ANNUAL REPORT
THE STATE PUBLIC WORKS BOARD OF THE STATE OF CALIFORNIA
FISCAL YEAR ENDED JUNE 30, 2022

The Treasurer of the State of California (the "State Treasurer"), on behalf of the State Public Works Board of the State of California (the "SPWB"), hereby provides this annual report with respect to each issue of Bonds (defined below) as required pursuant to the Disclosure Agreements (defined below) for the fiscal year ended June 30, 2022.

Bond Issues

Each issue of SPWB Lease Revenue Bonds to which this annual report relates is listed on the attached Exhibit 1 (collectively, the "Bonds"). Also listed on Exhibit 1 is the date of each Continuing Disclosure Agreement (each a "Disclosure Agreement" and collectively, the "Disclosure Agreements") executed by the SPWB, the State Treasurer and certain departments of the State of California (the "State") in connection with each issue of the Bonds, and the dated dates for each such issue.

Note: The base CUSIP numbers provided in Exhibit 1 are for the convenience of bondholders. Neither the SPWB nor the State Treasurer is responsible for the accuracy or completeness of such numbers.

Annual Report

This Annual Report for the Bonds (as defined in each Disclosure Agreement for the Bonds) for the fiscal year ended June 30, 2022, consists of:

1. Notice to the Municipal Securities Rulemaking Board ("MSRB") of Failure to File a Complete Annual Report due to Absence of Financial Statements, attached as Exhibit 2.

2. Certain financial information contained in "Appendix A – The State of California," dated as of March 24, 2023, attached as Exhibit 3, as more particularly described in the Disclosure Agreements. The Appendix A attached as Exhibit 3 is identical in all respects to the Appendix A included in the Preliminary Official Statement, dated March 24, 2023, with respect to the State of California General Obligation Bonds.

3. Information relating to the outstanding debt of the SPWB, attached as Exhibit 4.

4. The insurance required by each of the Facility Leases relating to each issue of the Bonds covered by this annual report is in effect.

Other Matters

This Annual Report is provided solely for compliance with the provisions of each Disclosure Agreement. 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, the SPWB, 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 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 the future financial performance of the State.

The information provided herein may relate to bonds or other obligations of the SPWB in addition to the ones listed on the attached Exhibit 1.

Dated: March 24, 2023

TREASURER OF THE STATE OF CALIFORNIA

Original Signed by Julie Giordano
Deputy Treasurer
For California State Treasurer Fiona Ma
As Trustee and Dissemination Agent

Exhibit 1

State Public Works Board of the State of California Bond Issues	Dated Date	Date of Continuing Disclosure Agreement
Lease Revenue Bonds (California Air Resources Board) 2022 Series D (Southern California Headquarters - Mary D. Nichols Campus) (Green Bonds - Climate Bond Certified)	4/20/2022	4/20/2022
Lease Revenue Refunding Bonds 2022 Series C (Various Capital Projects) (Forward Delivery)	9/29/2022	10/20/2021
Lease Revenue Refunding Bonds (Department of Corrections and Rehabilitation) 2022 Series B (Kern Valley State Prison) (Forward Delivery)	3/17/2022	4/6/2021
Lease Revenue Refunding Bonds 2022 Series A (Various Capital Projects) (Forward Delivery)	3/17/2022	4/6/2021
Lease Revenue Bonds 2021 Series D (Various Capital Projects)	11/17/2021	11/17/2021
Lease Revenue Bonds (Department of General Services) 2021 Series C (Sacramento Region: New Natural Resources Headquarters) (Green Bonds - Climate Bond Certified)	11/17/2021	11/17/2021
Lease Revenue Bonds 2021 Series B (Various Capital Projects)	4/22/2021	4/22/2021
Lease Revenue Refunding Bonds 2021 Series A (Various Capital Projects) (Forward Delivery)	10/14/2021	11/5/2020
Lease Revenue Refunding Bonds 2020 Series E (Various Capital Projects)	10/7/2020	10/7/2020
Lease Revenue Bonds 2020 Series D (Various Capital Projects)	10/7/2020	10/7/2020
Lease Revenue Refunding Bonds 2020 Series C (Various Capital Projects)	4/22/2020	4/22/2020
Lease Revenue Bonds 2020 Series B (Various Capital Projects)	4/22/2020	4/22/2020
Lease Revenue Bonds 2019 Series C (Various Capital Projects)	11/13/2019	11/13/2019
Lease Revenue Refunding Bonds 2019 Series B (Various Capital Projects)	10/1/2019	10/1/2019
Lease Revenue Bonds (Board of State and Community Corrections) 2019 Series A (Solano Jail Project)	4/16/2019	4/16/2019
Lease Revenue Bonds 2018 Series C (Various Correctional Facilities)	10/16/2018	10/16/2018
Lease Revenue Refunding Bonds 2018 Series B (Various Capital Projects)	4/17/2018	4/17/2018
Lease Revenue Bonds (Department of Corrections and Rehabilitation) 2018 Series A (Kern Jail Complex)	4/17/2018	4/17/2018
Lease Revenue Refunding Bonds (Department of Education) 2017 Series H (Riverside Campus Projects)	11/7/2017	11/7/2017
Lease Revenue Refunding Bonds 2017 Series G (Various Capital Projects)	11/7/2017	11/7/2017

State Public Works Board of the State of California Bond Issues	Dated Date	Date of Continuing Disclosure Agreement
Lease Revenue Refunding Bonds (Office of Emergency Services) 2017 Series F (Los Angeles Regional Crime Laboratory)	11/7/2017	11/7/2017
Lease Revenue Bonds (Department of Corrections and Rehabilitation) 2017 Series E (California State Prison, Solano Housing Units)	10/12/2017	10/12/2017
Lease Revenue Bonds (Department of Corrections and Rehabilitation) 2017 Series D (Various Correctional Facilities)	10/12/2017	10/12/2017
Lease Revenue Refunding Bonds 2017 Series C (Various Capital Projects)	4/20/2017	4/20/2017
Lease Revenue Refunding Bonds 2017 Series B (Various Capital Projects)	4/20/2017	4/20/2017
Lease Revenue Bonds (Department of Corrections and Rehabilitation) 2017 Series A (Various Correctional Facilities)	3/28/2017	3/28/2017
Lease Revenue Bonds (Department of Corrections and Rehabilitation) 2016 Series E (RJ Donovan Correctional Facility: Various Buildings)	11/3/2016	11/3/2016
Lease Revenue Refunding Bonds 2016 Series D (Various Capital Projects)	10/13/2016	10/13/2016
Lease Revenue Refunding Bonds 2016 Series C (Various Capital Projects)	10/13/2016	10/13/2016
Lease Revenue Refunding Bonds (Department of General Services) 2016 Series B (San Diego Office Building Complex)	3/29/2016	3/29/2016
Lease Revenue Bonds (Department of Corrections and Rehabilitation) 2015 Series H (California State Prison, Corcoran: Various Buildings)	11/19/2015	11/19/2015
Lease Revenue Refunding Bonds (Department of Public Health) 2015 Series G (Richmond Laboratory)	10/13/2015	10/13/2015
Lease Revenue Refunding Bonds (Department of General Services) 2015 Series F (Various State Office Buildings)	10/13/2015	10/13/2015
Lease Revenue Refunding Bonds (Department of Corrections and Rehabilitation) 2015 Series D (Kern Valley State Prison)	4/21/2015	4/21/2015
Lease Revenue Bonds (Judicial Council of California) 2015 Series B (Los Banos Courthouse)	4/21/2015	4/21/2015
Lease Revenue Bonds (Department of Corrections and Rehabilitation) 2015 Series A (Solano Jail)	4/21/2015	4/21/2015
Lease Revenue Refunding Bonds (Department of State Hospitals) 2014 Series I (Hospital Addition at Atascadero State Hospital)	11/18/2014	11/18/2014

State Public Works Board of the State of California Bond Issues	Dated Date	Date of Continuing Disclosure Agreement
Lease Revenue Refunding Bonds 2014 Series H (Various Capital Projects)	11/18/2014	11/18/2014
Lease Revenue Bonds 2014 Series E (Various Capital Projects)	10/28/2014	10/28/2014
Lease Revenue Bonds (Department of Corrections and Rehabilitation) 2014 Series D (Various Correctional Facilities)	10/28/2014	10/28/2014
Lease Revenue Bonds (Department of Corrections and Rehabilitation) 2014 Series C (North Kern State Prison: Various Buildings)	4/24/2014	4/24/2014
Lease Revenue Bonds (Judicial Council of California) 2014 Series B (New Stockton Courthouse)	4/24/2014	4/24/2014
Lease Revenue Bonds (Department of Corrections and Rehabilitation) 2014 Series A (Various Correctional Facilities)	4/3/2014	4/3/2014
Lease Revenue Bonds 2013 Series I (Various Capital Projects)	11/20/2013	11/20/2013
Lease Revenue Bonds (Department of Corrections and Rehabilitation) 2013 Series G (Wasco State Prison: Various Buildings)	10/9/2013	10/9/2013
Lease Revenue Bonds (Department of Corrections and Rehabilitation) 2013 Series F (Various Correctional Facilities)	10/9/2013	10/9/2013
Lease Revenue Refunding Bonds (Department of State Hospitals) 2013 Series E (Coalinga State Hospital)	5/1/2013	5/1/2013
Lease Revenue Bonds (Judicial Council of California) 2013 Series D (Yuba City Courthouse)	5/1/2013	5/1/2013
Lease Revenue Bonds (Department of Corrections and Rehabilitation) 2013 Series B (Stanislaus Juvenile Facility)	3/28/2013	3/28/2013
Lease Revenue Bonds (Judicial Council of California) 2013 Series A (Various Judicial Council Projects)	3/28/2013	3/28/2013
Lease Revenue Bonds (Department of Education) 2012 Series H (Riverside Campus Projects)	10/30/2012	10/30/2012
Lease Revenue Bonds (Trustees of the California State University) 2010 Series B (Various California State University Projects), Subseries B-2 (Federally Taxable Build America Bonds)	4/21/2010	4/15/2010
Lease Revenue Bonds 2009 Series G (Various Capital Projects), Subseries G-2 (Federally Taxable Build America Bonds)	10/29/2009	10/29/2009
Lease Revenue Bonds (Department of Education) 2008 Series G (California School for the Deaf, Fremont, Pupil, Personnel Services Building)	4/24/2008	4/24/2008
Lease Revenue Bonds (California Community Colleges) 2008 Series E (Victor Valley Community College District, Advanced Technology Complex)	4/24/2008	4/24/2008

State Public Works Board of the State of California Bond Issues	Dated Date	Date of Continuing Disclosure Agreement
Lease Revenue Bonds (California Community Colleges) 2007 Series B (Various Community College Projects)	3/1/2007	3/13/2007
Lease Revenue Bonds (California Community Colleges) 2005 Series E (Various Community College Projects)	10/1/2005	10/20/2005
Lease Revenue Bonds (Department of Forestry and Fire Protection) 2004 Series G (Various Forestry Projects)	12/1/2004	12/2/2004
Lease Revenue Bonds (California Community Colleges) 2004 Series B (Various Community College Projects)	4/1/2004	4/21/2004
Lease Revenue Bonds (Department of Mental Health) 2003 Series B (Patton State Hospital EB Building Improvements)	4/1/2003	4/9/2003

The base CUSIP numbers for the State Public Works Board issues listed above are 130685 - _ _ _, 130684 - _ _ _, 13068L - _ _ _, and 13068X - _ _ _.

Exhibit 2

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

Name of Issuer:	STATE PUBLIC WORKS BOARD OF THE STATE OF CALIFORNIA
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 (the "State Treasurer"), on behalf of the State Public Works Board of the State of California (the "SPWB") has not filed with the Municipal Securities Rulemaking Board ("MSRB") a complete Annual Report with respect to each issue of the Bonds as required by the Continuing Disclosure Agreements ("Disclosure Agreements") identified on the attached Exhibit 1. The SPWB is required by such Disclosure Agreements to file an Annual Report no later than April 1 of each year and include in such Annual Report either (1) audited financial statements if available, or (2) if audited financial statements 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, 2022 (the "2022 Annual Comprehensive Financial Report") beyond March 31, 2023. When the 2022 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, 2022, have not been prepared.

For information related to the delay in the issuance of the 2022 Annual Comprehensive Financial Report, please see the section titled "FINANCIAL STATEMENTS" in the Appendix A – The State of California, dated as of March 24, 2023, which is attached as Exhibit 3 to the Annual Report of the State Public Works Board of the State of California for Fiscal Year Ended June 30, 2022, dated March 24, 2023. This Annual Report was filed with the MSRB through EMMA concurrently with this notice.

Dated: March 24, 2023

TREASURER OF THE STATE OF CALIFORNIA

Original Signed by Julie Giordano
Deputy Treasurer
For California State Treasurer Fiona Ma
As Trustee and Dissemination Agent

Exhibit 3

APPENDIX A

THE STATE OF CALIFORNIA

March 24, 2023

TABLE OF CONTENTS

TABLE OF CONTENTS

TABLE OF CONTENTS

TABLE OF CONTENTS

Page

TABLE OF CONTENTS

Page

TABLES

TABLE OF CONTENTS

Page

TABLES

INTRODUCTION TO APPENDIX A

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

APPENDIX A is divided into two Parts. PART I contains information regarding the 2022 Budget Act and the 2023-24 Governor's Budget, including background on the state's economic and financial condition. As the state (including certain of its agencies) issues bonds from time to time, PART I of APPENDIX A (including EXHIBIT 2) is updated as needed to provide the most current, material information.

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

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

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

[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 39.0 million residents as of July 2022. Its population is approximately 30 percent larger than that of the second most populous state, and California contains approximately 12 percent of the total U.S. population. While the state's population decreased slightly in 2022, it is projected to continue to grow over the long term, although more slowly than in the past, and to reach 43.5 million residents by 2060. See "ECONOMY AND POPULATION."

California's economy accounted for nearly 15 percent of the U.S. Gross Domestic Product ("GDP") in 2021. The state has a diverse economy with major components in high technology, trade, entertainment, manufacturing, government, tourism, construction, and services.

Demographic and economic statistical information and a discussion of economic assumptions are included in APPENDIX A under "GOVERNOR'S PROPOSED BUDGET FOR FISCAL YEAR 2023-24—Economic Assumptions Underlying the 2023-24 Governor's Budget" and "ECONOMY AND POPULATION."

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

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

- $22.4 billion in the Budget Stabilization Account;
- $8.5 billion in the Public School System Stabilization Account;
- $900 million in the Safety Net Reserve Fund; and
- $3.8 billion in the state's Special Fund for Economic Uncertainties ("SFEU").

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

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

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

General Fund Revenues, Expenditures, and Cash Management

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

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

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

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

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

State Indebtedness and Other Obligations

As of January 1, 2023, the state had approximately $76.3 billion of outstanding general obligation bonds and lease revenue bonds payable principally from the state's General Fund or from lease payments paid from the operating budget of the respective lessees, which operating budgets are primarily, but not exclusively, derived from the General Fund. As of January 1, 2023, there were approximately $29.0 billion of authorized and unissued long-term voter-approved general obligation bonds which, when issued, will be payable principally from the General Fund and approximately $5.8 billion of authorized and unissued lease revenue bonds. See "STATE INDEBTEDNESS AND OTHER OBLIGATIONS—Future Issuance Plans; General Fund Debt Ratio."

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

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

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

State Pension Systems and Retiree Health Care Costs

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

Through the enactment of Chapter 33, Statutes of 2019 (SB 90) and subsequent enactment of Chapter 859, Statutes of 2019 (AB 118), the state's budget for fiscal year 2019-20 included discretionary pension payments from the General Fund and the Motor Vehicle Account to be made to CalPERS and CalSTRS over a multi-year period. Of the entire $7.41 billion ($7.31 billion General Fund) of discretionary pension payments appropriated, $7.38 billion has been paid as of June 30, 2022.

The 2022 Budget Act included Proposition 2 debt-repayment funding in fiscal year 2022-23 to reduce the state's unfunded liabilities for CalPERS in the amount of $2.9 billion. The 2023-24 Governor's Budget proposes an additional $1.2 billion for this purpose. These payments are in addition to the actuarially determined and statutorily required state pension contribution to CalPERS for each of the respective fiscal years. See "STATE FINANCES—OTHER ELEMENTS—Pension Systems." See also EXHIBIT 1—"PENSION SYSTEMS" for more information with respect to this payment.

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

The state's latest OPEB actuarial valuation report as of June 30, 2021, was prepared in compliance with the GASB OPEB standards with the objective of determining the liabilities associated with OPEB provided to the state's employees and to develop the actuarial funding costs assuming the full-funding policy. Under these standards, the total OPEB liability ("TOL") is estimated to be $99.53 billion as of June 30, 2021 as compared to a TOL of $97.88 billion estimated as of June 30, 2020. For details regarding the changes in this liability, see "STATE FINANCES—OTHER ELEMENTS—Retiree Health Care Costs."

Financial Statements

The State of California Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2020 (the "2020 Annual Comprehensive Financial Report"), is included as an appendix to this Official Statement and incorporated into APPENDIX A. The 2020 Annual Comprehensive Financial Report includes a Financial Section that includes an Independent Auditor's Report, Management's Discussion and Analysis, and Basic Financial Statements of the state for the Year Ended June 30, 2020 (the "Basic Financial Statements"). The Financial Section also contains required supplementary information and combining financial statements and schedules. As set forth in more detail in the 2020 Annual Comprehensive Financial Report, the State Auditor issued an unmodified opinion on 11 components of the Basic Financial Statements, including the General Fund, but issued a modified opinion on each of the three remaining components of the Basic Financial Statements.

