Funded cash is cash reported to and recorded in the records of the State Controller's Office. Amounts reported as funded cash may differ from amounts in other reports to the extent there are timing differences in the recording of in-transit items.

Footnotes:

- (a) A Statement of Estimated Cash Flow for the 2022-23 fiscal year was prepared by the Department of Finance for the 2022-23 Budget Act. Any projections or estimates are set forth as such and not as representation of facts. (Footnote pertains to all pages in this report)
- (b) Outstanding loan balance of \$0.00 billion is comprised of \$0.00 billion of internal borrowing. Current balance is comprised of \$0.00 billion carried forward from June 30, 2022, plus current year Net Increase/(Decrease) in Temporary Loans of \$0.00 billion. (Footnote ties to page B1; Outstanding Loans to General Fund)
- (c) If shown, negative amounts are the result of repayments received that are greater than disbursements made. (Footnote ties to pages B1, B3 and B4; Disbursements)
- (d) Debt Service amounts are net of offsets such as federal subsidies and reimbursements from other sources. To the extent that these offsets do not occur when anticipated, there can be variances between actuals and estimates on a month-to-month basis. (Footnote ties to page B3; Debt Service)

(Continued on B2)

SCHEDULE OF CASH RECEIPTS

(Amounts in thousands)

	June		July 1 through June 30				2022 Actual
	2023	2022	Actual	Estimate (a)	Actual Over or (Under) Estimate		
					Amount	%	
REVENUES							
Alcoholic Beverage Excise Tax	\$ 32,608	\$ 35,339	\$ 421,647	\$ 434,664	\$ (13,017)	(3.0)	\$ 432,629
Corporation Tax	6,489,917	10,620,546	29,936,654	38,321,049	(8,384,395)	(21.9)	46,005,502
Cigarette Tax	4,536	4,584	48,542	48,612	(70)	(0.1)	55,297
Estate, Inheritance, and Gift Tax	-	-	348	-	348	-	64
Insurance Companies Tax	255,879	440,069	3,666,334	3,667,059	(725)	(0.0)	3,482,729
Personal Income Tax	9,645,857	13,488,546	94,678,329	137,287,759	(42,609,430) (m)	(31.0)	143,618,719
Retail Sales and Use Taxes	3,052,162	3,189,880	33,234,802	33,919,815	(685,013)	(2.0)	32,805,438
Vehicle License Fees	-	-	2	-	2	-	1
Pooled Money Investment Interest	252,860	28,302	1,929,132	412,462	1,516,670	367.7	173,212
Not Otherwise Classified	1,148,575	1,944,302	2,781,704	5,296,978	(2,515,274)	(47.5)	3,814,349
Total Revenues	20,882,394	29,751,568	166,697,494	219,388,398	(52,690,904)	(24.0)	230,387,940
NONREVENUES							
Transfers from Special Fund for Economic Uncertainties	24,405	5,020	563,395	464,316	99,079 (l)	21.3	765,067
Transfers from Other Funds	110,248	570,559	6,233,917	2,836,204	3,397,713 (j)	119.8	14,128,190
Miscellaneous	42,605	105,881	701,859	217,933	483,926	222.1	539,262
Total Nonrevenues	177,258	681,460	7,499,171	3,518,453	3,980,718	113.1	15,432,519
Total Receipts	\$ 21,059,652	\$ 30,433,028	\$ 174,196,665	\$ 222,906,851	\$ (48,710,186)	(21.9)	\$ 245,820,459

(Continued from B1)

- (e) Cash Balance from Borrowable Resources has been reduced by Pooled Money Investment Account (PMIA) loans pursuant to Assembly Bill (AB) 55 (Chapter 6/1987, Government Code (GC) sections 16312 and 16313) and Surplus Money Investment Fund (SMIF) loans pursuant to Senate Bill (SB) 84 (Chapter 50/2017, GC section 20825) and AB 1054 (Chapter 79/2019, Public Utilities Codes (PUC) section 3285). (Footnote ties to page B1; Total Available Borrowable Resources)
- (f) Other Internal Sources balance includes \$900.0 million for the Safety Net Reserve Fund pursuant to AB 1830 (Chapter 42/2018, Welfare and Institutions Code (WIC) section 11011) and \$9.51 billion for the Public School System Stabilization Account pursuant to Section 21 of Article XVI of the California Constitution. (Footnote ties to page B1; Other Internal Sources)
- (g) Includes \$7.94 billion in Learning Recovery Grant payments, pursuant to AB 182 (Chapter 53/2022, Education Code section 32526), made in August 2022 that were estimated to be paid from July 2022 through June 2023. (Footnote ties to page B1; Local Assistance and page B3; Public Schools - K-12)
- (h) Pursuant to AB 178 (Chapter 45, Statutes of 2022), a transfer of \$917 million from the General Fund to the State Project Infrastructure Fund was anticipated in September 2022 as a Transfer to Other Funds, but was recorded as Capital Outlay in January 2023. (Footnote ties to page B1; Capital Outlay and page B4; Capital Outlay and Transfer to Other Funds)
- (i) Pursuant to subdivision (b) of Section 21 of Article XVI of California Constitution, approximately \$5.0 billion expenditure transfer was anticipated from the General Fund to the Public School System Stabilization Account in September 2022, which occurred in October 2022. (Footnote ties to page B1; Local Assistance and page B3; Other Local Assistance)
- (j) Pursuant to Control Section 11.96 (i) (Chapter 249, Statutes of 2022) a transfer of \$3.1 billion was made from the Coronavirus Fiscal Recovery Fund to the General Fund. (Footnote ties to page B1; Nonrevenues and page B2; Transfers from Other Funds)
- (k) Includes a \$1.4 billion transfer from the Golden State Stimulus Emergency Fund made to the General Fund pursuant to SB 88 (Chapter 8, Statutes of 2021, Welfare and Institutions Code (WIC) section 8150 (f) (3)). (Footnote ties to page B1; State Operations and page B3; Governmental Operations)
- (l) Pursuant to Control Section 12.30 of the 2022 Budget Act the annual transfer of funds between the General Fund and the Special Fund for Economic Uncertainties (SFEU) to bring the balance in the SFEU to \$3.51 billion was expected in January 2023, but occurred in February 2023. (Footnote ties to page B1; Special Fund for Economic Uncertainties and Borrowable Resources - Special Fund for Economic Uncertainties and page B2; Transfers from Special Fund for Economic Uncertainties)
- (m) Personal Income Tax revenues are lower than projected for the 2022-23 Budget Act due to the stock market substantially declining in 2022. Moreover, on March 2, 2023 the Franchise Tax Board extended the Personal Income Tax filing and payment due date to October 16, 2023. (Footnote ties to page B2; Personal Income Tax)