In addition, EXHIBIT 2 to APPENDIX A contains the State Controller's unaudited reports of General Fund cash receipts and disbursements for the periods from July 1, 2020 through June 30, 2021, July 1, 2021 through June 30, 2022 and July 1, 2022 through February 28, 2023. Information which may appear in APPENDIX A from the Department of Finance concerning monthly receipts of "agency cash" may differ from the State Controller's report of cash receipts for the same period generally because of timing differences. Agency cash represents cash received by agencies. The State Controller's report represents cash received by agencies as reported to and recorded by the State Controller, which may be a day or so later than when cash is received by agencies.

Certain Defined Terms

The following terms and abbreviations are used in APPENDIX A:

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

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

"EXHIBIT 2" means the State Controller's Unaudited Statement of General Fund Cash Receipts and Disbursements for the periods from July 1, 2020 through June 30, 2021, July 1, 2021 through June 30, 2022, and July 1, 2022 through February 28, 2023, as attached to APPENDIX A as EXHIBIT 2.

"PMIA" means the state's Pooled Money Investment Account.

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

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

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

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

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

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

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

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

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

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

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

"2022-23 Governor's Budget" means the proposed Governor's Budget for fiscal year 2022-23, released on January 10, 2022.

"2023-24 Governor's Budget" means the proposed Governor's Budget for fiscal year 2023-24, released on January 10, 2023.

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

RECENT DEVELOPMENTS

The following are certain significant recent developments concerning the state:

The 2023-24 Governor's Budget

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

Recent Cash Receipts

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

Franchise Tax Board Filing and Payment Deadline Extensions

In January 2023, the Franchise Tax Board ("FTB") extended various filing and payment deadlines for individuals and businesses in California residing in counties impacted by storms to May 15, 2023, in line with tax relief announced by the Internal Revenue Service ("IRS"). On March 2, 2023, the FTB extended these deadlines again to October 16, 2023, after the IRS announced another deadline extension on February 24, 2023. Following additional disaster declarations through March 17, 2023 which impacted counties not included in the original declarations, the extension is now in place for 55 counties comprising over 99 percent of Californians and is expected to significantly alter the timing of state revenue collections as various payments and returns originally due in January through September are now due on October 16, 2023. The extended deadline to May 15, 2023 was assumed to shift $20.9 billion in personal income tax and corporation tax revenues from January through April to May, with $19.3 billion attributed to personal income tax revenues. Projected shifts are based on actual cash receipts through the first three weeks of January 2023 as well as payments patterns from 2021, when the FTB extended the tax filing deadline for final payments from April to May in response to ongoing impacts of the COVID-19 pandemic. A total of $35 billion in personal income tax and corporation tax revenues is preliminarily projected to shift from earlier months to October, which includes the $20.9 billion previously projected to shift to May. While projections are modeled closely after past events, there is significant uncertainty around the actual percentage of individuals and businesses taking advantage of the extended deadlines. The Department of Finance will closely monitor this issue and update its projections for the May Revision.

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

GOVERNOR'S PROPOSED BUDGET FOR FISCAL YEAR 2023-24

The 2023-24 Governor's Budget, released on January 10, 2023, employs a variety of measures built into the 2022 Budget Act and other solutions to close a projected $22.5 billion deficit in General Fund revenues in fiscal year 2023-24. These deficit solutions include funding delays across the multi-year forecast period ($7.4 billion), fund shifts from the General Fund to other funds ($4.3 billion), expenditure reductions ($5.7 billion), other reductions in expenditures which would be restored if it is determined in connection with preparing the Governor's Budget to be released in January 2024 that funding is available for such expenditures ($3.9 billion), and limited special fund borrowing and renewal of the Managed Care Organization Tax ($1.2 billion). The 2023-24 Governor's Budget does not propose to withdraw any funds from the Budget Stabilization Fund to address the deficit. In addition, the 2023-24 Governor's Budget sustains key investments from previous budgets in education, healthcare, climate crisis mitigation, housing, and infrastructure.

General Fund revenues and transfers for fiscal year 2023-24 are projected to be $210.2 billion, an increase of $1.3 billion over the revised estimate of $208.9 billion for fiscal year 2022-

23. These estimates include revenue transfers into the BSA of $1.6 billion and $0.9 billion in fiscal years 2022-23 and 2023-24, respectively. These revenue transfers into the BSA have the effect of decreasing the amounts of reported revenues and transfers for those years. See "STATE FINANCES—REVENUES, EXPENDITURES, AND RESERVES—Sources of Tax Revenue."

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

K-12 Education under Proposition 98 — $95.8 billion total funding, of which $70.4 billion is from the General Fund and the remainder of which is from other funds, including local property taxes. "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—State Expenditures—*K-14 Education Under Proposition 98.*"

Higher Education — total funding of $27.7 billion for all major segments of higher education, including $22.8 billion from the General Fund. The remaining funds include amounts from special and bond funds. "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—State Expenditures—*Higher Education.*"

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

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

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

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

TABLE 1
GENERAL FUND BUDGET SUMMARY
(Dollars in Millions)

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

Source: State of California, Department of Finance.

Note: Numbers may not add due to rounding.

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

Development of Revenue Estimates

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

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

Development of the forecast for the major General Fund revenues begins with a forecast of national economic activity prepared by an independent economic forecasting firm. The Department of Finance's Economic Research Unit, under the direction of the Chief Economist, makes adjustments to the national forecast based on the Department of Finance's economic outlook. The national economic forecast is used to develop a forecast of similar economic indicators for California activity.

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

The COVID-19 pandemic resulted in downturns in nearly every industry. In general, low-income wage earners were primarily affected, whereas high-income earners were largely unaffected, which exacerbated existing pre-pandemic income inequality in the state. Personal income tax withholding receipts grew 7.4 percent year-over-year in 2020, despite record unemployment and overall wage declines, and then grew an additional 20.2 percent year-over-year in 2021. However, this trend reversed in 2022, with personal income tax withholding receipts declining 1.3 percent year-over-year, as it appears that high-income taxpayers, who have a higher share of their overall wages attributed to bonuses and stock-based compensation, were negatively impacted by declining financial markets and asset prices in 2022.

Tax return data through 2020, which became available in April 2022 and was revised in July 2022, does not reflect any obvious pattern of significant out-migration of high-income taxpayers due to the impact of the federal Tax Cuts and Jobs Act ("TCJA") enacted in December 2017 or otherwise. For example, the number of tax returns reporting more than $1 million of income was 69,000 in 2016, 81,000 in 2017, 89,000 in 2018, 96,000 in 2019, and 115,000 in 2020. Such data is not inconsistent with an out-migration of high-income taxpayers, but neither does it suggest such an out-migration. The Pass-Through Entity ("PTE") Elective Tax ("PTE Elective Tax") was enacted in the 2021-22 Budget in response to the $10,000 state and local taxes ("SALT") deduction limitation on personal income taxes imposed under the TCJA. The PTE

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

The 2023-24 Governor's Budget economic forecast incorporates, to the extent possible, developments and authorized policies through November 2022, including monetary policy responses to persistently high inflation, ongoing supply chain issues, and international instabilities. The May Revision forecast (to be issued in May 2023) for fiscal year 2023-24 will be updated to include any developments between November 2022 and April 2023.

National Economy. The U.S. experienced relatively strong nonfarm job growth of 2.4 percent in the first ten months of 2022 and, as of August 2022, the U.S. recovered all its COVID-19 pandemic-induced job losses. Further, the unemployment rate fell to 3.5 percent in September 2022, its lowest rate since 1969. However, while the labor market thrived, U.S. inflation remained elevated near its 40-year high. Initially concentrated in energy and transportation in 2021, inflation became more broad-based in 2022, spreading to other components including food and shelter. Inflation reached a 40-year high of 8.5 percent by March 2022, leading the Federal Reserve to start raising the target federal funds rate in efforts to cool the overheated economy. Between March and November 2022, the Federal Reserve raised rates six times to a target range of 3.75 percent to 4 percent and has indicated that it will maintain high target rates until inflation slows to the Federal Reserve's target threshold of around 2 percent. (After the development of the revenue estimates, the Federal Reserve raised the target rate three more times. The current target range is 4.75 percent to 5.00 percent.) The 2023-24 Governor's Budget forecast projects economic growth to continue, albeit at a slower pace through 2024 as high interest rates decrease interest-sensitive consumption. As a result, U.S. real Gross Domestic Product ("GDP") growth is expected to be around 1 percent in 2023 and 2024. Due to the projected slowing of the economy, U.S. nonfarm jobs are expected to contract (by 0.5 percent) in 2024 and have no growth in 2025 as the U.S. unemployment rate peaks at 4.7 percent. Nevertheless, nonfarm jobs are expected to remain above pre-pandemic levels throughout the forecast period, growing by 0.4 percent by 2026. However, U.S. labor force growth is projected to slow through 2026 and U.S. labor force participation rate is expected to decrease to 61.5 percent in 2026.

The uncertain trajectory of inflation and the monetary policy response continue to pose short-term risks and may further affect economic growth. See "Economic and Budget Risks." The May Revision economic forecast will incorporate additional economic developments arising between November 2022 and April 2023. See "Economic Assumptions Underlying the 2023-24 Governor's Budget."

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

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

California headline inflation in 2021 was driven mainly by strong demand for gasoline, air travel, and hotels (previously suppressed during the onset of the COVID-19 pandemic) and supply chain disruptions (the global semi-conductor chip shortage reduced inventory for new cars, causing elevated inflation for new and used vehicles, and various shortages have driven up the prices of durable goods). As with the nation, inflation in the state became more broad-based in 2022, spreading to other components including food and shelter. California's inflation peaked at 8.3 percent in June and dropped slightly to 7.5 percent by August, the latest available data when finalizing the Governor's Budget economic forecast. Inflation remains broad-based and increasingly driven by backward-looking shelter inflation, based on rental contracts over a fixed period (for example, 6 months or 12 months) and represents about one-third of the overall inflation index. Therefore, shelter inflation tends to lag other components. Additionally, while port and trucking congestion continue to ease, the ongoing shortage of microchips for vehicles continues to hamper production and keep new vehicle prices elevated. Moreover, food and fuel prices rose sharply after the Russian invasion of Ukraine and remained higher at the time the forecast was finalized despite some general decreases throughout the year.

Headline inflation is projected to decelerate as the labor market cools due to the Federal Reserve's tight monetary policy, supply chain issues resolve, and contract rents decrease. California inflation is projected to return to about 1 percentage point higher than U.S. inflation beginning in 2024, consistent with pre-pandemic trends. The state's inflation rate generally exceeds the nation's due to consistently higher increases in housing and energy costs. The May Revision forecast will be updated to include relevant developments occurring between November 2022 and April 2023.

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

Property income, which is comprised of interest, rental, and dividend income, is generally driven by interest income. Interest income is projected to grow in line with the expected trajectory of the Federal Reserve's interest rate increases, peaking in 2023 with growth of 10.8 percent. Rental income, which is a lagging indicator as it represents contract rents from leases signed over the previous 12 months and tends to follow shelter inflation, is projected to peak in 2022 due to increases in asking rents in late 2021 and then decelerate through the remainder of the forecast window. Dividend income growth is expected to slow as economic activity slows impacting business income. The economic forecast assumes California personal income reverts to its historical growth trends beginning in 2024.

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

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

Economic Assumptions Underlying the 2023-24 Governor's Budget

The revenue and expenditure estimates and projections incorporated into the 2023-24 Governor's Budget are based upon certain assumptions concerning the performance of the United States, California, and global economies in general in calendar years 2022 through 2026. These underlying economic assumptions are set forth below. There can be no assurance that these assumptions relating to future economic conditions will be achieved. See also "ECONOMY AND POPULATION." These assumptions were finalized in late November 2022 and will not be updated until late April 2023 for use in the May Revision which will be released in May 2023.

TABLE 2
Selected United States and California Economic Data

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

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

Multi-Year Budget Projection

As required by Proposition 2, in connection with the 2023-24 Governor's Budget, the Department of Finance prepared a multi-year budget projection. The projection is based on current law as of January 2023, when the projection was finalized. The projection also reflects a variety of policies included in the 2023-24 Governor's Budget, including assumptions concerning revenues, expenditures, and forecasted future economic conditions. There can be no assurances that such assumptions will be achieved.

As shown in Table 3, the multi-year projection in the 2023-24 Governor's Budget reflects a balanced budget in fiscal years 2022-23 and 2023-24, and projects that operating deficits, excluding one-time investments, would occur beginning in fiscal year 2025-26 absent further corrective actions. To balance the budget in fiscal year 2023-24 and reduce the multi-year deficits, the 2023-24 Governor's Budget includes various one-time solutions over the multi-year period.

On a year-over-year basis, revenues and transfers, excluding transfers to the BSA, are projected to decline 12 percent, or $28.6 billion, in fiscal year 2022-23, due in large part to a $16.7 billion transfer from the State Fiscal Recovery Funds ("SFRF") (funded from federal COVID-19 relief funds) in fiscal year 2021-22 that did not recur in fiscal year 2022-23, as well as declining personal income tax withholding and capital gains revenue. The PTE Elective Tax is also projected to result in net personal and corporate income taxes that are estimated at $6.4 billion lower in fiscal year 2022-23 as compared to fiscal year 2021-22. Excluding transfers to the BSA, revenues and transfers are projected to increase 0.3 percent, or $582 million in fiscal year 2023-24 as growth in withholding is projected to offset further declines in capital gains realizations. Revenue growth in subsequent fiscal years is projected to average 2.4 percent through fiscal year 2026-27 due to expectations of moderating economic and wage growth. In addition, while the PTE Elective Tax is assumed to result in a slight net revenue gain over its lifetime, the expiration of the PTE Elective Tax at the end of 2025 is projected to result in $2.6 billion in revenue loss in fiscal year 2025-26 and $2.3 billion in revenue loss in fiscal year 2026-27. Once the PTE Elective Tax ends, elective payments will end while credit carryforwards will continue to be claimed, reducing the personal income tax revenue. Furthermore, PTE Elective Tax overpayments will either be refunded or be applied against future business entity tax liabilities, reducing the corporate income tax revenue.

Although fiscal years 2019-20 and 2021-22 are not shown in the table, revenues and transfers (excluding transfers to the BSA) for fiscal year 2021-22 are projected to be 66.4 percent above fiscal year 2019-20, reflecting a very strong rebound from the lows of the COVID-19 pandemic. This substantial increase in revenues is primarily driven by the strong rebound in economic activity as well as increases in the stock market through the end of 2021 and wage gains that disproportionately benefited high-income earners, which in turn benefited the state's revenues due to its progressive tax structure. Negative growth in fiscal year 2022-23 and slower revenue growth in subsequent years reflect moderation and normalization following two years of exceptionally strong growth in fiscal years 2020-21 and 2021-22.

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

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

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

Note: Totals may not add due to rounding.

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

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

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

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

Source: State of California, Department of Finance.

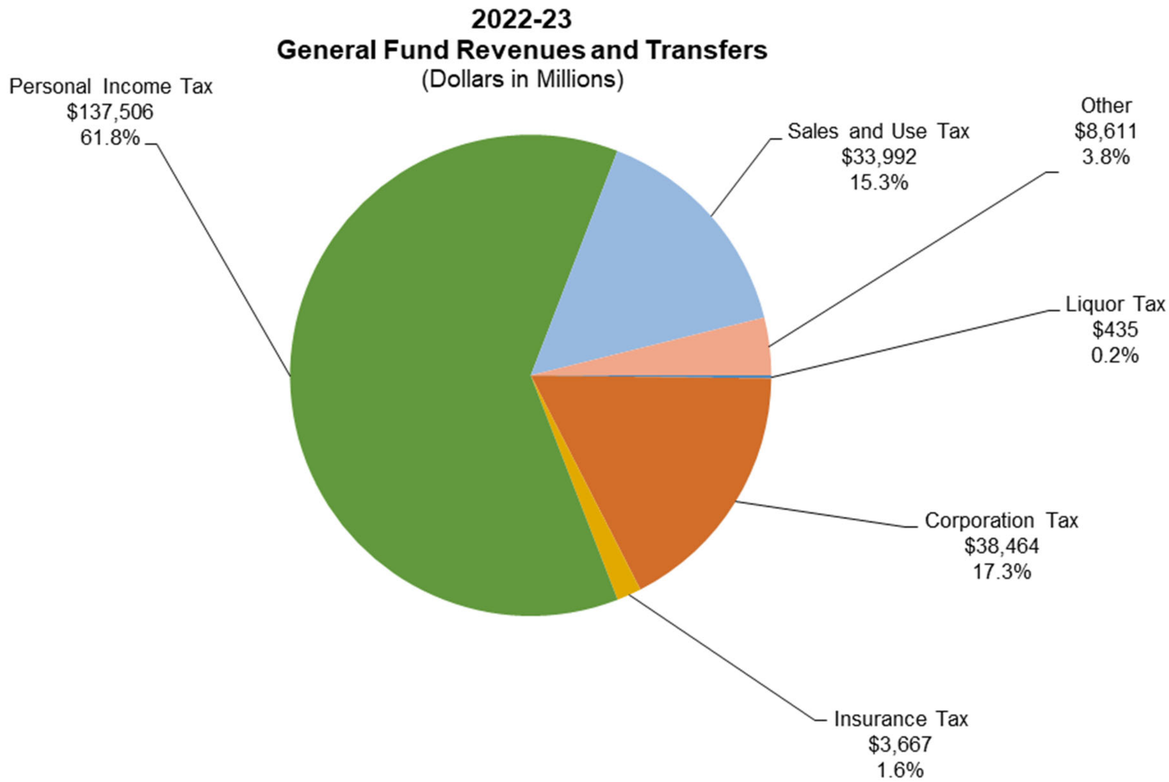
[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