(Concluded)

SCHEDULE OF CASH DISBURSEMENTS

(Amounts in thousands)

	June		July 1 through June 30				2022 Actual
	2023	2022	2023 Actual	2023 Estimate (a)	2023 Actual Over or (Under) Estimate		
					Amount	%	
STATE OPERATIONS (c)							
Legislative/Judicial/Executive	\$ 293,687	\$ 324,154	\$ 10,654,802	\$ 11,484,337	\$ (829,535)	(7.2)	\$ 4,294,516
Business, Consumer Services and Housing	12,050	9,121	146,567	149,860	(3,293)	(2.2)	73,246
Transportation	9,580	24,082	461,801	545,191	(83,390)	(15.3)	138,408
Resources	467,750	189,940	3,828,398	3,987,802	(159,404)	(4.0)	3,090,767
Environmental Protection Agency	23,539	66,007	367,224	499,619	(132,395)	(26.5)	949,685
Health and Human Services:							
Health Care Services and Public Health	27,217	18,100	1,018,832	1,677,462	(658,630)	(39.3)	2,152,184
Department of State Hospitals	232,143	229,541	2,273,192	2,339,097	(65,905)	(2.8)	2,082,976
Other Health and Human Services	80,477	43,490	816,348	951,840	(135,492)	(14.2)	756,825
Education:							
University of California	11,009	16,337	4,647,872	5,248,638	(600,766)	(11.4)	4,496,693
State Universities and Colleges	68,734	536	5,765,446	5,154,589	610,857	11.9	5,212,131
Other Education	29,204	26,716	458,706	1,013,508	(554,802)	(54.7)	757,313
Dept. of Corrections and Rehabilitation	1,043,748	1,100,568	13,490,242	12,977,257	512,985	4.0	12,927,866
Governmental Operations	140,458	104,990	12,695,525	14,351,961	(1,656,436) (k)	(11.5)	11,501,973
General Government	250,693	303,115	3,533,529	8,744,338	(5,210,809)	(59.6)	2,626,832
Public Employees' Retirement							
System	(348,537)	(259,452)	(258,430)	773,018	(1,031,448)	(133.4)	558,941
Debt Service (d)	(346,211)	(472,157)	4,605,588	4,802,806	(197,218)	(4.1)	4,518,131
Interest on Loans	25	-	14,056	15,900	(1,844)	(11.6)	4,509
Total State Operations	1,995,566	1,725,088	64,519,698	74,717,223	(10,197,525)	(13.6)	56,142,996
LOCAL ASSISTANCE (c)							
Public Schools - K-12	13,354,282	9,029,420	79,941,358	83,066,738	(3,125,380) (g)	(3.8)	68,053,698
Community Colleges	727,534	1,132,069	9,847,255	10,868,672	(1,021,417)	(9.4)	8,220,567
Debt Service-School Building Bonds	-	-	-	-	-	-	-
State Teachers' Retirement System	-	-	3,712,257	3,712,256	1	0.0	3,862,582
Other Education	296,999	523,126	7,317,978	3,338,983	3,978,995	119.2	3,612,125
School Facilities Aid	-	-	-	-	-	-	-
Dept. of Corrections and Rehabilitation	35,753	30,567	789,060	858,993	(69,933)	(8.1)	561,671
Dept. of Alcohol and Drug Program	-	-	-	-	-	-	-
Health Care Services and Public Health:							
Medical Assistance Program	2,377,966	2,414,231	30,614,624	35,082,179	(4,467,555)	(12.7)	24,216,961
Other Health Care Services/Public Health	18,396	102,980	568,911	1,222,020	(653,109)	(53.4)	1,053,952
Developmental Services - Regional Centers	337,163	48,200	5,948,781	7,370,512	(1,421,731)	(19.3)	5,482,690
Department of State Hospitals	-	-	-	-	-	-	-
Dept. of Social Services:							
SSI/SSP/IHSS	1,170,978	1,261,120	9,030,766	7,510,244	1,520,522	20.2	8,233,419
CalWORKs	17,507	43,394	2,505,653	2,712,173	(206,520)	(7.6)	1,962,391
Other Social Services	151,320	232,490	2,299,127	2,637,808	(338,681)	(12.8)	1,852,798
Tax Relief	-	-	387,750	415,000	(27,250)	(6.6)	393,372
Other Local Assistance	770,929	278,168	14,977,355	15,957,046	(979,691) (i)	(6.1)	10,582,804
Total Local Assistance	19,258,827	15,095,765	167,940,875	174,752,624	(6,811,749)	(3.9)	138,089,030

See notes on page B1 and B2.

(Continued)

SCHEDULE OF CASH DISBURSEMENTS (Continued)

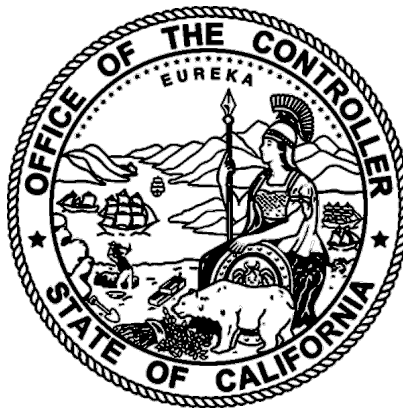
(Amounts in thousands)

	June		July 1 through June 30				2022 Actual
	2023	2022	2023		Actual Over or (Under) Estimate		
			Actual	Estimate (a)	Amount	%	
CAPITAL OUTLAY (c)	33,697	12,975	1,732,138	1,291,774	440,364	(h) 34.1	693,792
NONGOVERNMENTAL (c)							
Transfer to Special Fund for Economic Uncertainties	-	5,020	-	-	-	-	4,788,781
Transfer to Budget Stabilization Account	-	-	7,507,000	7,507,000	-	-	7,471,000
Transfer to Other Funds	305,073	414,695	3,014,137	2,166,710	847,427	(h) 39.1	4,930,658
Transfer to Revolving Fund	(1,729)	(1,745)	84,211	-	84,211	-	28,574
Advance:							
MediCal Provider Interim Payment	-	-	-	-	-	-	-
State-County Property Tax Administration Program	8,803	-	(22,462)	-	(22,462)	-	(38,973)
Social Welfare Federal Fund	65,827	83,070	(45,598)	-	(45,598)	-	83,028
Local Governmental Entities	-	-	(1,348)	-	(1,348)	-	-
Tax Relief and Refund Account	-	-	-	-	-	-	-
Counties for Social Welfare	333,233	298,784	34,449	-	34,449	-	(31,575)
Total Nongovernmental	711,207	799,824	10,570,389	9,673,710	896,679	9.3	17,231,493
Total Disbursements	\$ 21,999,297	\$ 17,633,652	\$ 244,763,100	\$ 260,435,331	\$ (15,672,231)	(6.0)	\$ 212,157,311
TEMPORARY LOANS							
Special Fund for Economic Uncertainties	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -
Budget Stabilization Account	-	-	-	-	-	-	-
Outstanding Registered Warrants Account	-	-	-	-	-	-	-
Other Internal Sources	-	-	-	-	-	-	-
Revenue Anticipation Notes	-	-	-	-	-	-	-
Net Increase / (Decrease) Loans	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -

See notes on page B1 and B2.

February 2024

**STATEMENT of GENERAL FUND
CASH RECEIPTS and DISBURSEMENTS**



MALIA M. COHEN
California State Controller



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

March 8, 2024

Dear Users of the Statement of General Fund Cash Receipts and Disbursements:

Enclosed is the Statement of General Fund Cash Receipts and Disbursements for the period of July 1, 2023, through February 29, 2024. This statement reflects the state's General Fund cash position and compares actual receipts and disbursements for the 2023-24 fiscal year to cash flow estimates prepared by the Department of Finance (DOF).

As noted in the statement, the state began the fiscal year with a \$14 billion General Fund cash balance and ended February with an outstanding loan balance of \$3.7 billion. While California continues to maintain a healthy \$94.7 billion in unused borrowable resources, fiscal year-to-date receipts underperformed estimates contained in the 2024-25 Governor's Budget by nearly \$5.4 billion, or 4 percent. Disbursements for the fiscal year through February are nearly \$7.9 billion, or 5 percent, less than anticipated in the proposed budget.

The statement is provided in compliance with Provision 5 of Budget Act item 0840-001-0001, using records compiled by the State Controller's Office. Prior-year actual amounts also are displayed for comparative purposes. Attachment A compares actual receipts and disbursements for the 2023-24 fiscal year to cash flow estimates published in the 2024-25 Governor's Budget. These cash flow estimates are predicated on projections and assumptions made by the DOF in preparation of the 2024-25 Governor's Budget. Attachment B compares actual receipts and disbursements for the 2023-24 fiscal year to cash flow estimates prepared by the DOF based upon the 2023-24 Budget Act.

These monthly financial reports are also available online at www.sco.ca.gov on the Financial Reports, Taxes, and Economy page.

Please direct any questions relating to this report to Ted Lambert, State Accounting and Reporting Division Chief, at (916) 203-6774.

Sincerely,

Original signed by

Malia M. Cohen

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 2024-25 Governor's Budget Estimates
 (Amounts in thousands)