CURRENT STATE BUDGET

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

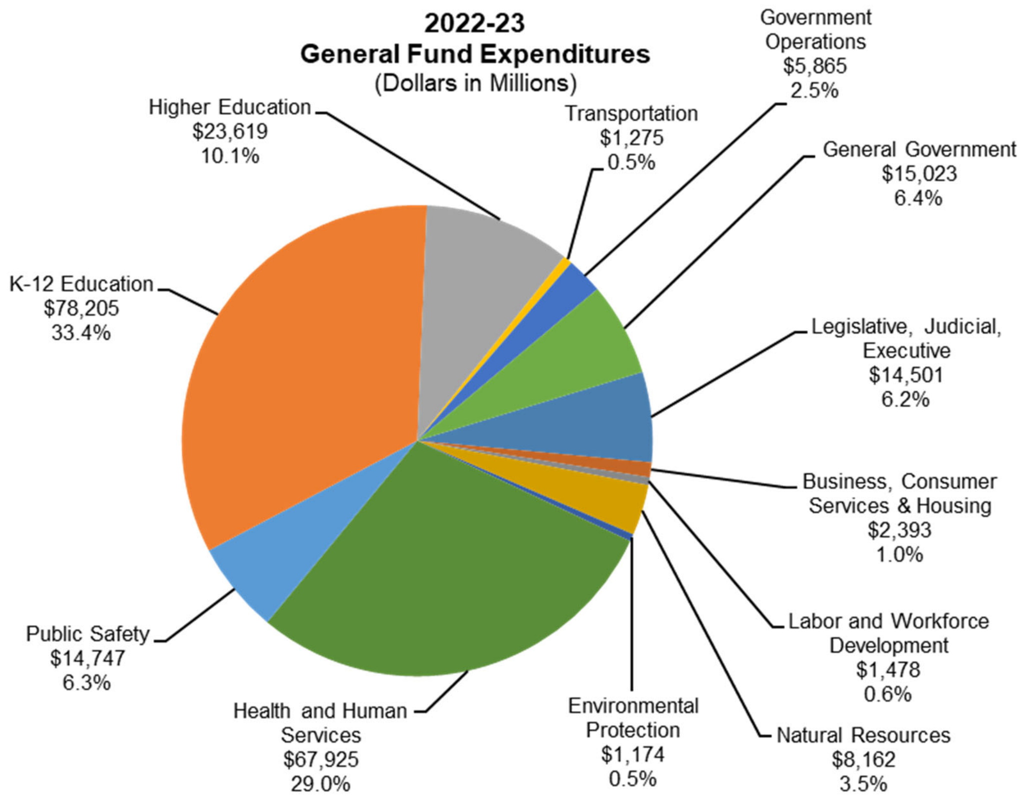
- K-12 Education under Proposition 98 — $95.4 billion total funding, of which $71 billion is from the General Fund and the remainder of which is from other funds, including local property taxes. See "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—State Expenditures—*K-14 Education Under Proposition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

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]



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

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]



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

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

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

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

Beginning Fund Balance. In the 2023-24 Governor's Budget, the estimate of the beginning General Fund balance for fiscal year 2022-23 is $30.2 billion higher than was previously estimated in the 2022 Budget Act ($52.7 billion compared to $22.5 billion). This increase in beginning fund balance for fiscal year 2022-23 is primarily due to prior year (i.e., fiscal year 2021-22) adjustments to non-Proposition 98 spending that decrease the estimate of spending by $20.6 billion, and a revised estimate of revenues in the prior year increasing revenues by $6.8 billion.

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

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

Ending Fund Balance. The 2023-24 Governor's Budget estimates an ending balance in the SFEU of $17.2 billion for fiscal year 2022-23; that is, $13.7 billion higher than the 2022 Budget Act estimate of $3.5 billion. The increase in the ending fund balance is due primarily to the increase in beginning fund balance, all of which is not estimated to be spent in fiscal year 2022-23. See "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—Budget Reserves—Special Fund for Economic Uncertainties."

Summary of General Fund Revenues, Expenditures, and Fund Balance

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

The increases in expenditures beginning in fiscal year 2020-21 reflects in part the fact that, after the 2020 Budget Act was enacted, the economic outlook and revenues improved significantly as the fiscal effects of the pandemic were more understood and federal financial relief arrived. The increased revenues in fiscal years 2020-21 and 2021-22, as compared to baseline estimates, allowed the state to significantly increase expenditures over a few years, mainly on one-time investments and critical state programs. As both prior-year General Fund carry-in balances and revenue estimates return to more historical values, expenditure growth slows to more normal patterns in ensuing years.

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

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

	2019-20	2020-21	Estimated 2021-22	Estimated 2022-23	Projected 2023-24
Fund Balance–Beginning of Period[(b)]	$ 10,206	$ 3,437	$ 31,940	$ 52,713	$ 21,521
Prior Year Adjustment	(1,010)	1,311	9,162	–	–
Adjusted Beginning Fund Balance	**$ 9,196**	**$ 4,748**	**$ 41,102**	**$ 52,713**	**$ 21,521**
Revenues	$124,209	$187,472	$223,168	$210,745	$209,707
Other Financing Sources					
Transfers from Other Funds[(c)]	1,591	13,384	10,723	(1,863)	467
Other Additions	153	113	–	–	–
Total Revenues and Other Sources	**$125,953**	**$200,969**	**$233,891**	**$208,883**	**$210,174**
Expenditures					
State Operations[(d)]	$ 39,386	$ 39,306	$ 70,169	$ 59,589	$ 46,853
Local Assistance [(e)]	105,056	128,072	150,901	177,604	175,983
Capital Outlay[(f)]	220	(15)	1,210	2,883	778
Unclassified	–	–	–	–	–
Other Uses	–	–	–	–	–
Transfer to Other Funds[(c)]	8,045	6,414	–	–	–
Total Expenditures and Other Uses	**$152,707**	**$173,777**	**$222,280**	**$240,076**	**$223,614**
Revenues and Other Sources Over or (Under) Expenditures and Other Uses	$(26,754)	$ 27,192	$ 11,611	$ (31,193)	$ (13,440)
Fund Balance					
Reserve for Encumbrances	4,276	5,272	4,276	4,276	4,276
Reserve for Unencumbered Balances of Continuing Appropriations[(g)]	4,993	5,381	–	–	–
SFEU[(h)]	–	13	48,437	17,245	3,805
Unreserved–Undesignated[(h)]	(26,827)	21,274	–	–	–
Fund Balance–End of Period	**$ (17,558)**	**$ 31,940**	**$ 52,713**	**$ 21,521**	**$ 8,081**

General Note: Totals may not add due to rounding.

(a) These figures have been calculated on a budgetary-legal basis in accordance with state law and the state's usual modified accrual accounting methods. Please note accounting adjustments are necessary to produce statements that comply with full accrual accounting methods required by generally accepted accounting principles ("GAAP"). See "FINANCIAL STATEMENTS."

(b) Fiscal year 2019-20 General Fund revenues did not reflect $21.0 billion postponed personal income taxes and corporation taxes that were received in July 2020 due to the COVID-19 outbreak, leading to the General Fund ending fund balance being understated. The fiscal year 2020-21 General Fund beginning fund balance was restated accordingly.

(c) For the State Controller's Office accounting purposes, the actuals reflect transfers to and/or from the BSA as expenditure transfers on the Transfer to Other Funds line. However, the Department of Finance nets the Transfers to and from Other Funds on the Transfers from Other Funds line. Significantly, the Department of Finance treats those transfers (e.g., to and/or from the Budget Stabilization Account) as revenue transfers.

(Footnotes Continued on Following Page)

(Continued from Previous Page)

[d] Includes debt service cost on general obligation bonds of approximately $5.1 billion for fiscal year 2023-24. The estimated cost is net of various offsets, including a federal Build America Bonds subsidy, various reimbursements to the General Fund from other funds, and amounts included in UC and CSU support budgets for debt service on UC and CSU debt. Total offsets equal approximately $2 billion in fiscal year 2023-24. These offset the General Fund debt service costs of certain General Obligation bonds. See "STATE INDEBTEDNESS AND OTHER OBLIGATIONS—Capital Facilities Financing—*Build America Bonds*." Debt service amounts for earlier years are set forth in the table titled "Outstanding State Debt Fiscal Years 2016-17 through 2020-21" under "STATE DEBT TABLES."

[e] Includes transfer to the PSSSA, begun in fiscal year 2020-21.

[f] The fiscal year 2020-21 negative balance in Capital Outlay expenditures is due to cash being transferred back to the General Fund from a Capital Outlay appropriation in the Natural Resources and Parks Preservation Fund, per a provision of the 2020 Budget Act.

[g] For purposes of determining whether the General Fund budget, in any given fiscal year, is in a surplus or deficit condition, see Government Code Section 13307. Under this law, the unencumbered balances of continuing appropriations, which exist when no commitment for expenditure of the unspent balance is made, should be an item of disclosure, but the amount shall not be deducted from the fund balance. In accordance with Government Code Section 12460, the State Controller's Office *Budgetary/Legal Basis Annual Report* reflects a specific reserve for the encumbered balance for continuing appropriations.

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

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

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

General Fund Revenue and Expenditure Assumptions

The table below presents previous estimates from the 2022 Budget Act, and revised estimates and projections from the 2023-24 Governor's Budget.

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

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

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

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

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

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

ECONOMIC AND BUDGET RISKS

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

- Inflation. Historically, California inflation rates have generally been higher than the nation's inflation rates due to the state's faster increases in housing and energy prices. After slowing from 3 percent in 2019 to 1.7 percent in 2020, California inflation accelerated to 4.2 percent in 2021, and averaged around 7.5 percent through the first ten months of 2022. Elevated inflation in 2021 was driven by pent-up demand after suppression of economic activity at the onset of the COVID-19 pandemic; for example, prices of gasoline, air travel, and hotels skyrocketed and supply chain disruptions (e.g., the global semi-conductor chip shortage), and various shortages have driven up the prices of durable goods. In 2022, inflation became more broad-based, spreading to food, shelter and other components, and the year-over-year California Consumer Price Index ("CPI") peaked at 8.3 percent in June before slowing to 7.3 percent by October. Sustained high inflation can lead to price instability if businesses and consumers expect price increases to continue.

  As of February 2023, elevated inflation has led the Federal Reserve to increase the target federal funds rate nine times from March 2022 to March 2023 to a target range of 4.75 percent to 5.00 percent and the Federal Reserve has indicated that it will maintain high target rates until inflation slows to the Federal Reserve's target threshold of around 2 percent.

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

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

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

- Capital Gains Volatility. A significant amount of the state's tax revenue is derived from capital gains, whose share of total General Fund tax revenue has ranged from around 10 percent to 12 percent since fiscal year 2014-15, but fell to as low as 3.4 percent in fiscal year 2009-10. The revenue forecast for the 2023-24 Governor's Budget projects capital gains realizations to account for 12.4 percent of total General Fund tax revenue in fiscal year 2021-22 before moderating to 9.3 percent in fiscal year 2022-23, and 8.3 percent in fiscal year 2023-24. Capital gains, the state's most volatile revenue source, are heavily reliant on stock market performance. As of the end of the fourth quarter of 2022, the S&P 500 closed at 3,839—approximately 10 percent below the 2022 Budget Act assumption of 4,260 for that quarter. Proposition 2 mitigates some of the state's exposure to capital gains volatility by requiring spikes in capital gains tax revenue to be used to repay the state's debts and liabilities and to be deposited in the BSA. See "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—Sources of Tax Revenue—*Personal Income Tax*" and "—Budget Reserves."

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

  Material changes in federal trade policy, including new or revised tariffs on the state's trading partners, could directly and indirectly impact the state's economy. The 2019 U.S. tariffs of up to 25 percent on $250 billion worth of Chinese products, equivalent to half of the nation's imports from China, remain in place. These tariffs triggered Chinese retaliatory tariffs of 25 percent on over $50 billion worth of U.S. exports. Because California is a transport hub, and China is the state's largest trading partner by total trade value of goods (based on 2021 annual average data), an ongoing trade war could negatively impact the state's economy.

Potential trade barriers could exacerbate the supply chain issues triggered by large-scale worldwide shutdowns during the COVID-19 pandemic. For example, potential trade disruptions associated with uncertainty surrounding China's zero-tolerance COVID-19 policy, which was in effect until December 2022, and threatened invasion of Taiwan, the world's largest supplier of semiconductors, could increase the costs of imports and lead to higher consumer prices and to decreased business revenues. These effects could potentially reduce wages and employment in the short run and could trigger a change in the business model of companies that until now have based significant investment decisions on the assumption of generally free global trade.

- Health Care Costs. The state's Medicaid program ("Medi-Cal") is one of the state's largest expenditures. The state also provides health benefits to its own employees and retirees. General Fund spending on health care costs is thus heavily dependent upon the rate of health care cost inflation. If this inflation rises faster than expected, annual General Fund spending could quickly rise by hundreds of millions of dollars. See "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—State Expenditures—Health and Human Services."

- Housing Constraints. California continues to face a critical housing shortage despite California residential housing units authorized by building permits (seasonally adjusted) averaging approximately 120,000 units through the first 10 months of 2022, the highest levels since 2006. Exceptionally strong housing demand driven by high-income earners in 2021 through early 2022 contributed to record high home prices. The California median sales price for an existing single family home exceeded $900,000 for the first time in May 2022, reaching a record-high of $900,170, just over a year after exceeding $800,000 for the first time. However, as interest rate hikes pushed up mortgage rates, the demand for housing in the second half of 2022 began to fall and the median sale prices for housing also fell, reaching $777,500 in November 2022. This was a 13.6 percent decline from May.

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

- Debts and Liabilities. Since the end of the Great Recession, the state repaid all budgetary debts and implemented plans to pay down the remaining unfunded portions of all major state pension and retiree healthcare liabilities over the next three decades (See "DEBTS AND LIABILITIES UNDER PROPOSITION 2"). The state's past budget challenges were often addressed by use of debt, deferrals, and budgetary obligations accumulated during periods of economic recession in the prior two decades. There can be no assurance that any future budget challenges would not be addressed in a similar manner. See "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—State Expenditures—*Higher Education*." The state still faces hundreds of billions of dollars in long-term pension and retiree healthcare cost pressures. See "STATE FINANCES—OTHER ELEMENTS—Retiree Health Care Costs" and EXHIBIT 1— "PENSION SYSTEMS."

- Climate Change. Historically, the state has been susceptible to wildfires and hydrologic variability. As greenhouse gas emissions continue to accumulate, climate change will intensify and increase the frequency of extreme weather events, such as coastal storm surges, drought, wildfires, floods and heat waves, and raise sea levels along the coast. Over the past several years, the state has already experienced the impacts of climate change through a multi-year drought, flooding, and unprecedented wildfires.

  The previous drought was a five-year event from 2012 to 2016, and seven years later in 2023, California is once again experiencing a multi-year drought. On October 19, 2021, the Governor extended the drought state of emergency to all 58 of the state's counties. In May 2022, emergency regulations were put in place to require local water agencies to reduce water use by up to 20 percent and prohibit any watering of ornamental lawns at businesses and other commercial properties. The dry weather also increases wildfire risk. While the current drought is one of the most severe in California's history, it is not expected to significantly impact any sectors of the state economy beyond the agricultural sector in the current forecast window. However, worsening drought conditions may impact future forecasts. Hotter and drier weather conditions spurred by climate change could reduce California's water supply by up to 10% by the year 2040. The state has outlined various goals to support water recycling and additional water supplies by 2030 and 2040, respectively. At roughly $15,000 an acre-foot, it is estimated that it would require state, local, and federal investments aggregating approximately $10 billion to achieve the 2030 goal and $27 billion to achieve the 2040 goal of recycling an additional 1.8 million acre-feet of water.

  The Administration has taken actions to address drought conditions, including encouraging water conservation, facilitating water management where possible, and providing funding for critical water infrastructure projects. A full recovery from the drought is expected to be slow and will require much more rain and snowfall. In early January 2023 (while significant portions of the state were still facing severe drought conditions), the state also experienced significant precipitation events leading to severe flooding in various locations throughout the state. While significant, the increased precipitation does not necessarily indicate the state is out of a period of drought. Therefore, the state continues to support a comprehensive approach to water management intended to be responsive to drastic shifts in precipitation levels caused by climate change.

All these factors create challenges for regional growth and housing construction, especially if water is not available and wildfires and flooding continue to be destructive. In 2020, a record 4 million acres burned in California, more than twice the previous record of approximately 2 million acres in 2018. Although wildfire incidents declined in 2021 and 2022, with nearly 2.6 million acres and over 360,000 acres burned respectively, destruction of housing increases the demand for construction resources for rebuilding, and worsens the state's housing imbalances. Further, as mentioned above, the winter storms of late December 2022 into early 2023, have shown the unpredictable impact of climate change on the state. On January 4, 2023, the Governor declared a state of emergency throughout California to support the ongoing response to recent winter storms and flooding. Record amounts of rainfall and flooding have damaged vulnerable areas of the state.

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

- Energy Risks. Another result of unprecedented climate-induced weather events, including drought, extreme heat events and wildfires, is stress on California's electrical system. The future fiscal impact of stresses to the energy grid caused by climate is difficult to predict, but could be significant. In recent years, California has taken numerous steps to increase resiliency to be better prepared to meet the state's electricity demands. California is now taking additional immediate actions by expanding demand response programs, creating additional incentives to move large energy users to back-up power generation to address reliability concerns, and implementing longer-term actions such as suspending certain permitting requirements to allow greater energy production.

- Cybersecurity Risks. The state, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations. The state's reliance on this environment has increased due to higher rates of telework as mandated by public health measures during the COVID-19 pandemic. As a recipient and provider of personal, private, or sensitive information, the state is subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems.

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

- COVID-19 Pandemic. The 2023-24 Governor's Budget economic forecast was finalized in mid-November 2022, when daily COVID-19 cases averaged between 4,000 and 6,000 cases in California as both the state and nation experienced a slight uptick in COVID-19 cases, flu and other viral sicknesses due to the winter season. The forecast assumes that COVID-19 will not create any further major disruptions to national and international economies. Nevertheless, another surge in COVID-19 cases could, among other negative impacts, slow labor force and nonfarm employment growth. A more severe variant with higher hospitalization and death rates would lead to even more negative economic impacts. A global increase in cases could also cause supply chain disruptions to last longer than assumed in the forecast. There is no assurance that there would be additional, significant federal aid to assist the state with future negative impacts of the COVID-19 pandemic.