	July 1 through February 29				
	2024		Actual Over or		2023
	Actual	Estimate (a)	(Under) Estimate		Actual
			Amount	%	
GENERAL FUND BEGINNING CASH BALANCE	\$ 14,010,841	\$ 14,010,841	\$ -	-	\$ 84,577,276
Or Beginning Outstanding Loan Balance	-	-	-	-	-
Add Receipts:					
Revenues	125,621,935	130,692,762	(5,070,827)	(g) (3.9)	109,374,481
Nonrevenues	5,153,854	5,478,189	(324,335)	(5.9)	6,725,618
Total Receipts	130,775,789	136,170,951	(5,395,162)	(4.0)	116,100,099
Less Disbursements (c):					
State Operations	34,440,427	37,358,045	(2,917,618)	(7.8)	50,607,853
Local Assistance	108,876,257	113,853,845	(4,977,588)	(4.4)	111,065,526
Capital Outlay	241,702	505,431	(263,729)	(52.2)	1,560,972
Nongovernmental	4,911,613	4,633,868	277,745	6.0	9,801,170
Total Disbursements	148,469,999	156,351,189	(7,881,190)	(5.0)	173,035,521
Receipts Over / (Under) Disbursements	(17,694,210)	(20,180,238)	2,486,028	(12.3)	(56,935,422)
Net Increase / (Decrease) in Temporary Loans	3,683,369	6,169,397	(2,486,028)	(40.3)	-
GENERAL FUND ENDING CASH BALANCE	-	-	-	-	27,641,854
Special Fund for Economic Uncertainties	3,839,876	3,839,876	-	-	3,514,325
TOTAL CASH	\$ 3,839,876	\$ 3,839,876	\$ -		\$ 31,156,179
BORROWABLE RESOURCES					
Special Fund for Economic Uncertainties	\$ 3,839,876	\$ 3,839,876	\$ -	-	\$ 3,514,325
Budget Stabilization Account	22,252,422	22,252,422	-	-	23,288,422
Other Internal Sources (f)	75,432,659	74,492,000	940,659	1.3	70,358,457
Cash Balance from Borrowable Resources	101,524,957	100,584,298	940,659	0.9	97,161,204
Less:					
PMIA Loans (AB 55, GC 16312 and 16313)	325,717	326,000	(283)	(0.1)	376,839
SMIF Loans (SB 84, GC 20825)	2,856,818	2,857,000	(182)	(0.0)	3,230,063
SMIF Loans (AB 1054, PUC 3285)	-	-	-	-	110,000
Total Available Borrowable Resources (e)	98,342,422	97,401,298	941,124	1.0	93,444,302
Outstanding Loans to General Fund (b)	3,683,369	6,169,397	(2,486,028)	(40.3)	-
Outstanding Loans to the SFEU Fund	-	-	-	-	-
UNUSED BORROWABLE RESOURCES	\$ 94,659,053	\$ 91,231,901	\$ 3,427,152	3.8	\$ 93,444,302

General Note:

This report is based upon funded cash. Funded cash is cash reported to and recorded in the records of the State Controller's Office. Amounts reported as funded cash may differ from amounts in other reports to the extent there are timing differences in the recording of in-transit items.

Footnotes:

- (a) A Statement of Estimated Cash Flow for the 2023-24 fiscal year was prepared by the Department of Finance for the 2024-25 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 \$3.7 billion is comprised of internal borrowing. Current balance is comprised of \$0.0 billion carried forward from June 30, 2023, plus current year Net Increase/(Decrease) in Temporary Loans of \$3.7 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)

	Month of February		July 1 through February 29				2023 Actual
	2024	2023	Actual	Estimate (a)	Actual Over or (Under) Estimate		
					Amount	%	
REVENUES							
Alcoholic Beverage Excise Taxes	\$ 26,842	\$ 28,480	\$ 286,847	\$ 292,888	\$ (6,041)	(2.1)	\$ 295,398
Corporation Tax	124,099	237,964	20,738,168	21,797,740	(1,059,572)	(4.9)	17,367,004
Cigarette Tax	2,458	1,281	34,592	32,796	1,796	5.5	31,530
Estate, Inheritance, and Gift Tax	-	-	890	2	888	44,400.0	304
Insurance Companies Tax	61,597	44,614	2,040,527	2,031,266	9,261	0.5	1,852,046
Personal Income Tax	5,578,431	4,286,383	77,203,974	81,688,272	(4,484,298) (g)	(5.5)	66,282,564
Retail Sales and Use Taxes	4,270,447	3,239,162	22,220,930	21,733,951	486,979	2.2	21,359,897
Vehicle License Fees	1	-	3	-	3	-	2
Pooled Money Investment Interest	182,114	193,656	1,722,992	1,874,765	(151,773)	(8.1)	940,542
Not Otherwise Classified	126,757	127,051	1,373,012	1,241,082	131,930	10.6	1,245,194
Total Revenues	10,372,746	8,158,591	125,621,935	130,692,762	(5,070,827)	(3.9)	109,374,481
NONREVENUES							
Transfers from Special Fund for Economic Uncertainties	-	433,799	35,459	34,638	821	2.4	460,489
Transfers from Other Funds	29,487	53,958	4,701,700	5,147,097	(445,397)	(8.7)	5,856,535
Miscellaneous	61,673	94,449	416,695	296,454	120,241	40.6	408,594
Total Nonrevenues	91,160	582,206	5,153,854	5,478,189	(324,335)	(5.9)	6,725,618
Total Receipts	\$ 10,463,906	\$ 8,740,797	\$ 130,775,789	\$ 136,170,951	\$ (5,395,162)	(4.0)	\$ 116,100,099

(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 \$10.8 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) Personal Income Tax revenues are lower than projected for the 2024-25 Governor's Budget. (Footnote ties to page A1; Revenues and A2; Personal Income Tax)

(Concluded)

SCHEDULE OF CASH DISBURSEMENTS

(Amounts in thousands)