DEBTS AND LIABILITIES UNDER PROPOSITION 2

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

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

The 2023-24 Governor's Budget proposes to apply Proposition 2 debt repayment funding to prefund state retiree health benefits ($390 million), make a repayment toward the $6 billion loan applied to the fiscal year 2017-18 supplemental pension payment to CalPERS, as further described below ($290 million), and make a supplemental pension payment toward the unfunded liability of CalPERS state plans ($1.2 billion).

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

The total amount of supplemental pension payments to CalPERS and CalSTRS since the 2017-18 Budget Act is approximately $16.8 billion. Of this total, Proposition 2 funded $10.6 billion.

Pursuant to Senate Bill 84, Chapter 50, Statutes of 2017, the 2017-18 Budget included a $6 billion supplemental pension payment to CalPERS from proceeds of a loan from the Surplus Money Investment Fund (a state fund managed by the State Treasurer's Office as part of the Pooled Money Investment Account to invest surplus cash from funds held by state departments) that is expected to reduce unfunded liabilities and stabilize state contribution rates (the "SB 84 Loan"). As of the 2023-24 Governor's Budget, the Department of Finance projects the supplemental pension payment will save an estimated $6.0 billion (net of principal and interest on the SB 84 Loan) in state contributions to CalPERS from all state funded sources over the next two decades.

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

The SB 84 Loan is required to be repaid from the General Fund and other funds no later than June 30, 2030. From fiscal year 2017-18 through fiscal year 2021-22, a total of $2.231 billion in General Fund repayments have been made. A sixth General Fund repayment of $488 million (interest and principal) is expected to be made by the end of fiscal year 2022-23. The General Fund's share of the repayment of the SB 84 Loan over the expected term of the loan is eligible under Proposition 2's debt repayment requirements, as reflected in Table 6. The remaining balance is to be repaid from other funds that contribute to CalPERS and are expected to benefit from the supplemental pension payment.

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

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

	Fiscal Year				
	Outstanding Amount July 1, 2023[(a)]	**Projected 2023-24 Pay Down**	**Projected 2024-25 Pay Down**	**Projected 2025-26 Pay Down**	**Projected 2026-27 Pay Down**
State Retirement Liabilities (Unfunded Actuarial Estimate)					
State Retiree Health	$ 95,510	$ 390	$ 400	$ 410	$ 420
State Employee Pensions—SB 84 Loan[(b)]	--	290	836	590	556
State Employee Pensions[(c)]	43,639[(d) (e)]	1,182	447	734	874
Teachers' Pensions	60,136[(f)]	0	0	0	0
Judges' Pensions	2,299	0	0	0	0
Total	**$ 201,584**	**$ 1,862**	**$ 1,683**	**$ 1,734**	**$ 1,850**

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

(b) As of January 1, 2023, the outstanding balance of the SB 84 Loan from all funds was $3.2 billion. The outstanding balance does not include the interest cost on the loan, which is calculated using the quarterly 2-year constant maturity U.S. Treasury rate. The pay down amounts reflect the repayment of the General Fund's share of the $6 billion SB 84 Loan described in this section. The first column of this table reflects estimates of unfunded actuarial state retirement liabilities. The outstanding amount of the SB 84 Loan is not an estimate of unfunded actuarial state retirement liabilities and, accordingly, the outstanding balance of the SB 84 Loan is not included in that column.

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

(d) The amount includes the unfunded liability for the 1959 Survivor Benefit Program, which is an estimated $18 million as of June 30, 2021.

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

(f) The state portion of the unfunded liability for teachers' pensions is $13.065 billion.

LITIGATION

Introduction

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

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

This description was developed by the state with the participation of the Office of the Attorney General and other state entities. The Office of the Attorney General does not represent the state, its subdivisions, departments, agencies and other units in all matters, and accordingly there may be litigation matters of which the Office of the Attorney General is not aware. The state does not conduct a docket search of federal or state court litigation filings to identify pending litigation matters, and no inquiry has been made into administrative claims and matters. There may be claims and matters with potentially significant fiscal impacts that have not been described below.

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

Oroville Dam Litigation

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

On February 7, 2017, erosion was discovered on the lower portion of the main spillway of the Oroville Dam. Because of successive severe storms (caused by atmospheric rivers) impacting Northern California, releases down the damaged main spillway were unable to prevent the reservoir from overtopping. Water flowed down the emergency spillway, triggering the evacuation of more than 180,000 people downstream of Lake Oroville on February 11, 2017. Out of several lawsuits filed on behalf of individuals and businesses against the Department, only one is still pending. The suit claims damages arising out of these events, including alleged damage for relocation expenses.

In addition to the sole remaining lawsuit, the Butte County District Attorney seeks to impose up to $51 billion in civil penalties upon the Department for allegedly violating Fish and Game Code Section 5650, which regulates the deposit of materials deleterious to fish and other plant and animals into state waters. (*People of the State of California v. California Department of Water Resources, Butte County Superior Court*, Case No. 18CV00415.) On December 18, 2020, the superior court granted the Department's motion for summary judgment of the Butte County District Attorney's entire case. On February 9, 2021, the Butte County District Attorney filed its notice of appeal of the judgment in the matter.

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

Tax Cases

A pending case challenges the validity of California Code of Regulations, title 18, Section 1585, which requires the sales tax on mobile telephones to be based on the full "unbundled" price of the telephone rather than any discounted price that is contingent on a service plan commitment, as applied to cellular device sales in carrier-operated stores. In *Bekkerman et al. v. California Department of Tax and Fee Administration* (Sacramento County Superior Court, Case No. 34-2015-80002242), the superior court ruled that the regulation is inconsistent with statute and therefore invalid. The California Department of Tax and Fee Administration has appealed and the matter is in the briefing stage. (Court of Appeal, Third App. Dist., Case No. C093763). Petitioners filed a second action, a class action lawsuit seeking refunds of any excess sales tax paid, *Bekkerman et al. v. California Department of Tax and Fee Administration, et al.* (Sacramento County Superior Court, Case No. 34-2016-80002287). The superior court dismissed the state defendants from the second action on the basis that the class action claim for sales tax refunds was premature, and stayed the action pending the result in the first action. In April 2022, petitioners filed a third action, also a class action tax refund claim. *On November 4, 2022, the superior court stayed the third class action pending the outcome of the appeal*. (Sacramento County Superior Court, Case No. 34-2022-80003814.) In the new class action, the court could order sales tax refunds potentially exceeding $1 billion.

Medi-Cal Reimbursements

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

School Funding

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

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

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

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

Medical Information Privacy

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

FINANCIAL STATEMENTS

The State of California Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2020 (the "2020 Annual Comprehensive Financial Report") was released on February 2, 2022. It is included as an appendix to this Official Statement and incorporated into APPENDIX A. The 2020 Annual Comprehensive Financial Report includes a Financial Section that includes an Independent Auditor's Report, Management's Discussion and Analysis, and the Basic Financial Statements. The Financial Section also contains required supplementary information and combining financial statements and schedules. Only the Basic Financial Statements have been audited, as described in the Independent Auditor's Report. A description of the accounting and financial reporting standards set by the Governmental Accounting Standards Board and used in the Basic Financial Statements is contained in Note 1 of the Basic Financial Statements.

In accordance with state law, each year the State Auditor's Office releases an audit report concerning its review of the state's basic financial statements. As set forth in more detail in the 2020 Annual Comprehensive Financial Report, including the Independent State Auditor's Report contained therein, the California State Auditor (the "State Auditor") issued an unmodified opinion on 11 components of the Basic Financial Statements, including the General Fund, but issued a modified opinion on each of the three remaining components of the Basic Financial Statements. A modified opinion, comprised of a disclaimer of opinion, was issued for the Unemployment Programs Fund financial statements. A modified opinion, comprised of a qualified opinion, has been issued for each of the Federal Fund financial statements and the business-type activities component of the government-wide financial statements. The modified opinions are the result of ongoing challenges experienced by the state's Employment Development Department ("EDD") in administering California's unemployment insurance program (since the onset of the COVID-19 pandemic) and preparing its financial statements using FI$Cal (defined below). See "STATE FINANCES—OTHER ELEMENTS—Unemployment Insurance." For a more detailed explanation of these modified opinions see the Independent Auditor's Report beginning on the first page of the Financial Section of the 2020 Annual Comprehensive Financial Report.

According to the Independent State Auditor's Report, the financial statements contained in the 2020 Annual Comprehensive Financial Report, except for the Federal Fund and the Unemployment Programs Fund, present fairly, in all material respects, the respective financial position of each major fund.

On February 2, 2022, the State Auditor's Office issued its report titled "State of California Internal Control and Compliance Audit Report for the Fiscal Year Ended June 30, 2020" (the "Auditor's 2020 Internal Control and Compliance Report"). The Auditor's 2020 Internal Control and Compliance Report includes conclusions of the State Auditor's Office regarding EDD's deficiencies in its accounting processes that contributed to a delay in the release of the 2020 Annual Comprehensive Financial Report and led to the issuance of the modified opinions described above. The Auditor's 2020 Internal Control and Compliance Report is available on the website of the State Auditor at https://www.auditor.ca.gov. This report is not part of or incorporated into APPENDIX A.

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

On January 2, 2023, Malia Cohen was sworn in as California State Controller. According to the previous State Controller, Controller Betty Yee, the delay in completion of the 2020 Annual Comprehensive Financial Report and the State of California Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019 (the "2019 Annual Comprehensive Financial Report") released on October 30, 2020, was due to 1) a large number of State departments transitioning from several separate legacy accounting systems to a new statewide accounting, budget, cash management and procurement information technology system called the Financial Information System for California ("FI$Cal"), which contributed to delays in State departments providing information to the State Controller necessary for the preparation of the 2020 Annual Comprehensive Financial Report and the 2019 Annual Comprehensive Financial Report, and 2) the late start on producing such financial statements due to this delay. The release of the 2020 Annual Comprehensive Financial Report was further delayed by a failure in accounting processes by EDD that led to the issuance by the State Auditor of modified opinions for certain components of the Basic Financial Statements (as discussed in more detail above and in the attached 2020 Annual Comprehensive Financial Report).

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

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

The State Auditor currently estimates that the State of California Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2021 (the "2021 Annual Comprehensive Financial Report") will be issued in March 2023. (Field work on the 2021 Annual Comprehensive Financial Report has been completed although a possibility exists that it may be further delayed.)

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

The causes of the delay in the state's ability to produce the basic financial statements to be included in the 2021 Annual Comprehensive Financial Report by March 31, 2022 (March 31 of the following fiscal year being the state's historical target for release of financial statements as noted above), will result in a significant delay in the issuance of the State of California Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022 beyond March 31, 2023, and are expected to continue to impact the ability of the state to provide basic financial statements by March 31 for one or more subsequent fiscal years.

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

The 2020 Annual Comprehensive Financial Report describes certain financial information of the state as of June 30, 2020. The 2021 Annual Comprehensive Financial Report, when issued, will describe certain financial information of the state as of June 30, 2021. This Appendix A contains more current financial information relating to the General Fund essential to making an informed investment decision. Potential investors are therefore advised to read the entire Appendix A, including without limitation "RECENT DEVELOPMENTS," "GOVERNOR'S PROPOSED BUDGET FOR FISCAL YEAR 2023-24," CURRENT STATE BUDGET," "ECONOMIC AND BUDGET RISKS," "STATE DEBT TABLES," and "EXHIBIT 1–PENSION SYSTEMS."

In addition, the State Controller issues a monthly report on General Fund cash receipts and disbursements. These reports are available on the State Controller's website and are normally released by the 10th day of every calendar month for the period ended on the last day of the prior month. The State Controller's unaudited reports of General Fund cash receipts and disbursements for the periods from July 1, 2020 through June 30, 2021, July 1, 2021 through June 30, 2022 and July 1, 2022 through February 28, 2023, are included as EXHIBIT 2 to APPENDIX A. If the State Controller issues such a monthly report between the date on which a preliminary offering document for the securities offered in connection with this APPENDIX A is delivered and the date on which the related final offering document is delivered, such monthly report will be included in such final offering document.

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

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

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

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

The General Fund

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

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

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

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

Restrictions on Raising or Using General Fund Revenues

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

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

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

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

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

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

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

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

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

Sources of Tax Revenue

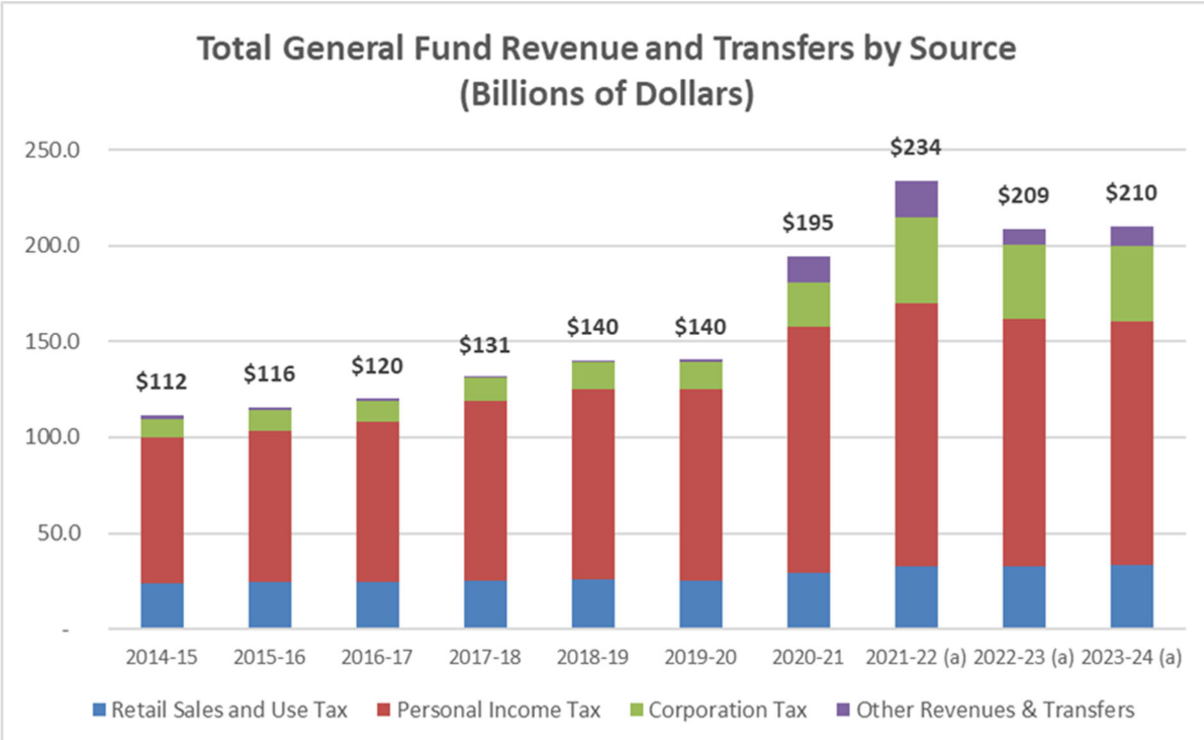
In calendar year 2020, there was a dramatic decline in economic activity in the second quarter, including in the state, due to the COVID-19 pandemic, followed by an uneven recovery for the remainder of the year. For calendar year 2021, the economy, buoyed by multiple rounds of federal stimulus, an accommodative monetary policy, and the reopening of businesses, showed very strong growth. Despite the downturn and record unemployment in calendar year 2020, personal income tax withholding receipts in calendar year 2020 increased by 7.4 percent year-over-year compared to calendar year 2019, and then grew an additional 20.2 percent in calendar year 2021. This exceptionally strong growth in personal income tax withholding indicates that high-wage taxpayers that are subject to higher tax rates have received a disproportionately larger share of the wage gains than lower-wage taxpayers and were, on a wage basis, less impacted by the COVID-19 pandemic. However, these wage trends reversed in calendar year 2022 with declining stock market and asset prices. Withholding receipts declined 1.3 percent year-over-year, even as overall wage growth is projected to slow but remain positive.

Because the economic hardship of the COVID-19 pandemic largely impacted low-income taxpayers, and because of California's progressive tax structure, California's revenues only suffered a moderate and temporary slowdown in fiscal year 2019-20 with revenues and transfers increasing a modest 0.2 percent year-over-year. However, General Fund revenues and transfers surged 39 percent year-over-year in fiscal year 2020-21 and increased by 20 percent in fiscal year 2021-22. This reflects strong economic growth and rising asset prices through the end of 2021. However, revenues and transfers are projected to decline by 10.7 percent in fiscal year 2022-23 due primarily to weaker wage growth, particularly among high income-earners, reduced capital gains revenue, and lower federal reimbursements compared to fiscal year 2021-22. In fiscal year 2023-24, revenues and transfers are projected to increase by 0.6 percent, but this is largely a result of transfers (consisting primarily of $850 million for loans from special funds to the General Fund, and a $333 million transfer from the Health Care Affordability Reserve Fund to the General Fund) as revenues excluding transfers are projected to decrease by 0.5 percent as a result of declining capital gains revenue and slower economic growth.

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

Cost recovery revenues for federal reimbursement of expenses related to the COVID-19 pandemic and wildfires increased General Fund revenues and transfers by $1.9 billion in fiscal year 2021-22, $2.7 billion in fiscal year 2022-23 and $2.3 billion in fiscal year 2023-24 (estimated). General Fund revenues and transfers in fiscal year 2021-22 reflect a $5.2 billion transfer to the BSA, $596 million in loan repayments to special funds and a $450 million transfer to the Safety Net Reserve Fund. General Fund revenues and transfers in fiscal year 2022-23 reflect a $1.6 billion transfer to the BSA and $608 million in loan repayments to special funds. General Fund revenues and transfers in fiscal year 2023-24 reflect a $911 million transfer to the BSA and $66 million in loan repayments from special funds.

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



(a) Projected.

Note: Chart reflects yearly transfers from the General Fund to the BSA of $1.6 billion in fiscal year 2014-15, $2.1 billion in fiscal year 2015-16, $3 billion in fiscal year 2016-17, $4.1 billion in fiscal year 2017-18, $3.2 billion in fiscal year 2018-19, $3.1 billion in fiscal year 2019-20, $5.1 billion in fiscal year 2020-21, $5.2 billion in fiscal year 2021-22, $1.6 billion in fiscal year 2022-23, and $911 million in fiscal year 2023-24. The chart also reflects a withdrawal from the BSA of $7.8 billion in fiscal year 2020-21 (resulting in a net transfer from the BSA in fiscal year 2020-21 of $2.7 billion). The chart also reflects a deposit of $900 million to the Safety Net Reserve Fund in fiscal year 2018-19, a withdrawal of $450 million to the General Fund from the Safety Net Reserve Fund in fiscal year 2020-21, and a deposit of $450 million to the Safety Net Reserve Fund in fiscal year 2021-22. Transfers reduce General Fund revenues and transfers by the amounts of the transfers while withdrawals increase General Fund revenues and transfers by the amounts of the withdrawals.

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

(a) Projected.

(b) Reflects the passage of Proposition 30, which temporarily increased tax rates on the highest income Californians through December 31, 2018, and temporarily increased the sales and use tax rate by 0.25 percent through December 31, 2016. Proposition 55 extended the three personal income tax brackets added by Proposition 30 through tax year 2030. For fiscal year 2020-21, includes -$2.9 billion for tax refunds related to the Golden State Stimulus I, which provided stimulus payments to families who qualified for the California Earned Income Tax Credit or filed with an Individual Taxpayer Identification Number. Reflects -$13.7 billion in fiscal year 2021-22, -$14 billion in fiscal year 2022-23, and -$14.9 billion in fiscal year 2023-24 for tax credits related to the PTE Elective Tax.

(c) Reflects the passage of Proposition 39, approved by the voters in 2012, which requires single sales factor apportionment for most multi-state businesses. See "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—Sources of Tax Revenue—Corporation Tax." Reflects the suspension of Net Operating Losses and the limitation on the use of business incentive tax credits for tax years 2020 and 2021. Reflects $20.4 billion in fiscal year 2021-22, $14.3 billion in fiscal year 2022-23, and $15 billion in 2023-24 related to the PTE Elective Tax.

(d) Beginning in fiscal year 2014-15, reflects transfers from the General Fund to the BSA for rainy day purposes and a deposit of $900 million in fiscal year 2018-19 to the Safety Net Reserve Fund. Fiscal year 2020-21 includes a $7.8 billion withdrawal from the BSA, a $5.1 billion deposit into the BSA, and a $450 million withdrawal from the Safety Net Reserve Fund. Fiscal year 2021-22 includes a $5.2 billion deposit into the BSA and a transfer of $450 million to the Safety Net Reserve Fund. Fiscal year 2022-23 includes a $1.6 billion deposit into the BSA. Fiscal year 2023-24 includes a $911 million deposit into the BSA.

(e) Includes over $700 million in cost recovery revenues for federal reimbursement of FEMA-related expenses related to COVID-19 and wildfires in fiscal year 2019-20, $741 million in fiscal year 2020-21, $1.9 billion in fiscal year 2021-22, $2.7 billion in fiscal year 2022-23, and $2.3 billion in fiscal year 2023-24.

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

Note: Percentages may not add to 100 percent because of rounding and $66 million in General Fund loans and loan repayments from special funds in fiscal year 2023-24.

Source: State of California, Department of Finance.

1. *Personal Income Tax*

California personal income tax ("PIT") is imposed on net taxable income; that is, gross income less exclusions and deductions, with rates ranging from 1 percent to 12.3 percent. In addition, the state imposes a 1 percent surcharge on taxable income above $1 million and dedicates the proceeds from this surcharge to the state's Mental Health Services Fund. The PIT brackets, along with other tax law parameters, are adjusted annually for inflation. Personal, dependent, and other credits are allowed against the gross tax liability. Taxpayers may be subject to the state's alternative minimum tax ("AMT"). California's PIT structure is highly progressive. For example, the Franchise Tax Board ("FTB") estimates that the top 1 percent of state income taxpayers paid 49 percent of the state's total PIT in tax year 2020.

Proposition 30 and Proposition 55, passed in 2012 and 2016, respectively, provided for a one percent increase in the PIT rate for joint filing taxpayers with income above $500,000 and equal to or below $600,000; a 2 percent increase for incomes above $600,000 and equal to or below $1,000,000; and a 3 percent increase for incomes above $1,000,000 in calendar years 2012 to 2030. For single filers these tax rate increases start at incomes one-half those for joint filers. The brackets for these higher rates are indexed for inflation each year. The 2023-24 Governor's Budget projects the revenue from these additional tax brackets to be $16 billion in fiscal year 2021-22, $12.7 billion in fiscal year 2022-23, and $12.5 billion in fiscal year 2023-24.

[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	
2014-15	$11,469	10.3%	$64,700	57.9%	$76,169	68.1%
2015-16	11,713	10.1	67,022	57.9	78,735	68.1
2016-17	12,255	10.2	71,010	59.2	83,264	69.4
2017-18[c]	14,457	11.0	79,319	60.5	93,776	71.5
2018-19[c]	15,082	10.8	84,107	60.1	99,189	70.8
2019-20[c][d]	16,274	11.6	83,324	59.3	99,599	70.9
2020-21[b][c][d]	23,571	12.1	105,285	54.1	128,856	66.2
2021-22[b][c][e]	27,359	11.7	109,404	46.8	136,762	58.5
2022-23[b][c][e]	19,399	9.3	109,506	52.4	128,905	61.7
2023-24[b][c][e]	17,435	8.3	109,290	52.0	126,725	60.3

(a) Includes revenue from the higher rates imposed by Proposition 30 and Proposition 55 that are dedicated to the Education Protection Account. See "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—State Expenditures—*K-14 Education under Proposition 98*."

(b) Estimated. For fiscal year 2020-21, only the portion of total PIT attributable to capital gains remains subject to possible further revision.

(c) Reflects a reduction of revenues due to the Earned Income Tax Credit and the Young Child Tax Credit of $200 million in fiscal year 2015-16, $205 million in fiscal year 2016-17, $348 million in fiscal year 2017-18, $394 million in fiscal year 2018-19, $1.1 billion in fiscal year 2019-20, $1.3 billion in fiscal year 2020-21, $1 billion in fiscal year 2021-22,$1.2 billion in fiscal year 2022-23, and $1.2 billion in fiscal year 2023-24.

(d) Reflects a reduction of revenues of $2.9 billion in fiscal year 2020-21 due to tax refunds issued related to GSS I.

(e) Reflects a decrease in revenues of $13.7 billion in fiscal year 2021-22 and $14 billion in fiscal year 2022-23, and $14.9 billion in fiscal year 2023-24 from the PTE Elective Tax enacted in the 2021 Budget Act. See "Corporation Tax" below.

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

Source: State of California, Department of Finance. Estimated calendar year capital gains revenues based on actual capital gains realizations for 2014 through 2020, and estimated realizations for 2021 and forward. Fiscal year totals for capital gains shown in this table are estimated by adding 70 percent of calendar year total in first half of fiscal year to 30 percent of calendar year total in second half of fiscal year.

Income taxes on capital gains realizations, which are linked to stock market and real estate performance, can add significant volatility to PIT receipts. Though it is not shown in the above table, during the Great Recession capital gains tax receipts dropped from nearly $9 billion in fiscal year 2007-08 to just under $3 billion in fiscal year 2009-10, a 67 percent decline. The 2023-24 Governor's Budget projects that capital gains would account for 11.7 percent of the total General Fund revenues and transfers in fiscal year 2021-22, 9.3 percent in fiscal year 2022-23, and 8.3 percent in fiscal year 2023-24. The volatility in these percentages is primarily due to an underlying volatility in the level of capital gains tax revenues, rather than to volatility in other General Fund revenues and transfers. See "ECONOMIC AND BUDGET RISKS."

The PTE Elective Tax enacted in the 2021 Budget Act is projected to decrease personal income tax revenues by an estimated $13.7 billion in fiscal year 2021-22, $14 billion in fiscal year 2022-23, and $14.9 billion in fiscal year 2023-24, with roughly equivalent offsetting revenue gains in corporate income taxes.

2. *Sales and Use Tax*

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

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

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

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

Proposition 30 constitutionally guaranteed that 1.0625 percent of the sales tax rate is dedicated to the cost of the realignment of certain defined public safety services programs from the state to the counties and explicitly states that this sales tax revenue does not constitute General Fund revenue for purposes of the Proposition 98 guarantee. The 1.0625 percent of the sales tax rate is projected to generate $9.2 billion in fiscal year 2022-23 and $9.3 billion in fiscal year 2023-24.

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

The 2022-23 Budget included a one-year pause on the General Fund sales tax rate (3.9375 percent) on diesel fuel beginning October 1, 2022, which is projected to reduce sales tax revenues by $383 million in fiscal year 2022-23 and $126 million in fiscal year 2023-24.

3. *Corporation Tax*

Corporation tax revenues are derived from the following taxes:

- The franchise tax and the corporate income tax are levied at an 8.84 percent rate on profits. The former is imposed on corporations for the privilege of doing business in California, while the latter is imposed on corporations that derive income from California sources but are not sufficiently present to be classified as doing business in the state.

- Banks and other financial corporations are subject to the franchise tax plus an additional tax at the rate of 2 percent on their net income. This additional tax is in lieu of personal property taxes and business license taxes.

- In general, the AMT is based on a higher level of net income computed by adding back certain tax preferences. This tax is imposed at a rate of 6.65 percent.

- A minimum franchise tax of up to $800 is imposed on corporations and Sub-Chapter S corporations. Limited partnerships ("LPs"), limited liability partnerships ("LLPs"), and LLCs are also subject to the $800 minimum franchise tax. New corporations are exempted from the minimum franchise tax for the first year of incorporation.

- Sub-Chapter S corporations are taxed at 1.5 percent of profits.

- Fees and taxes paid by LLCs and partnerships are estimated to be $1.4 billion in fiscal year 2022-23.

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

The PTE Elective Tax is estimated to increase corporate income tax revenues by $20.4 billion in fiscal year 2021-22, $14.3 billion in fiscal year 2022-23, and $15 billion in fiscal year 2023-24, with roughly equivalent offsetting revenue losses in personal income tax revenues.

4. *Insurance Tax*

The majority of insurance written in California is subject to a 2.35 percent gross premium tax. For insurers, this premium tax takes the place of all other state and local taxes except those on real property and motor vehicles. Exceptions to the 2.35 percent rate are certain pension and profit-sharing plans which are taxed at the lesser rate of 0.5 percent, surplus lines and non-admitted insurance at 3 percent and ocean marine insurers at 5 percent of underwriting profits. The insurance tax is estimated to have generated General Fund revenues of $3.5 billion in fiscal year 2021-22 and is projected to generate $3.6 billion in fiscal year 2022-23 and $3.9 billion in fiscal year 2023-24.

5. *Special Fund Revenues*

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

- Receipts from tax levies, which are allocated to specified functions, such as motor vehicle taxes and fees and certain taxes on tobacco products.

- Charges for certain services provided by the state government to individuals, businesses, or organizations, such as fees for the provision of business and professional licenses.

- Rental royalties and other receipts designated for particular purposes (e.g., oil and gas royalties).

Motor vehicle-related taxes and other fees were projected to account for nearly one-third of all special fund revenues in fiscal year 2023-24. Principal sources of this income are motor vehicle fuel taxes, registration and weight fees, and vehicle license fees. In fiscal year 2023-24, approximately $21.4 billion of special fund revenues are projected to come from the ownership or operation of motor vehicles, which includes an increase to existing taxes and new fees from the Road Repair and Accountability Act of 2017, Chapter 5, Statutes of 2017 (SB 1), which began collection in fiscal year 2017-18. For a discussion of Proposition 1A of 2004, which replaced a portion of vehicle license fees with increased property tax revenues, see "STATE FINANCES—OTHER ELEMENTS—Local Government Impacts on State Finances."

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

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

Fiscal Year	Sales and Use[(b)]	Personal Income[(c)]	Tobacco[(d)]	Cannabis	Motor Vehicle Fuel[(e)]	Motor Vehicle Fees[(f)]	Managed Care Organization Tax[(g)]
2013-14	$20,168	$1,282	$747	--	$6,063	$6,205	$828
2014-15	20,567	1,831	746	--	5,711	6,489	1,464
2015-16	22,128	1,870	755	--	4,957	6,809	1,656
2016-17	22,144	1,757	1,155	--	4,843	7,166	2,578
2017-18	23,271	2,119	2,080	$85	6,352	8,549	2,469
2018-19	24,481	2,297	1,990	299	7,558	9,848	2,456
2019-20	24,049	2,268	1,906	484	7,798	9,735	1,672
2020-21	26,351	3,111	1,909	770	7,811	10,641	2,318
2021-22[(a)]	31,001	5,567	1,778	813	8,455	10,717	2,517
2022-23[(a)]	31,636	3,631	1,619	642	8,959	11,213	2,066
2023-24[(a)]	31,941	3,564	1,480	715	9,747	11,694	784

(a) Projected.

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

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

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

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

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

(g) Reflects renewal of the Managed Care Organization tax in 2024 as proposed in the Governor's Budget.

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

Source: State of California, Department of Finance.

6. *Taxes on Tobacco Products*

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

Chapter 483, Statutes of 2021 (SB 395), implements an additional 12.5 percent retail tax on the sale of electronic cigarettes and nicotine liquid, beginning July 1, 2022. It is expected to generate $33 million in fiscal year 2022-23, all of which goes to special funds.

Chapter 34, Statutes of 2020 (SB 793), would have banned all flavored tobacco products, including mentholated cigarettes and flavored e-cigarette liquids, beginning January 1, 2021. However, a referendum to overturn the law qualified for the November 2022 election, during which time the flavor ban was suspended. Voters upheld the legislation, and the flavor ban went into effect in December 2022. The flavor ban is expected to result in a decline in the consumption of cigarettes and tobacco products beginning in fiscal year 2022-23, which is consistent with assumptions in prior forecasts.

7. *Taxes on Cannabis Products*

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

State Expenditures

Certain information concerning state expenditures as set forth in the 2023-24 Governor's Budget is presented below.

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

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

1. *K-14 Education under Proposition 98*

General. California provides instruction and support services to roughly six million students in grades kindergarten through twelve in more than 10,000 schools throughout the state. K-12 education programs are primarily funded under Proposition 98 and will receive funding of $70.4 billion from the General Fund for fiscal year 2023-24 (both Non-Proposition 98 and Proposition 98). The state also provides instruction and support services for approximately 1.8 million students based on enrollment (or approximately 1.1 million full-time equivalent students) at 116 community colleges.

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

Although the Constitution requires a minimum level of funding for education, the state may provide more or less than the minimum guarantee. If the state provides more than is required, the minimum guarantee is increased on an ongoing basis. If the state provides less than required, the minimum guarantee must be suspended in statute with a two-thirds vote of the Legislature. When the minimum guarantee is suspended, the suspended amount is owed to schools in the form of a maintenance factor. A "maintenance factor obligation" is also created in years when the operative minimum guarantee is calculated using a per capita General Fund inflation factor (Test 3) and is lower than the calculation using a per capita personal income inflation factor (Test 2). (In Test 1 years, a fixed percentage of General Fund revenues is used in the calculation.) In Test 3 years, the amount of maintenance factor obligation created is equal to the difference between the funded level and the Test 2 level. Under a suspension, the maintenance factor obligation created is the difference between the funded level and the operative minimum guarantee. The maintenance factor obligation is repaid according to a constitutional formula in years when the growth in per capita General Fund revenues exceeds the growth in per capita personal income.

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

Proposition 2 created the Public School System Stabilization Account ("PSSSA"), a special fund that serves as a Proposition 98 reserve and requires a deposit in the PSSSA under specified conditions. The 2023-24 Governor's Budget reflects these conditions being met, requiring a deposit in fiscal year 2023-24 of approximately $365 million. Economic conditions as of the 2022 Budget Act required deposits in fiscal years 2021-22 and 2022-23 of approximately $4 billion and approximately $2.2 billion, respectively, but Proposition 2 requires a two-year true up on this transfer calculation, and after the true up, deposits totaling approximately $3.7 billion and approximately $1.1 billion, respectively, are required. Balances in the PSSSA must be spent on education in fiscal years in which the minimum Proposition 98 funding level is not sufficient to fund the prior year funded level adjusted for growth and inflation. With the total balance in the PSSSA now exceeding 3 percent of the total Proposition 98 funded amount in fiscal year 2022-23, school district reserve caps of 10 percent will be triggered for applicable districts in fiscal year 2023-24 pursuant to statute.

Proposition 98 Funding for Fiscal Years 2022-23 and 2023-24. Test 1 is operative in fiscal years 2022-23 and 2023-24, requiring approximately 38 percent of General Fund revenues to be spent on K-14 education. As shown in Table 10, the funding provided to K-12 schools and community colleges is estimated to grow in both fiscal years 2022-23 and 2023-24. The 2023-24 Governor's Budget reflects the Proposition 98 minimum guarantee at approximately $108.8 billion in fiscal year 2023-24, a decrease of approximately $1.5 billion compared to the amount assumed for fiscal year 2023-24 in the 2022 Budget Act.