	Month of February		July 1 through February 29					
			2024		2023			
	2024	2023	Actual	Estimate (a)	Actual Over or (Under) Estimate		Actual	
						Amount	%	
STATE OPERATIONS (c)								
Legislative/Judicial/Executive	\$ 187,436	\$ 160,873	\$ 2,004,600	\$ 2,245,891	\$ (241,291)	(10.7)	\$ 9,717,135	
Business, Consumer Services and Housing	9,860	8,815	106,903	170,029	(63,126)	(37.1)	100,826	
Transportation	42,311	13,310	201,990	182,645	19,345	10.6	269,533	
Resources	408,813	204,958	2,790,206	3,353,325	(563,119)	(16.8)	2,679,075	
Environmental Protection Agency	28,322	11,737	141,716	227,349	(85,633)	(37.7)	268,463	
Health and Human Services:								
Health Care Services and Public Health	79,986	79,798	628,715	825,501	(196,786)	(23.8)	754,675	
Department of State Hospitals	205,768	178,505	1,670,572	1,808,680	(138,108)	(7.6)	1,457,837	
Other Health and Human Services	73,015	64,357	642,790	729,082	(86,292)	(11.8)	577,861	
Education:								
University of California	555,122	659,597	3,431,634	3,736,455	(304,821)	(8.2)	3,136,260	
State Universities and Colleges	554,967	666,001	3,403,713	3,399,315	4,398	0.1	3,784,424	
Other Education	43,421	18,873	276,193	296,990	(20,797)	(7.0)	315,914	
Dept. of Corrections and Rehabilitation	1,247,049	1,115,007	9,367,598	9,358,814	8,784	0.1	9,148,693	
Governmental Operations	164,311	171,111	3,024,927	3,298,362	(273,435)	(8.3)	12,178,170	
General Government	332,730	373,751	3,047,974	3,952,497	(904,523)	(22.9)	2,613,239	
Public Employees' Retirement System	(362,005)	(338,298)	307,470	396,973	(89,503)	(22.5)	99,397	
Debt Service (d)	(53,360)	(115,384)	3,391,397	3,374,718	16,679	0.5	3,496,892	
Interest on Loans	-	-	2,029	1,419	610	43.0	9,459	
Total State Operations	3,517,746	3,273,011	34,440,427	37,358,045	(2,917,618)	(7.8)	50,607,853	
LOCAL ASSISTANCE (c)								
Public Schools - K-12	4,965,371	4,590,611	41,597,223	43,201,990	(1,604,767)	(3.7)	49,216,337	
Community Colleges	685,853	667,527	4,926,452	5,151,884	(225,432)	(4.4)	6,992,662	
Debt Service-School Building Bonds	-	-	-	-	-	-	-	
State Teachers' Retirement System	-	-	2,740,682	2,740,682	-	-	2,583,763	
Other Education	365,601	359,449	4,037,480	4,504,839	(467,359)	(10.4)	5,040,400	
School Facilities Aid	-	-	-	-	-	-	-	
Dept. of Corrections and Rehabilitation	9,912	63,870	615,336	648,589	(33,253)	(5.1)	680,220	
Dept. of Alcohol and Drug Program	-	-	-	-	-	-	-	
Health Care Services and Public Health:								
Medical Assistance Program	2,500,918	1,350,539	29,411,430	29,245,271	166,159	0.6	18,994,482	
Other Health Care Services/Public Health	22,487	61,883	423,189	452,460	(29,271)	(6.5)	331,995	
Developmental Services - Regional Centers	1,382,268	535,718	5,682,236	5,256,295	425,941	8.1	4,919,059	
Department of State Hospitals	-	-	-	-	-	-	-	
Dept. of Social Services:								
SSI/SSP/IHSS	(329,577)	209,640	7,269,957	7,468,334	(198,377)	(2.7)	6,156,889	
CalWORKs	225,492	131,879	2,329,049	2,112,443	216,606	10.3	2,133,637	
Other Social Services	209,884	268,507	1,645,279	1,609,197	36,082	2.2	1,321,409	
Tax Relief	-	-	191,176	202,603	(11,427)	(5.6)	193,326	
Other Local Assistance	336,195	2,210,955	8,006,768	11,259,258	(3,252,490)	(28.9)	12,501,347	
Total Local Assistance	10,374,404	10,450,578	108,876,257	113,853,845	(4,977,588)	(4.4)	111,065,526	

See notes on page A1 and A2.

(Continued)

SCHEDULE OF CASH DISBURSEMENTS (Continued)

(Amounts in thousands)

	Month of February		July 1 through February 29				2023 Actual
	2024	2023	2024		Actual Over or (Under) Estimate		
			Actual	Estimate (a)	Amount	%	
CAPITAL OUTLAY (c)	16,466	(8,761)	241,702	505,431	(263,729)	(52.2)	1,560,972
NONGOVERNMENTAL (c)							
Transfer to Special Fund for Economic Uncertainties	-	-	559,992	558,218	1,774	0.3	-
Transfer to Budget Stabilization Account	-	-	1,388,000	1,388,000	-	-	7,507,000
Transfer to Other Funds	145,597	166,068	3,311,715	3,061,946	249,769	8.2	2,557,780
Transfer to Revolving Fund	203	-	19,202	19,000	202	1.1	89,571
Advance:							
MediCal Provider Interim Payment	-	-	-	-	-	-	-
State-County Property Tax Administration Program	-	-	(3,416)	(8,857)	5,441	(61.4)	31,207
Social Welfare Federal Fund	-	(66,638)	(29,268)	(49,827)	20,559	(41.3)	(84,256)
Local Governmental Entities	-	-	(1,379)	(1,379)	-	-	(1,348)
Tax Relief and Refund Account	-	-	-	-	-	-	-
Counties for Social Welfare	-	-	(333,233)	(333,233)	-	-	(298,784)
Total Nongovernmental	145,800	99,430	4,911,613	4,633,868	277,745	6.0	9,801,170
Total Disbursements	\$ 14,054,416	\$ 13,814,258	\$ 148,469,999	\$ 156,351,189	\$ (7,881,190)	(5.0)	\$ 173,035,521
TEMPORARY LOANS							
Special Fund for Economic Uncertainties	\$ 3,590,510	\$ -	\$ 3,683,369	\$ 3,839,876	\$ (156,507)	(4.1)	\$ -
Budget Stabilization Account	-	-	-	2,329,521	(2,329,521)	(100.0)	-
Outstanding Registered Warrants Account	-	-	-	-	-	-	-
Other Internal Sources	-	-	-	-	-	-	-
Revenue Anticipation Notes	-	-	-	-	-	-	-
Net Increase / (Decrease) Loans	\$ 3,590,510	\$ -	\$ 3,683,369	\$ 6,169,397	\$ (2,486,028)	(40.3)	\$ -

See notes on page A1 and A2.