The 2023-24 Governor's Budget also reflects a $941 million one-time supplemental payment for Proposition 28, which was passed by voters in the November 2022 election. Proposition 28 establishes funding for K-12 arts and music education in public schools. Pursuant to Proposition 28, beginning in fiscal year 2024-25, the Proposition 98 minimum guarantee Test 1 percentage will be rebenched to permanently include Proposition 28. The 2023-24 Governor's

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

The 2023-24 Governor’s Budget reflects a revised funding level for K-12 schools and community colleges in fiscal year 2022-23 of approximately $107.0 billion, which is approximately $3.4 billion less than the level assumed at the 2022 Budget Act as estimates of state revenues have been revised downward.

[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)

	2021-22		Fiscal Year 2022-23		2023-24	Change From Enacted 2022-23 to Proposed 2023-24	
	Enacted[a]	Revised[c]	Enacted[b]	Revised[c]	Proposed[c]	Amount	Percent
K-12 Proposition 98							
State General Fund	$45,646	$55,320	$59,536	$57,099	$57,379	$(2,157)	-4%
Education Protection Account[f]	11,048	15,810	11,599	12,195	13,110	1,511	12%
Local property tax revenue[d]	23,829	23,273	24,389	24,241	25,393	1,004	4%
Subtotals	$80,523	$94,403	$95,524	$93,535	$95,882	$ 358	0%
Community College Proposition 98							
State General Fund	$5,698	$6,836	$7,519	$7,206	$7,138	$ (381)	-5%
Education Protection Account[f]	1,365	1,954	1,434	1,507	1,620	186	12%
Local property tax revenue[d]	3,535	3,512	3,653	3,648	3,811	158	4%
Subtotals	$10,598	$12,302	$12,606	$12,361	$12,569	$ (37)	0%
Total Proposition 98							
State General Fund	$51,344	$62,156	$67,055	$64,305	$64,517	$(2,538)	-4%
Public School System Stabilization Account	2,617	3,710	2,224	1,096	365	(1,859)	-170%
Education Protection Account[f]	12,413	17,764	13,033	13,702	14,730	1,697	12%
Local property tax revenue[d]	27,365	26,785	28,042	27,889	29,204	1,162	4%
Totals[e]	$93,739	$110,415	$110,354	$106,992	$108,816	$(1,538)	-1%

(a) As of the 2021 Budget Act, enacted on June 28, 2021, as amended July 9, 2021.
(b) As of the 2022 Budget Act, enacted on June 27, 2022, as amended June 30, 2022.
(c) As of the 2023-24 Governor's Budget.
(d) Local property tax revenues include amounts shifted to schools as a result of the elimination of redevelopment agencies. Fiscal years 2021-22 through 2023-24 include the one-time distribution of cash assets held by redevelopment agencies.
(e) Totals may not add due to rounding.
(f) Roughly $2.4 billion in Education Protection Account resources were inadvertently initially attributed to fiscal year 2021-22 rather than fiscal year 2022-23. The Department of Finance will not adjust fiscal year 2021-22 and 2022-23 Education Protection Account resources to address this issue because the time to adjust the estimate as required by the Constitution has passed and there is no impact on total cumulative Education Protection Account resources provided between fiscal year 2021-22 and fiscal year 2022-23.

Source: State of California, Department of Finance.

2. *Higher Education*

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

As discussed above, the state funds its community colleges under Proposition 98. Including funds for Adult Education, the 2023-24 Governor's Budget reflects $12.6 billion Proposition 98 funds for community colleges (consisting of $8.8 billion from the General Fund and Education Protection Account and $3.8 billion from local property taxes).

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

CSU provides undergraduate and graduate programs, awarding approximately 130,000 degrees in the 2021-22 academic year. CSU enrolled 394,930 full-time equivalent students at 23 campuses in the 2021-22 academic year.

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

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

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

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

Fiscal Year	CSU[(a)(b)]	UC[(b)]	CCCs[(c)(d)]
2019-20	$4.7	$3.9	$6.1
2020-21	4.0	3.5	7.4
2021-22	5.9	5.1	8.8
2022-23	5.4	5.0	8.7
2023-24	5.4	4.7	8.8

(a) Includes health benefit costs for CSU retirees.
(b) Includes general obligation bond debt service costs.
(c) Reflects Proposition 98 General Fund provided for the community colleges, including expenditures for Adult Education and the K-12 Strong Workforce Program expenditures.
(d) Includes Education Protection Account expenditures.

3. *Health and Human Services*

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

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

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

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

The following table shows Medi-Cal expenditures as of the 2023-24 Governor's Budget.

TABLE 12
Medi-Cal Expenditures
(Dollars in Billions)

Fiscal Year	General Fund	Other State Funds	Federal Funds[a]	Total
2019-20	$22.7	$9.2	$64.2	$96.1
2020-21	20.6	15.1	77.5	113.2
2021-22	24.5	12.2	82.3	119.0
2022-23	32.3	14.4	91.0	137.7
2023-24	38.7	14.1	86.1	138.9

Note: Totals may not add due to rounding.

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

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

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

Medi-Cal Coverage for Undocumented Adults Aged 26-49. The 2022 Budget Act expanded Medi-Cal coverage to income-eligible adults aged 26 through 49, regardless of immigration status, no later than January 1, 2024. The 2023-24 Governor's Budget projects expenditures of $844.5 million ($635.3 million General Fund) in fiscal year 2023-24 and $2.1 billion ($1.6 billion General Fund) in 2024-25, inclusive of In Home Supportive Services costs. Expenditures are projected to grow to $2.5 billion ($2 billion General Fund) annually at full implementation.

MCO Tax. Federal Medicaid regulations allow states to impose certain health care-related taxes on plans or providers if certain conditions are met. The revenue from these taxes serves as the non-federal share of spending for health care services in a state's Medicaid program, which allows the state to draw down additional federal funding and reduce General Fund expenditures. There have been several iterations of the MCO tax, each one slightly different. The first iteration of the tax was effective July 1, 2013 through June 20, 2016 (authorized by SB 78). The second iteration was effective July 1, 2016 through July 1, 2019 (authorized by SBx2 2). The most recent MCO tax was effective April 3, 2020 through December 31, 2022 (authorized by AB 115). The 2023-24 Governor's Budget includes net General Fund savings of $1.6 billion in fiscal year 2022-23 from this MCO tax. The 2023-24 Governor's Budget proposes to renew the MCO tax, effective January 1, 2024, through December 31, 2026. The renewal would result in net General Fund savings of $316.5 million in fiscal year 2023-24 and $6.5 billion over the three-year period.

California Advancing and Innovating Medi-Cal. CalAIM is a multi-year plan to transform California's Medi-Cal program with the goals of adopting a whole-person care model, reducing system complexity, and improving enrollee outcomes. The 2023-24 Governor's Budget includes $2.2 billion ($0.9 billion General Fund) in fiscal year 2022-23 and $4.1 billion ($2.0 billion General Fund) in 2023-24, to support CalAIM initiatives inclusive of costs for the newly proposed Behavioral Health Community-Based Continuum Demonstration.

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

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

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

TABLE 13
IHSS Expenditures
(Dollars in Billions)

Fiscal Year	Caseload	General Fund Expenditures
2019-20[(a)]	555,324	$4.3
2020-21[(b)]	566,994	4.3
2021-22[(c)]	586,627	4.6
2022-23[(d)(e)]	615,607	5.9
2023-24 [(d)(f)]	642,289	7.8

(a) Fiscal year 2019-20 General Fund expenditures reflect (1) an increase of $241.7 million to rebase the county IHSS maintenance-of-effort; (2) implementation of the state hourly minimum wage increase from $12 to $13, effective January 1, 2020; (3) restoration of the 7 percent across-the-board reduction in services hours; (4) both costs and savings related to COVID-19; and (5) growth in caseload and average service hours per case.

(b) Fiscal year 2020-21 General Fund expenditures reflect (1) implementation of the state hourly minimum wage increase from $13 to $14, effective January 1, 2021; (2) restoration of the 7 percent across-the-board reduction in services hours; and (3) growth in caseload and average service hours per case.

(c) Fiscal year 2021-22 General Fund expenditures reflect (1) implementation of the state hourly minimum wage increase from $14 to $15, effective January 1, 2022; (2) restoration of the 7 percent across-the-board reduction in services hours; (3) both costs and savings related to COVID-19; (4) growth in caseload and average service hours per case; and (5) continuation of the 65 percent state and 35 percent county sharing ratio and the continuation of the ten percent over three years option.

(d) Estimated.

(e) Fiscal year 2022-23 General Fund expenditures reflect (1) full-year implementation of the state hourly minimum wage increase from $14 to $15, effective January 1, 2022, and half year costs for the statewide minimum wage increase to $15.50, effective January 1, 2023; (2) growth in caseload and average service hours per case; (3) both costs and savings related to COVID-19; (4) phased-in implementation of Undocumented 50 and Above Full Scope Expansion; (5) full-year costs for Electronic Visit Verification penalties to FMAP; (6) implementation of the permanent back-up provider system for IHSS recipients to avoid disruptions to caregiving due to an immediate need or emergencies; and (7) one-time payments resulting from reconciliation of payments made to managed care plans during the Coordinated Care Initiative.

(f) Fiscal year 2023-24 General Fund expenditures reflect (1) full-year implementation of the state hourly minimum wage increase from $15 to $15.50, effective January 1, 2023, and half year costs for the statewide minimum wage increase to $16.00, effective January 1, 2024; (2) growth in caseload and costs per hour; (3) assumed conclusion of the enhanced FMAP resulting in a higher state share of costs; and (4) full-year implementation of Undocumented 50 and Above Full Scope Expansion.

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

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

The following table shows CalWORKs caseload and General Fund expenditures.

TABLE 14
CalWORKs Expenditures
(Dollars in Billions)

Fiscal Year	Caseload	General Fund Expenditures
2019-20	365,143	$0.5
2020-21	314,678	0.6
2021-22	302,222	0.6
2022-23[(a)]	347,868	0.7
2023-24[(a)]	360,307	1.9

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

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

SSI/SSP. The federal Supplemental Security Income ("SSI") program provides a monthly cash benefit to eligible seniors and persons with disabilities who meet the program's income and resource requirements. In California, the SSI payment is augmented with a State Supplementary Payment ("SSP") grant. The 2023-24 Governor's Budget includes approximately $3.5 billion (General Fund) for the SSI/SSP program in fiscal year 2023-24, reflective of full year costs for a 10.3 percent SSP increase effective January 1, 2023 (totaling $300 million General Fund). The 2023-24 Governor's Budget also includes $146 million (General Fund) in fiscal year 2023-24 for an additional grant increase effective January 1, 2024. The average monthly caseload in this program is estimated to be 1.1 million recipients in fiscal year 2023-24.

Developmental Services. The Department of Developmental Services ("DDS") provides consumers with developmental disabilities a variety of services and supports that allow them to live and work independently or in supported environments. DDS estimates it will serve approximately 420,927 individuals in the community and approximately 312 individuals in state-operated facilities in fiscal year 2023-24.

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

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

Fiscal Year	Caseload	General Fund Expenditures
2019-20	351,045	$4.9
2020-21	360,389	5.7
2021-22	379,097	6.3
2022-23[a]	400,807	7.1
2023-24[a]	421,239	8.6

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

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

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

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

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

4. *Public Safety*

Currently, the California Department of Corrections and Rehabilitation ("CDCR") operates 36 youth and adult correctional facilities and 35 youth and adult camps as well as numerous other facilities. CDCR also contracts for multiple adult parolee service centers and reentry services. CDCR's infrastructure includes more than 42 million square feet of building space on more than 23,000 acres of land (36 square miles) statewide.

The 2023-24 Governor's Budget assumes an average daily adult incarcerated population of 93,396 individuals in fiscal year 2023-24 and an average daily adult parole population of 41,345 individuals in fiscal year 2023-24. The 2023-24 Governor's Budget includes total expenditures (excluding capital outlay) of $14.5 billion ($14.1 billion from the General Fund) for CDCR, including salaries and benefits of approximately $10.2 billion.

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

Proposition 57 reformed the juvenile and adult criminal justice system in California by creating a parole consideration process for non-violent incarcerated individuals who served the full term for their primary criminal offense in state prison, authorizing CDCR to award credits earned for good conduct and approved rehabilitative or educational achievements, and requiring judges to determine whether juveniles charged with certain crimes should be tried in juvenile or adult court. The 2023-24 Governor's Budget estimates that Proposition 57 will result in a population reduction of approximately 22,000 incarcerated adults in fiscal year 2023-24, with this population reduction of incarcerated individuals increasing to approximately 23,900 in fiscal year 2025-26. These figures are subject to some uncertainty. The COVID-19 pandemic also significantly impacted prison population, but its long-term effect is uncertain.

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

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

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

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

Citing "significant progress" in improving California's prison medical care, a federal District Court judge in January 2012 ordered California officials to begin planning for the end of the federal receivership of the state's prison medical programs. On March 10, 2015, the court modified its order to update and clarify the process to transition responsibility for the incarcerated population's medical care back to the state. This transition process is ongoing. As of the end of December 2022, 20 institutions have been transitioned back to the state, with 13 facilities remaining to be transferred.

Five-Year Expenditure Summary

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

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

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

(a) Beginning with fiscal year 2017-18, General Administration was changed to Non-Agency Departments per the Uniform Codes Manual.

(b) Beginning in fiscal year 2018-19, expenditures no longer include the deferral of June payroll expenditures to July pursuant Senate Bill 83, Chapter 24, Statutes of 2019, which repealed Government Code Sections 12472.5 and 13302(d), which provided authority to defer payroll from June to July of the following fiscal year.

(c) Beginning with fiscal year 2016-17, Expenditure Adjustment for Encumbrances was retitled to Reserve for Liquidation of Encumbrances. Large variances between fiscal years are normal. In fiscal year 2016-17, the increased balance in the Reserve for Liquidation of Encumbrances was due to the addition of new operating funds in Local Assistance expenditures. In fiscal year 2018-19, new funds were added which were a primary factor in the large variance to prior fiscal years. In fiscal year 2019-20, the decrease in Reserve for Liquidation of Encumbrances was mainly from the General Fund. In fiscal year 2020-21, the significant decrease in Reserve for Liquidation of Encumbrances was mainly due to the fact that the Energy Resources Conservation and Development Commission reported only cash basis amounts for the Alternative and Renewable Fuel and Vehicle Technology Fund, the Electric Program Investment Charge Fund, and the Greenhouse Gas Reduction Fund. The cash basis amounts did not include current year encumbrance accruals. Please refer to footnote (k), below.

(Footnotes Continued on Following Page)

(Continued from Previous Page)

[d] Beginning with fiscal year 2016-17, Credits for Overhead Services by General Fund was retitled to Statewide General Administration Expenditures (Pro Rata). In fiscal year 2016-17, Pro Rata was charged directly at fund level which played a role in the variance. In previous years, central service costs allocated to special funds for their fair share of these costs were charged to the departments' appropriations.

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

[f] In fiscal year 2016-17, the increase in Capital Outlay expenditures was due to an increase in expenditures of the Greenhouse Gas Reduction Fund. In fiscal year 2019-20, Capital Outlay expenditures increased due to new projects in the Road Maintenance and Rehabilitation Account as well as an increase from various contracts in Greenhouse Gas Reduction Fund.

[g] Executive Orders 17/18-A, and 18/19-A were issued by the Department of Finance, as authorized under Control Section 12.45 of the Budget Acts of, 2016, and 2017 respectively, and pursuant to Government Code sections 12472.5 and 13302, to defer the June 2017 and June 2018 payroll expenditures for various governmental and nongovernmental cost funds to July 2017 and July 2018. This affected all state departments paid through the uniform payroll system. Beginning with fiscal year 2018-19, current year expenditures no longer include the deferral of June payroll expenditures to July pursuant to Senate Bill 83, Chapter 24, Statutes of 2019, which repealed Government Code sections 12472.5 and 13302(d), which provided authority to defer payroll from June to July of the following fiscal year.

[h] Four departments using FI$Cal submitted estimated financial statements to the State Controller's Office for fiscal year 2016-17 which were included in the Budgetary Legal Basis Annual Report ("BLBAR").

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

[j] The Department of Secretary of State was not able to submit fiscal year 2018-19 financial statements for General Fund, Secretary of State's Business Fees Fund, and Federal Trust Fund prior to the cut-off of producing the BLBAR. The State Controller's Office included cash basis balances from its legacy system for these three funds in the BLBAR.

[k] In fiscal year 2020-21, the California Conservation Corps was not able to submit fiscal year 2020-21 financial statements for the General Fund and the Collins-Dugan California Conservation Corps Reimbursement Account prior to the cut-off for producing the BLBAR. The Energy Resources Conservation and Development Commission was not able to submit fiscal year 2020-21 financial statements for the Energy Resources Programs Account; Federal Trust Fund; Alternative and Renewable Fuel and Vehicle Technology Fund; Electric Program Investment Charge Fund; Greenhouse Gas Reduction Fund; and the Cost of Implementation Account, Air Pollution Control Fund prior to the cut-off of producing the BLBAR. The State Controller's Office included cash basis amounts from its legacy system for these eight funds in the BLBAR.

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

Budget Reserves

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

The SFEU is funded with General Fund revenues and was established to protect the state from unforeseen revenue reductions and/or unanticipated expenditure increases. The State Controller may transfer funds from the SFEU to the General Fund as necessary to meet cash needs of the General Fund and such transfers are characterized as "loans." The State Controller is required to return moneys so transferred, without payment of interest, as soon as there are sufficient moneys in the General Fund. At the end of each fiscal year, the State Controller is required to transfer from the SFEU to the General Fund any amount necessary to eliminate any deficit in the General Fund. In addition, in certain circumstances, moneys in the SFEU are used in connection with disaster relief.

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

Department of Finance. See "STATE FINANCES—OTHER ELEMENTS—State Appropriations Limit."

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

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

2. *Budget Stabilization Account ("BSA")*

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

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

- Requires a calculation of capital gains revenues in excess of 8 percent of General Fund tax revenues that are not required to fund a Proposition 98 increase. In addition, it requires a calculation of 1.5 percent of annual General Fund revenues. The sum of the amounts so calculated will be applied for the purposes set forth below.
- Requires half of each year's calculated amount for the first 15 years be used to pay specified types of debt or other long-term liabilities. The other half must be deposited into the BSA. After the first 15 years, at least half of each year's deposit will be deposited in the BSA, with the remainder used for supplemental debt or liabilities payments at the option of the Legislature and to the extent not so used, also deposited into the BSA.
- Allows the withdrawal of funds from the BSA only for a disaster, as defined, or if spending remains at or below the highest level of spending from the past three years. The maximum amount that can be withdrawn in the first year is limited to half of the BSA balance.
- Sets the maximum amount to be reserved in the BSA for a fiscal year at 10 percent of General Fund tax revenues. When the amount in the BSA is equal to its then maximum

amount, any amount that otherwise would have been deposited in the BSA may be spent only on infrastructure, including deferred maintenance.

- Creates the Public School System Stabilization Account ("PSSSA"), a special fund that serves as a Proposition 98 reserve, in which spikes in funding will be saved for future years. This will smooth school spending and thereby minimize future cuts. This reserve does not change the Proposition 98 minimum guarantee calculation, and transfers to the PSSSA do not occur until various operational and economic conditions are met.

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

Under current projections, Proposition 2 will result in \$18.7 billion in reductions of debts and liabilities through fiscal year 2023-24. See Table 6 for the current debt payment plan.

3. *Safety Net Reserve Fund*

The 2018 Budget Act created the Safety Net Reserve Fund, an additional reserve created specifically to protect safety net services during an economic downturn. The Safety Net Reserve has a total balance of \$900 million. The multi-year budget projection set forth in the 2022 Budget Act included deposits of \$4 billion split evenly between fiscal years 2024-25 and 2025-26, however, the 2023-24 Governor's Budget proposes to eliminate the additional deposits.

4. *Public School System Stabilization Account ("PSSSA")*

Proposition 2 created the "PSSSA" or "Public School System Stabilization Account" that serves as a Proposition 98 reserve, and requires a deposit into the fund under specified conditions. The 2023-24 Governor's Budget includes a deposit to the PSSSA of \$3.7 billion in fiscal year 2021-22, \$1.1 billion in fiscal year 2022-23, and \$0.4 billion in fiscal year 2023-24, resulting in a projected balance of approximately \$8.5 billion at the end of fiscal year 2023-24.

STATE FINANCES—OTHER ELEMENTS

Pension Systems

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

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

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

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

Retiree Health Care Costs

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

As of June 30, 2021, the most recent measurement date of the net OPEB liability, approximately 203,000 retirees were enrolled to receive health benefits and approximately 205,000 to receive dental benefits. Employees vest for those benefits after serving from 10 to 25 years (depending on date of hire) with the state. The long-term costs for the state's OPEB may negatively affect the state's financial condition if the state does not adequately manage such costs.

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

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

- Development of an annual OPEB expense based on the normal cost plus an amortization of changes in the UAAL due to demographic experience, assumption changes, plan changes and investment experience.

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

The state's latest OPEB actuarial valuation report as of June 30, 2021, was prepared by the private actuarial firm, Gabriel, Roeder, Smith & Company ("GRS"), which was tasked with calculating the state's liability for these benefits. The report will be utilized to report OPEB liabilities and accounting elements in the state's GAAP basis audited basic financial statements for the fiscal year ended June 30, 2022. The actuarial valuations contained in the report cover the cost estimates for existing employees, retirees and dependents. The objective of the report was to determine the liabilities associated with OPEB provided to the State's employees in compliance with GASB standards and to develop the actuarial funding costs assuming a full-funding policy. The economic assumptions for price and wage inflation used in the report were 2.30 percent and 2.80 percent, respectively.

The report provides actuarial liabilities using a blended discount rate that is based on a 20-year general obligation bond index if benefits are financed on a pay-as-you-go basis, and the expected return on trust assets if pre-funding assets are available to pay benefits. The state's OPEB actuarial valuation report as of June 30, 2021, reports a TOL of $99.53 billion, of which $95.51 billion is unfunded.

An actuarially determined contribution ("ADC") was developed assuming a full-funding interest rate of 6.00 percent. The ADC represents the annual employer contribution that along with member contributions and investment income is projected to fully fund the program in approximately 25 years.

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

- Demographic experience increased the expected actuarial liabilities by 0.8 percent or $0.78 billion. Examples of demographic experience losses include: more members retiring than assumed, members retiring earlier than assumed, and members living longer than assumed. During the year, the number of retirees increased by 2.7 percent from 198,150 at June 30, 2020, to 203,420 at June 30, 2021, and the number of active members increased by 0.4 percent from 278,986 to 280,149, which are key reasons for the demographic loss.
- During the year, favorable healthcare claims experience and plan design changes decreased the expected total OPEB liability by approximately 8.0 percent or $8.11 billion. This change in total OPEB liability is mainly driven by the relationship between the assumed trend rate used to project average member claims cost in 2021 (used in

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

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

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

The State Controller plans to issue an actuarial valuation report annually. The state's OPEB actuarial valuation report as of June 30, 2022 is expected to be published in May 2023 or thereafter.

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

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

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

Fiscal Year	Actuarially Determined Contribution (ADC)	Employer Contribution	Percentage of ADC Contribution	Actuarial Accrued Liability (Total OPEB Liability)	Unfunded Actuarial Accrued Liability (Net OPEB Liability)
2016-17	$4.51	$2.39	53%	$91.51	$91.01
2017-18	4.57	2.42	53	86.47	85.59
2018-19	4.39	2.68	61	93.51	91.93
2019-20	4.41	3.01	68	97.88	95.19
2020-21	4.71	3.12	66	99.53	95.51

(a) Long-term assumed return on assets is 6.00% for full funding.
Source: State of California OPEB Valuation as of June 30, 2021 under GASB Statement No. 75 (State Controller's Office).

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

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

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

(a) Estimated Contributions.
(b) "Pay-as-you-go" contributions from General Fund and Public Employee's Contingency Reserve Fund.
(c) Amount reflects the employer contribution to pay down the OPEB unfunded liability.
(d) Contributions for postemployment benefits are included for all years displayed in this table.
(e) Amount includes a one-time prefunding contribution of $616 million pursuant to the 2021-22 Budget.

Source: State of California, Department of Finance.

1. *Ongoing Efforts*

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

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

The funding schedule for these agreements generally phased in contributions over three years beginning July 1, 2016, July 1, 2017, or July 1, 2018, depending on the bargaining unit. New employees are subject to a lower employer contribution for future retiree health benefits, and a longer vesting period to qualify for the retiree health care contribution. Successor contract agreements with all 21 bargaining units require all rank-and-file state employees to make OPEB contributions to prefund those benefits and address the $95.5 billion (as of June 30, 2021) net unfunded liability for retiree health benefits. Additionally, as determined annually by the California Department of Human Resources, related excluded and exempt employees also prefund retiree health benefits. State employees of the judicial branch are also subject to the prefunding strategy and retiree health provisions.

The state has set aside funds in a prefunding trust fund to pay for future retiree health benefits. By the end of fiscal year 2022-23, the trust fund balance is projected to approach $6.5 billion in assets.

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

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

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

1. The date the state bargaining unit subaccount within the trust fund reaches a 100 percent funded ratio.

2. July 1, 2046—the date the actuarial calculation of the prefunding plan is expected to reach a 100 percent funded ratio.

State Appropriations Limit

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

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

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

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

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

The 2023-24 Governor's Budget estimates that the state is under the limit in fiscal year 2021-22 by $24 billion, which when combined with the amount in excess of the limit in fiscal year 2020-21, results in the state being below the limit by $6.8 billion for the two-year period. The 2023-24 Governor's Budget estimates that the state is under the limit in fiscal years 2022-23 and 2023-24 by $13.9 billion and $14.9 billion, respectively.

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

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

TABLE 19
State Appropriations Limit
(Dollars in Millions)

	Fiscal Year				
	2019-20	**2020-21**	**2021-22**	**2022-23**	**2023-24**
State Appropriations Limit	$112,102	$115,860	$125,695	$135,650	$138,867[(a)]
Appropriations Subject to Limit	(105,807)	(133,036)	(101,673)[(a)]	(121,766)[(a)]	(123,980)[(a)]
Amount (Over)/Under Limit	$6,295	$(17,176)	$24,022[(a)]	$13,884[(a)]	$14,887[(a)]

(a) Estimated/projected.

Source: State of California, Department of Finance.

Local Government Impacts on State Finances

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

1. *Constitutional and Statutory Limitations*

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

In the aftermath of Proposition 13, the state provided aid to local governments, including from the General Fund, to make up for the local governments' loss of property tax revenue.

Significantly, the state assumed a much larger responsibility for funding K-14 education. In 1988, Proposition 98 established a minimum guaranteed level of funding for K-14 education with a combination of local property taxes and state General Fund. See "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—State Expenditures—*K-14 Education under Proposition 98*."

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

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

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

Part of the state-local agreement was a reduction of the vehicle license fee ("VLF") rate from 2 percent to 0.65 percent of the market value of the vehicle. To protect local governments, which had previously received all VLF revenues, the 1.35 percent reduction in VLF revenue was backfilled by an increase in the amount of property tax revenues they receive. This arrangement benefited local government finances because the annual backfill amount increased in proportion to the growth in property tax revenues, which historically has grown at a higher rate than VLF revenues. This arrangement continues without change in the 2023-24 Governor's Budget.

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

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

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

The amount of property tax revenue generated each year can affect the state General Fund budget because local property tax revenue is allocated to offset General Fund expenditures for K-14 education required by Tests 2 and 3 of Proposition 98. Under Test 1 of Proposition 98, which is operative in fiscal year 2022-23 and which is expected to be operative for the foreseeable future, property tax revenue supplements instead of offsets the state's General Fund obligation for schools. As of the 2023-24 Governor's Budget, statewide property tax revenues were estimated to increase 5.96 percent in fiscal year 2022-23 and 4.95 percent in fiscal year 2023-24. Property tax estimates used in the calculation of the Proposition 98 minimum guaranteed level of funding are based on growth in statewide property taxes, but also include other factors such as excess tax, dissolved redevelopment agency funds, and the shift of property taxes from local governments to K-14 schools into the ERAF.

3. *Dissolved Redevelopment Agency Funds*

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

As noted above, property tax revenue allocated to school and community college districts supplements the funding schools receive from the state's General Fund under Test 1 of Proposition 98. The 2023-24 Governor's Budget estimates that schools will receive an additional $2.7 billion in fiscal year 2022-23 and $2.9 billion in fiscal year 2023-24. Additional revenues are projected to average $3.3 billion per year from fiscal year 2024-25 through fiscal year 2026-27, with annual growth proportionate to the changes in property tax growth, and the rate at which the enforceable obligations of the former RDAs are retired.

4. *Realigning Services to Local Governments*

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

Other realigned programs include local public safety programs, mental health, substance abuse, foster care, child welfare services, and adult protective services. The 2011 Realignment is funded through two sources in fiscal year 2023-24: (1) a state special fund sales tax of 1.0625 percent (projected to total $9.3 billion) and (2) $814.7 million in VLF, projected as of the 2023-24 Governor's Budget. General Fund savings have been over $2.5 billion annually from the realigned programs beginning in fiscal year 2011-12. The state estimates savings of $3.8 billion in fiscal year 2022-23.

Unemployment Insurance

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

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

The principal amount of the state UI Fund federal loan was approximately $17.8 billion at the beginning of July 2022, and rose to $18.7 billion as of January 2023. (The growth in the second half of 2022 is due to the fact that UI taxes are only collected on the first $7,000 in earnings; therefore, the majority of the taxes are collected in the first half of the calendar year.) Using current economic outlook and unemployment projections, the principal amount of the state UI Fund federal loan is projected to be $16.3 billion at the end of calendar year 2023 and $15 billion at the end of calendar year 2024. The state is only responsible for payment of interest on the state UI Fund federal loan. Repayment of principal on this state UI Fund federal loan is strictly an employer responsibility, and not a liability of the state's General Fund. The State may, as a policy choice, choose to pay down the principal amount of the state's UI Fund federal loan. The 2022 Budget Act included $250 million in fiscal year 2022-23 to reduce the principal amount of the state's UI Fund federal loan. To further ensure that the state's UI Fund federal loan is repaid, when a state has an outstanding loan balance for two consecutive years, the federal government reduces the Federal Unemployment Tax Act ("FUTA") credit it gives to employers. This is equivalent to an increase in the FUTA tax on employers, and has the effect of paying down the state UI Fund federal loan. California employers began to see this adjustment in 2023.

The Families First Coronavirus Response Act of 2020 provided interest-free federal loans through December 26, 2020, for states to continue UI program benefit payments. The Coronavirus Response and Relief Supplemental Appropriations Act then extended this interest free loan period through March 14, 2021. ARPA extended the interest free loan period again through September 6, 2021, however, the interest free loan period was not extended further. The interest due depends on a variety of factors, including the actual amount of the federal loan outstanding (which in turn will depend on the state rate of unemployment, employer contributions to the state UI Fund, and any state or federal law changes relating to the funding of the programs) and the interest rate imposed by the federal government. The 2023-24 Governor's Budget assumes an estimate of approximately $279.4 million from the General Fund for the anticipated interest payment due September 30, 2023. As long as there is outstanding principal to be paid on the UI Fund Federal Loan, the annual interest payment is estimated to range between $200 million to $300 million from the General Fund, though this will depend on factors such as the state's economic health, the UI Fund loan balance, and interest rates.

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

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

CASH MANAGEMENT

Traditional Cash Management Tools

1. *General*

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

In order to mitigate the effects of COVID-19 disruptions on individuals and many businesses and conform with federal income tax deadlines, the state delayed the deadline for filing and payment of personal income taxes and corporation taxes to July 15, 2020, and also took other actions which resulted in delays in the state's receipt of sales and use taxes. Several counties waived penalties for the late filing of property taxes (which are a factor in determining the state's Proposition 98 school funding obligation). All of these delays in tax filings and payments reduced the receipt of a significant portion of revenues until the summer of 2020 or later.

2. *Internal Borrowing*

The General Fund is currently authorized by law to borrow for cash management purposes from more than 700 of the state's approximately 1,500 other funds and accounts in the State Treasury (the "special funds" and each a "special fund"). Total borrowing from special funds must be approved quarterly by the Pooled Money Investment Board ("PMIB"). The State Controller submits an authorization request to the PMIB quarterly, based on forecasted available funds and borrowing needs. The Legislature may from time to time adopt legislation establishing additional authority to borrow from special funds. As of the 2023-24 Governor's Budget, the General Fund was projected to have at least $46 billion of internal funds (excluding the BSA, SFEU and the PSSSA) available to borrow through fiscal year 2023-24. See "—Inter-Fund Borrowings" for a further description of this process.

One fund from which moneys may be borrowed to provide additional cash resources to the General Fund is the BSA, which was increased from $15.8 billion to $23.3 billion in September 2022. As of January 31, 2023, the BSA fund balance remains at $23.3 billion and is not projected to increase according to the 2023-24 Governor's Budget. The state also may transfer funds into the General Fund from the SFEU, which is not a special fund. See also "—Inter-Fund Borrowings" and "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—Budget Reserves" for a further description of this process.

3. *External Borrowing*

External borrowing has typically been done with revenue anticipation notes ("RANs") that are payable no later than the last day of the fiscal year in which they are issued. Prior to fiscal year 2015-16, RANs had been issued in all but one fiscal year since the mid-1980's and have always been paid at maturity. See "—Cash Management Borrowings." The state also is authorized under certain circumstances to issue revenue anticipation warrants ("RAWs") that are payable in the succeeding fiscal year. The state issued RAWs to bridge short-term cash management shortages in the early 1990s and early 2000s. See "—State Warrants—Reimbursement Warrants" for more information on RAWs.

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

Inter-Fund Borrowings

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

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

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

The following table shows actual internal borrowable resources available for temporary cash management loans to the General Fund on June 30 of each of the fiscal years 2019-20 through 2021-22, and estimates for fiscal years 2022-23 through 2023-24 based on the 2023-24 Governor's Budget. See EXHIBIT 2 to APPENDIX A. The amount of internal borrowable resources fluctuates daily throughout the year.

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

	Fiscal year ended June 30[a]				
	2020	**2021**	**2022**	**2023[b][c]**	**2024[b]**
Internal Borrowable Resources	$64,931	$55,167	$77,112	$93,726	$91,382
Less Reserve for PMIA and SMIF loans	7,617	6,003	4,712	3,602	$3,602
Available Borrowable Resources	57,314	49,164	72,400	$90,124	$87,780
Outstanding Loans					
From Special Fund for Economic Uncertainties	0	0	0	0	0
Budget Stabilization Account	16,516	0	0	0	0
From Special Funds and Accounts	3,533	0	0	0	0
Total Outstanding Internal Loans	$20,049	$0	$0	$0	$0
Unused Internal Borrowable Resources	$37,265	$49,164	$72,400	$90,124	$87,780

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

Source: Fiscal years ended June 30, 2020 through June 30, 2022: State of California, Office of the State Controller.
Fiscal years ended June 30, 2023 and June 30, 2024: State of California, Department of Finance.

Cash Management Borrowings

As part of its cash management program, prior to fiscal year 2015-16 the state regularly issued short-term obligations to meet cash management needs. RANs had been issued in every year except one between 1983 and 2014, the most recent issues of RANs ranged in aggregate principal amounts of approximately $2 billion to $10 billion. See "—Traditional Cash Management Tools—External Borrowing" above. More recently, with the state's improved budget and cash position through fiscal year 2021-22, and the growth of internal borrowable resources from special funds including new reserve funds, the state has not had to use external borrowing since the last RAN issue in fiscal year 2014-15. See Table 20. Based on current cash projections no RANs are planned through fiscal year 2023-24. See "COVID-19" and "—Cash Management in Fiscal Years 2020-21, 2021-22, 2022-23 and 2023-24" below.