COMPARATIVE STATEMENT OF REVENUES RECEIVED
All Governmental Cost Funds
(Amounts in thousands)

	July 1 through February 29			
	General Fund		Special Funds	
	2024	2023	2024	2023
MAJOR TAXES, LICENSES, AND INVESTMENT INCOME:				
Alcoholic Beverage Excise Taxes	\$ 286,847	\$ 295,398	\$ -	\$ -
Corporation Tax	20,738,168	17,367,004	-	-
Cigarette Tax	34,592	31,530	960,828	1,050,817
Cannabis Excise Taxes	-	-	469,718	366,724
Estate, Inheritance, and Gift Tax	890	304	-	-
Insurance Companies Tax	2,040,527	1,852,046	2,602	3,050
Motor Vehicle Fuel Tax:				
Gasoline Tax	-	-	5,222,776	4,907,114
Diesel & Liquid Petroleum Gas	-	-	983,289	914,267
Jet Fuel Tax	-	-	3,172	2,855
Vehicle License Fees	3	2	2,356,159	2,273,545
Personal Income Tax	77,203,974	66,282,564	1,386,529	1,188,700
Retail Sales and Use Taxes	22,220,930	21,359,897	13,056,151	12,725,999
Pooled Money Investment Interest	1,722,992	940,542	2,762	781
Total Major Taxes, Licenses, and Investment Income	124,248,923	108,129,287	24,443,986	23,433,852
NOT OTHERWISE CLASSIFIED:				
Alcoholic Beverage License Fees	1,950	1,323	58,327	43,389
Motor Vehicle Registration and Other Fees	(10)	5	5,528,051	5,282,361
Cannabis Licensing Fees	-	-	33,960	48,958
Electrical Energy Tax	-	-	627,184	530,459
Private Rail Car Tax	10,105	9,780	-	-
Penalties on Traffic Violations	-	-	1	2
Health Care Receipts	1,312	1,423	-	-
Revenues from State Lands	56,975	109,345	-	-
Abandoned Property	(87,118)	157,122	-	-
Trial Court Revenues	17,569	16,514	877,560	845,052
Horse Racing Fees	-	-	12,669	12,565
Cap and Trade	-	-	2,664,633	1,957,109
Individual Shared Responsibility Penalty Assessments	18,962	137,417	107,487	-
Miscellaneous Tax Revenue	-	-	1,925,338	2,065,212
Miscellaneous	1,353,267	812,265	11,956,532	9,816,695
Not Otherwise Classified	1,373,012	1,245,194	23,791,742	20,601,802
Total Revenues, All Governmental Cost Funds	\$ 125,621,935	\$ 109,374,481	\$ 48,235,728	\$ 44,035,654

STATEMENT OF GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS
A Comparison of Actual to 2023-24 Budget Act
(Amounts in thousands)

	July 1 through February 29					2023 Actual
	2024		Actual Over or (Under) Estimate		Actual	
	Actual	Estimate (a)	Amount	%		
GENERAL FUND BEGINNING CASH BALANCE	\$ 14,010,841	\$ 14,010,841	\$ -	-	\$ 84,577,276	
Or Beginning Outstanding Loan Balance	-	-	-	-	-	
Add Receipts:						
Revenues	125,621,935	154,640,391	(29,018,456)	(j) (18.8)	109,374,481	
Nonrevenues	5,153,854	3,509,857	1,643,997	(h) 46.8	6,725,618	
Total Receipts	130,775,789	158,150,248	(27,374,459)	(17.3)	116,100,099	
Less Disbursements (c):						
State Operations	34,440,427	38,895,762	(4,455,335)	(11.5)	50,607,853	
Local Assistance	108,876,257	113,418,141	(4,541,884)	(i) (4.0)	111,065,526	
Capital Outlay	241,702	334,584	(92,882)	(27.8)	1,560,972	
Nongovernmental	4,911,613	3,253,527	1,658,086	(g) 51.0	9,801,170	
Total Disbursements	148,469,999	155,902,014	(7,432,015)	(4.8)	173,035,521	
Receipts Over / (Under) Disbursements	(17,694,210)	2,248,234	(19,942,444)	(887.0)	(56,935,422)	
Net Increase / (Decrease) in Temporary Loans	3,683,369	-	3,683,369	-	-	
GENERAL FUND ENDING CASH BALANCE	-	16,259,075	(16,259,075)		27,641,854	
Special Fund for Economic Uncertainties	3,839,876	3,839,876	-	-	3,514,325	
TOTAL CASH	\$ 3,839,876	\$ 20,098,951	\$ (16,259,075)		\$ 31,156,179	
BORROWABLE RESOURCES						
Special Fund for Economic Uncertainties	\$ 3,839,876	\$ 3,839,876	\$ -	-	\$ 3,514,325	
Budget Stabilization Account	22,252,422	22,252,422	-	(g)(h) -	23,288,422	
Other Internal Sources (f)	75,432,659	69,442,350	5,990,309	(h) 8.6	70,358,457	
Cash Balance from Borrowable Resources	101,524,957	95,534,648	5,990,309	6.3	97,161,204	
Less:						
PMIA Loans (AB 55, GC 16312 and 16313)	325,717	360,000	(34,283)	(9.5)	376,839	
SMIF Loans (SB 84, GC 20825)	2,856,818	2,730,000	126,818	4.6	3,230,063	
SMIF Loans (AB 1054, PUC 3285)	-	-	-	-	110,000	
Total Available Borrowable Resources (e)	98,342,422	92,444,648	5,897,774	6.4	93,444,302	
Outstanding Loans to General Fund (b)	3,683,369	-	3,683,369	-	-	
Outstanding Loans to the SFEU Fund	-	-	-	-	-	
UNUSED BORROWABLE RESOURCES	\$ 94,659,053	\$ 92,444,648	\$ 2,214,405	2.4	\$ 93,444,302	

General Note:

This report is based upon funded cash. Funded cash is cash reported to and recorded in the records of the State Controller's Office. Amounts reported as funded cash may differ from amounts in other reports to the extent there are timing differences in the recording of in-transit items.

Footnotes:

- (a) A Statement of Estimated Cash Flow for the 2023-24 fiscal year was prepared by the Department of Finance for the 2023-24 Budget Act. Any projections or estimates are set forth as such and not as representation of facts. (Footnote pertains to all pages in this report)
- (b) Outstanding loan balance of \$3.7 billion is comprised of internal borrowing. Current balance is comprised of \$0.0 billion carried forward from June 30, 2023, plus current year Net Increase/(Decrease) in Temporary Loans of \$3.7 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)

	Month of February		July 1 through February 29				2023 Actual
	2024	2023	Actual	Estimate (a)	Actual Over or (Under) Estimate		
					Amount	%	
REVENUES							
Alcoholic Beverage Excise Taxes	\$ 26,842	\$ 28,480	\$ 286,847	\$ 302,509	\$ (15,662)	(5.2)	\$ 295,398
Corporation Tax	124,099	237,964	20,738,168	30,024,494	(9,286,326)	(j) (30.9)	17,367,004
Cigarette Tax	2,458	1,281	34,592	28,780	5,812	20.2	31,530
Estate, Inheritance, and Gift Tax	-	-	890	-	890	-	304
Insurance Companies Tax	61,597	44,614	2,040,527	1,933,288	107,239	5.5	1,852,046
Personal Income Tax	5,578,431	4,286,383	77,203,974	99,282,761	(22,078,787)	(j) (22.2)	66,282,564
Retail Sales and Use Taxes	4,270,447	3,239,162	22,220,930	21,276,523	944,407	4.4	21,359,897
Vehicle License Fees	1	-	3	-	3	-	2
Pooled Money Investment Interest	182,114	193,656	1,722,992	1,315,286	407,706	31.0	940,542
Not Otherwise Classified	126,757	127,051	1,373,012	476,750	896,262	188.0	1,245,194
Total Revenues	10,372,746	8,158,591	125,621,935	154,640,391	(29,018,456)	(18.8)	109,374,481
NONREVENUES							
Transfers from Special Fund for Economic Uncertainties	-	433,799	35,459	-	35,459	-	460,489
Transfers from Other Funds	29,487	53,958	4,701,700	3,371,000	1,330,700	(h) 39.5	5,856,535
Miscellaneous	61,673	94,449	416,695	138,857	277,838	200.1	408,594
Total Nonrevenues	91,160	582,206	5,153,854	3,509,857	1,643,997	46.8	6,725,618
Total Receipts	\$ 10,463,906	\$ 8,740,797	\$ 130,775,789	\$ 158,150,248	\$ (27,374,459)	(17.3)	\$ 116,100,099

(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 \$10.8 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) Pursuant to subdivisions (c) and (d) of Section 20 of Article XVI of the California Constitution, a transfer of \$1.4 billion from the General Fund to the Budget Stabilization Account for the FY 2021-22 true-up was made in September 2023. (Footnote ties to page B1; Borrowable Resources - Budget Stabilization Account and page B4; Nongovernmental - Transfer to Budget Stabilization Account)
- (h) Pursuant to subdivisions (c) and (d) of Section 20 of Article XVI of the California Constitution, a transfer of \$2.4 billion from the Budget Stabilization Account to the General Fund for the FY 2022-23 true-up was expected; however, only \$720 million occurred in September 2023. The remaining \$1.7 billion transfer occurred in October 2023. Also, approximately \$1.9 billion in transfers from the Special Funds to the General Fund were anticipated in August 2023; however, only \$1.5 billion occurred in October 2023. (Footnote ties to page B1; Nonrevenues and Borrowable Resources - Budget Stabilization Account and Other Internal Sources and page B2; Transfers from Other Funds)
- (i) Pursuant to subdivision (b) of Section 21 of Article XVI of California Constitution, approximately \$1.3 billion expenditure transfer was anticipated from General Fund to the Public School System Stabilization Account in September 2023, which occurred in October 2023. (Footnote ties to page B1; Local Assistance and page B3; Other Local Assistance)
- (j) Personal Income Tax and Corporation Tax revenues are lower than projected. On March 2, 2023 the Franchise Tax Board extended the Personal Income Tax and Corporation Tax filing and payment due date to October 16, 2023. However, on October 16, 2023 the tax deadline was extended to November 16, 2023. (Footnote ties to page B1; Revenues and page B2; Corporation Tax and Personal Income Tax)

(Concluded)

SCHEDULE OF CASH DISBURSEMENTS

(Amounts in thousands)

	Month of February		July 1 through February 29				2023 Actual
	2024	2023	Actual	Estimate (a)	Actual Over or (Under) Estimate		
					Amount	%	
STATE OPERATIONS (c)							
Legislative/Judicial/Executive	\$ 187,436	\$ 160,873	\$ 2,004,600	\$ 2,055,752	\$ (51,152)	(2.5)	\$ 9,717,135
Business, Consumer Services and Housing	9,860	8,815	106,903	112,120	(5,217)	(4.7)	100,826
Transportation	42,311	13,310	201,990	145,272	56,718	39.0	269,533
Resources	408,813	204,958	2,790,206	3,285,064	(494,858)	(15.1)	2,679,075
Environmental Protection Agency	28,322	11,737	141,716	119,064	22,652	19.0	268,463
Health and Human Services:							
Health Care Services and Public Health	79,986	79,798	628,715	648,184	(19,469)	(3.0)	754,675
Department of State Hospitals	205,768	178,505	1,670,572	1,634,389	36,183	2.2	1,457,837
Other Health and Human Services	73,015	64,357	642,790	669,584	(26,794)	(4.0)	577,861
Education:							
University of California	555,122	659,597	3,431,634	3,408,491	23,143	0.7	3,136,260
State Universities and Colleges	554,967	666,001	3,403,713	3,399,546	4,167	0.1	3,784,424
Other Education	43,421	18,873	276,193	669,944	(393,751)	(58.8)	315,914
Dept. of Corrections and Rehabilitation	1,247,049	1,115,007	9,367,598	9,344,278	23,320	0.2	9,148,693
Governmental Operations	164,311	171,111	3,024,927	3,194,856	(169,929)	(5.3)	12,178,170
General Government	332,730	373,751	3,047,974	6,386,784	(3,338,810)	(52.3)	2,613,239
Public Employees' Retirement System	(362,005)	(338,298)	307,470	376,782	(69,312)	(18.4)	99,397
Debt Service (d)	(53,360)	(115,384)	3,391,397	3,444,279	(52,882)	(1.5)	3,496,892
Interest on Loans	-	-	2,029	1,373	656	47.8	9,459
Total State Operations	3,517,746	3,273,011	34,440,427	38,895,762	(4,455,335)	(11.5)	50,607,853
LOCAL ASSISTANCE (c)							
Public Schools - K-12	4,965,371	4,590,611	41,597,223	44,838,802	(3,241,579)	(7.2)	49,216,337
Community Colleges	685,853	667,527	4,926,452	4,935,555	(9,103)	(0.2)	6,992,662
Debt Service-School Building Bonds	-	-	-	-	-	-	-
State Teachers' Retirement System	-	-	2,740,682	2,740,682	-	-	2,583,763
Other Education	365,601	359,449	4,037,480	3,742,481	294,999	7.9	5,040,400
School Facilities Aid	-	-	-	-	-	-	-
Dept. of Corrections and Rehabilitation	9,912	63,870	615,336	616,302	(966)	(0.2)	680,220
Dept. of Alcohol and Drug Program	-	-	-	-	-	-	-
Health Care Services and Public Health:							
Medical Assistance Program	2,500,918	1,350,539	29,411,430	24,297,386	5,114,044	21.0	18,994,482
Other Health Care Services/Public Health	22,487	61,883	423,189	943,695	(520,506)	(55.2)	331,995
Developmental Services - Regional Centers	1,382,268	535,718	5,682,236	5,982,659	(300,423)	(5.0)	4,919,059
Department of State Hospitals	-	-	-	-	-	-	-
Dept. of Social Services:							
SSI/SSP/IHSS	(329,577)	209,640	7,269,957	6,940,856	329,101	4.7	6,156,889
CalWORKs	225,492	131,879	2,329,049	3,141,196	(812,147)	(25.9)	2,133,637
Other Social Services	209,884	268,507	1,645,279	1,694,822	(49,543)	(2.9)	1,321,409
Tax Relief	-	-	191,176	207,500	(16,324)	(7.9)	193,326
Other Local Assistance	336,195	2,210,955	8,006,768	13,336,205	(5,329,437)	(i) (40.0)	12,501,347
Total Local Assistance	10,374,404	10,450,578	108,876,257	113,418,141	(4,541,884)	(4.0)	111,065,526

See notes on page B1 and B2.

(Continued)

SCHEDULE OF CASH DISBURSEMENTS (Continued)

(Amounts in thousands)

	Month of February		July 1 through February 29				
	2024	2023	2024		2023		
			Actual	Estimate (a)	Actual Over or (Under) Estimate		
					Amount	%	
Actual							
CAPITAL OUTLAY (c)	16,466	(8,761)	241,702	334,584	(92,882)	(27.8)	1,560,972
NONGOVERNMENTAL (c)							
Transfer to Special Fund for Economic Uncertainties	-	-	559,992	521,260	38,732	7.4	-
Transfer to Budget Stabilization Account	-	-	1,388,000	-	1,388,000 (g)	-	7,507,000
Transfers to Other Funds	145,597	166,068	3,311,715	3,065,500	246,215	8.0	2,557,780
Transfer to Revolving Fund	203	-	19,202	-	19,202	-	89,571
Advance:							
MediCal Provider Interim Payment	-	-	-	-	-	-	-
State-County Property Tax Administration Program	-	-	(3,416)	-	(3,416)	-	31,207
Social Welfare Federal Fund	-	(66,638)	(29,268)	-	(29,268)	-	(84,256)
Local Governmental Entities	-	-	(1,379)	-	(1,379)	-	(1,348)
Tax Relief and Refund Account	-	-	-	-	-	-	-
Counties for Social Welfare	-	-	(333,233)	(333,233)	-	-	(298,784)
Total Nongovernmental	145,800	99,430	4,911,613	3,253,527	1,658,086	51.0	9,801,170
Total Disbursements	\$ 14,054,416	\$ 13,814,258	\$ 148,469,999	\$ 155,902,014	\$ (7,432,015)	(4.8)	\$ 173,035,521
TEMPORARY LOANS							
Special Fund for Economic Uncertainties	\$ 3,590,510	\$ -	\$ 3,683,369	\$ -	\$ 3,683,369	-	\$ -
Budget Stabilization Account	-	-	-	-	-	-	-
Outstanding Registered Warrants Account	-	-	-	-	-	-	-
Other Internal Sources	-	-	-	-	-	-	-
Revenue Anticipation Notes	-	-	-	-	-	-	-
Net Increase / (Decrease) Loans	\$ 3,590,510	\$ -	\$ 3,683,369	\$ -	\$ 3,683,369	-	\$ -

See notes on page B1 and B2.