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

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

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

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

The 2023-24 Governor's Budget cash flow projections for fiscal year 2023-24, adjusted for the March 2 extension of the FTB tax filing deadline to October 2023, assumes an estimated cash cushion of unused internal borrowable resources of at least $8.2 billion at the end of each month. The state does not plan to issue any RANs in fiscal year 2023-24, the ninth consecutive year in which external borrowing is not required.

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

Other Cash Management Tools

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

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

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

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

State Warrants

No money may be drawn from the State Treasury except upon a warrant duly issued by the State Controller. The State Controller is obligated to draw every warrant on the fund out of which it is payable for the payment of money directed by state law to be paid out of the State Treasury; however, a warrant may not be drawn unless authorized by law and unless unexhausted specific appropriations provided by law are available to meet it. As described above, state law provides two methods for the State Controller to respond if the General Fund has insufficient "Unapplied Money" available to pay a warrant when it is drawn, referred to generally as "registered warrants" and "reimbursement warrants." "Unapplied Money" consists of money in the General Fund for which outstanding warrants have not already been drawn and which would remain in the General Fund if all outstanding warrants previously drawn and then due were paid subject to the prior application of such money to obligations of the state with a higher priority. See "CASH MANAGEMENT—Traditional Cash Management Tools." Unapplied Money may include moneys transferred to the General Fund from the SFEU and the BSA and internal borrowings from state special funds (to the extent permitted by law); however, the state is not obligated to utilize interfund borrowings for the payment of state obligations if insufficient Unapplied Money is available for such payment. See "—Inter-Fund Borrowings" and "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—Budget Reserves."

1. *Registered Warrants*

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

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

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

2. *Reimbursement Warrants*

In lieu of issuing individual registered warrants to numerous creditors, state law provides an alternative procedure whereby the Governor, upon request of the State Controller, may authorize utilizing the General Cash Revolving Fund in the State Treasury to borrow from other state special funds to meet payments authorized by law. The State Controller may then issue "reimbursement warrants" (sometimes called "revenue anticipation warrants" or "RAWs") for sale to investors to reimburse the General Cash Revolving Fund, thereby increasing cash resources for the General Fund to cover required payments. The General Cash Revolving Fund exists solely to facilitate the issuance of reimbursement warrants. Reimbursement warrants have a fixed maturity date which may not be later than the end of the fiscal year following the year in which they were issued.

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

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

3. *Refunding Reimbursement Warrants*

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

STATE INDEBTEDNESS AND OTHER OBLIGATIONS

General

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

Capital Facilities Financing

1. *General Obligation Bonds*

The state Constitution prohibits the creation of general obligation indebtedness of the state unless a bond measure is approved by a majority of the electorate voting at a general election or a direct primary. Each general obligation bond act provides a continuing appropriation from the General Fund of amounts for the payment of debt service on the related general obligation bonds, subject under state law only to the prior application of moneys in the General Fund to the support of the public school system and public institutions of higher education. Under the state Constitution, appropriations to pay debt service on any general obligation bonds cannot be repealed until the principal of and interest on such bonds have been paid. Certain general obligation bond programs, called "self-liquidating bonds," receive revenues from specified sources so that moneys from the General Fund are not expected to be needed to pay debt service, but the General Fund will pay the debt service, pursuant to the continuing appropriation contained in the bond act, if the specified revenue source is not sufficient. The principal self-liquidating general obligation bond program for the state is the veterans general obligation bonds, which are supported by mortgage repayments from housing loans made to military veterans of the state.

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

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

General Obligation Bonds
(as of January 1, 2023)

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

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

2. *Variable Rate General Obligation Bonds*

The state's general obligation bond law permits the state to issue as variable rate indebtedness up to 20 percent of the aggregate amount of its long-term general obligation bonds outstanding. The State Treasurer has adopted a Debt Management Policy that, as of the date hereof, further reduces this limitation on variable rate indebtedness to 10 percent of the aggregate amount of long-term general obligation bonds outstanding. The terms of this policy, including this 10 percent limitation, can be waived or changed in the sole discretion of the State Treasurer. The State's long-term general obligation bonds issued as variable rate indebtedness are described generally in the following table and represent about 1.09 percent of the state's total outstanding general obligation bonds.

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

(a) See "Bank Arrangements Table."

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

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

3. *General Obligation Commercial Paper Program*

Pursuant to legislation enacted in 1995, voter-approved general obligation indebtedness may be issued either as long-term bonds or, for some but not all bond acts, as commercial paper notes. Commercial paper notes may be renewed or may be refunded by the issuance of bonds. The state uses commercial paper notes to provide flexibility for bond programs, such as to provide interim funding for voter-approved projects or to facilitate refunding of variable rate bonds into fixed rate bonds. Commercial paper notes are not included in the calculation of permitted variable rate indebtedness described under "Variable Rate General Obligation Bonds." As of January 1, 2023, a total of $2.45 billion in principal amount of commercial paper notes is authorized under agreements with various banks. See "BANK ARRANGEMENTS TABLE" for a list of the credit agreements supporting the commercial paper program.

4. *Bank Arrangements*

In connection with VRDOs and the commercial paper program ("CP"), the state has entered into a number of reimbursement agreements or other credit agreements with a variety of financial institutions as set forth in "BANK ARRANGEMENTS TABLE." These agreements include various representations and covenants of the state, and the terms (including interest rates and repayment schedules) by which the state would be required to pay or repay any obligations thereunder (including reimbursement of drawings resulting from any failed remarketings). To the extent that VRDOs or CP offered to the public cannot be remarketed over an extended period (whether due to downgrades of the credit ratings of the institution providing credit enhancement or other factors) and the applicable financial institution is obligated to purchase VRDOs or CP, interest payable by the state pursuant to the reimbursement agreement or credit agreement would generally increase over current market levels relating to the VRDOs or CP, and, with respect to VRDOs the principal repayment period would generally be shorter (typically less than five years) than the repayment period otherwise applicable to the VRDOs. In addition, after the occurrence of certain events of default as specified in a credit agreement, payment of the related VRDOs held by the applicable financial institution may be further accelerated and payment of related CP held by the applicable financial institution, as applicable, may also be accelerated and interest payable by the state on such VRDOs or CP could increase significantly.

5. *Lease Revenue Obligations*

In addition to general obligation bonds, the state acquires and constructs capital projects through the issuance of lease revenue obligations. Such borrowing must be authorized by the Legislature in a separate act or appropriation. Under these arrangements, the State Public Works Board ("SPWB"), another state or local agency or a joint powers authority uses proceeds of bonds to finance the acquisition or construction of a wide range of capital projects. These capital projects are leased to various state agencies under a long-term lease which provides the source of revenues which are pledged to the payment of the debt service on the lease revenue bonds. Under applicable court decisions, such lease arrangements do not constitute the creation of "indebtedness" within the meaning of the state constitutional provisions that require voter approval. For purposes of

APPENDIX A and the tables under “STATE DEBT TABLES,” the terms “lease revenue obligation,” “lease revenue financing,” “lease-purchase obligation” or “lease-purchase” mean principally bonds or certificates of participation for capital projects where the lease payments providing the security are payable from the operating budget of the respective lessees, which are primarily, but not exclusively, derived from the General Fund. A summary of the lease revenue bonds outstanding as well as those authorized by the Legislature but unissued, as of January 1, 2023, is set forth in the following table.

Lease Revenue Obligations
(as of January 1, 2023)

Outstanding General Fund Supported Issues	**Authorized but Unissued**
$8.1 billion	$5.8 billion

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

6. *Non-Recourse Debt*

Certain state agencies and authorities issue revenue obligations for which the General Fund has no liability. These revenue bonds represent obligations payable from state revenue-producing enterprises and projects (e.g., among other revenue sources, taxes, fees and/or tolls) and conduit obligations payable from revenues paid by private users or local governments of facilities financed by the revenue bonds. In each case, such revenue bonds are not payable from the General Fund. The enterprises and projects include transportation projects, various public works projects, public and private educational facilities (including the CSU and UC systems), housing, health facilities and pollution control facilities. See the table “State Agency Revenue Bonds and Conduit Financing” under “STATE DEBT TABLES” for a summary of outstanding revenue bonds and notes which are non-recourse to the General Fund as of December 31, 2022.

7. *Build America Bonds*

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

Between April 2009 and December 2010, the state issued $13.5 billion of BAB general obligation bonds and the SPWB issued $551 million of BAB lease revenue bonds. As of January 1, 2023, the state has approximately $11.3 billion of outstanding BAB general obligation bonds and $347 million of outstanding BAB lease revenue bonds. As of January 1, 2023, the aggregate amount of the subsidy payments expected to be received for the remaining part of fiscal year 2022-23 through the maturity of the outstanding BABs (mostly 20 to 30 years from issuance) is approximately $4.4 billion for the general obligation BABs and $94 million for the SPWB lease revenue BABs. The estimated subsidy amounts include the expected 5.7 percent reduction to the BAB subsidy from sequestration as described in the next paragraph.

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

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

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

Future Issuance Plans; General Fund Debt Ratio

Based on estimates from the Department of Finance and accounting for bonds sold in this fiscal year through January 31, 2023, the State Treasurer's Office estimates approximately $4.3 billion of new money general obligation bonds (some of which may initially be in the form of commercial paper notes) and approximately $65 million of new money lease revenue bonds will be issued through the end of fiscal year 2022-23. In fiscal year 2023-24, the Department of Finance estimates issuance of approximately $5.9 billion of new money general obligation bonds (some of which may initially be in the form of commercial paper notes) and approximately $1.5 billion in new money lease revenue bonds. The estimates for fiscal year 2023-24 will be updated by the Department of Finance based on updated information provided by departments. The actual amount of bonds sold will depend on other factors such as overall budget constraints, market conditions and other considerations. The state also expects to issue refunding bonds as market conditions warrant.

The ratio of debt service on general obligation and lease revenue bonds supported by the General Fund, to annual General Fund revenues and transfers (the "General Fund Debt Ratio"), can fluctuate as assumptions for future debt issuance and revenue projections are updated from time to time. Any changes to these assumptions will impact the projected General Fund Debt Ratio. Based on the General Fund revenue estimates less any transfers to and from the BSA contained in the 2023-24 Governor's Budget and the bond issuance estimates described in the paragraph above, the General Fund Debt Ratio is projected to equal approximately 3.66 percent in fiscal year 2022-23 and 3.69 percent in fiscal year 2023-24.

The General Fund Debt Ratio is calculated based on the amount of debt service expected to be paid, without adjusting for receipts from the U.S. Treasury for the state's current outstanding general obligation and lease revenue BABs or the availability of any special funds that may be used to pay a portion of the debt service to help reduce General Fund costs. The total of these offsets is projected to be approximately $1.7 billion for fiscal year 2022-23 and $1.8 billion for fiscal year 2023-24. Including the projected offsets reduces the General Fund Debt Ratio to 2.86 percent in fiscal year 2022-23 and 2.85 percent in fiscal year 2023-24. The actual General Fund Debt Ratio in future fiscal years will depend on a variety of factors, including actual debt issuance (which may include additional issuance approved in the future by the Legislature and, for general obligation bonds, the voters), actual interest rates, debt service structure, and actual General Fund revenues and transfers.

See the table "OUTSTANDING STATE DEBT, FISCAL YEARS 2017-18 THROUGH 2021-22" under "STATE DEBT TABLES" for certain historical ratios of debt service to General Fund receipts.

Tobacco Settlement Revenue Bonds

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

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

Currently, the credit enhancement mechanism only applies to certain tobacco settlement bonds that were issued in 2021. As of January 1, 2023, these bonds had an outstanding principal amount of approximately $2.130 billion (the "2021 enhanced bonds"). The 2021 enhanced bonds are neither general nor legal obligations of the state and neither the faith and credit, nor the taxing power, nor any other assets or revenues of the state shall be pledged to the payment of the enhanced bonds. However, as described above, the state committed to request a General Fund appropriation from the Legislature in the event tobacco settlement revenues are insufficient to pay debt service on the 2021 enhanced bonds, and in the event that certain other available amounts, including the enhanced tobacco settlement bonds reserve fund, which currently supports only the 2021 enhanced bonds, are depleted. Every enacted budget since 2003 has included this appropriation, but use of the appropriated moneys has never been required.

In 2011 and 2012, draws on the enhanced tobacco settlement bonds reserve fund for then-outstanding enhanced tobacco settlement bonds in the amount of approximately $7.94 million were used to make required debt service payments. In April 2013, this reserve fund was replenished in full from tobacco revenues. As of the last required valuation of the tobacco settlement bonds reserve fund on May 31, 2022, the tobacco settlement bonds reserve fund was funded more than the reserve requirement of $50 million, resulting in a release of the excess amount to prepay bonds on June 1, 2022. If, in any future year tobacco settlement revenues are less than required debt service payments on the enhanced bonds in such year, additional draws on this reserve fund will be required and, at some point in the future, this reserve fund may become fully depleted. The state is not obligated to replenish the enhanced tobacco settlement bonds reserve fund from the General Fund, or to request an appropriation to replenish this reserve fund.

Department of Health Care Access and Information Guarantees

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

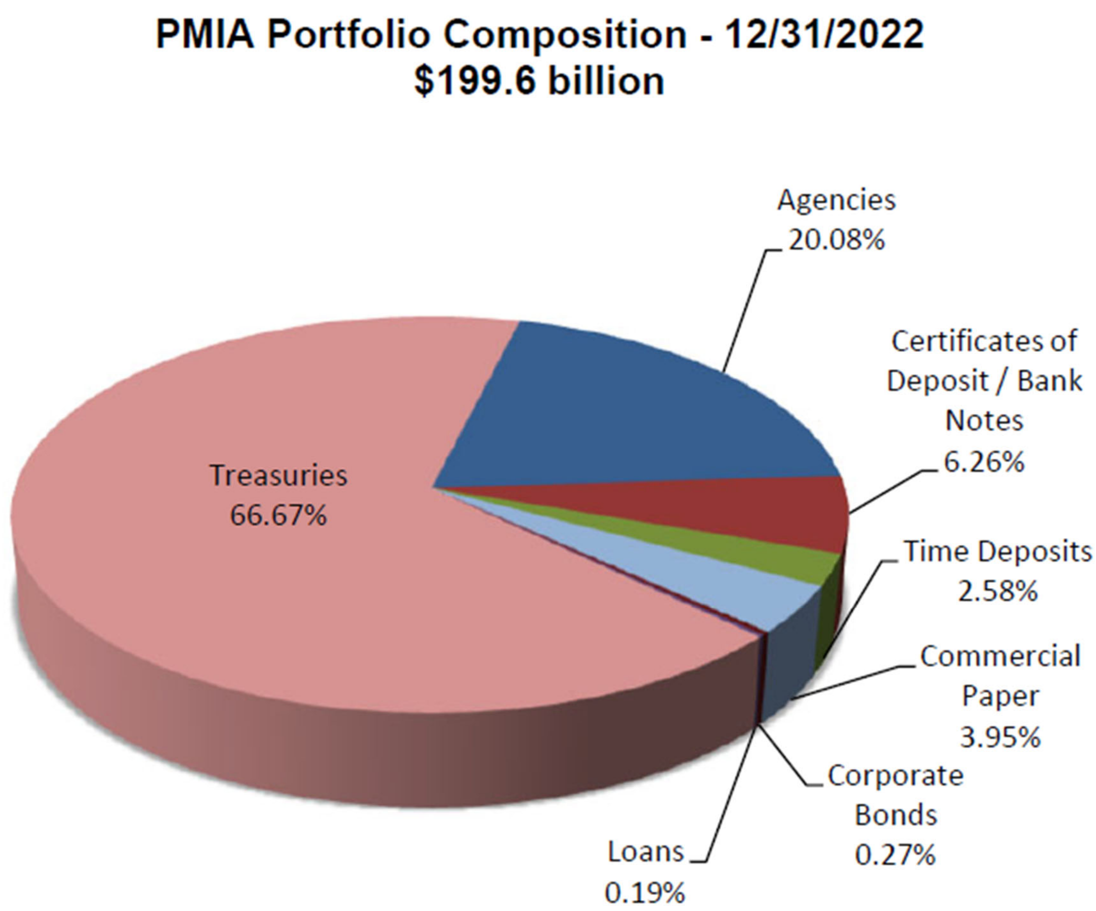
State law established the Health Facility Construction Loan Insurance Fund (the "Fund") as a trust fund which is continuously appropriated and may only be used for purposes of this program. The Fund is used as a depository of fees and insurance premiums and any recoveries and is the initial source of funds used to pay administrative costs of the program and shortfalls resulting from defaults by insured borrowers. If the Fund is unable to make payment on an insured loan or bond, state law provides for the State Treasurer to issue debentures to the holders of the defaulted loan or bond which are payable on parity with state general obligation bonds. The Fund is liable for repayment to the General Fund of any money paid from the General Fund. All claims on insured loans to date have been paid from the Fund and no debentures have been issued.

As of September 30, 2022, HCAI insured 64 loans to nonprofit or publicly owned health facilities throughout California with a current outstanding aggregate par amount of approximately $1.541 billion, and a cash balance of approximately $149.4 million. The actuarial study of the Fund (a biennial study) as of June 30, 2020, was completed in March 2022 (the "2020 actuarial study"). Based upon a number of assumptions, the 2020 actuarial study concluded, among other things, that the Fund appeared to be sufficient, under the "expected scenario" to maintain a positive balance until at least fiscal year 2049-50. Even under the "most pessimistic scenario," the 2020 actuarial study found that there was a 70 percent likelihood that the Fund's reserves as of June 30, 2020 would protect against any General Fund losses until at least fiscal year 2031-32, and a 90 percent likelihood that the Fund's reserves as of June 30, 2020 would protect against any General Fund losses until at least fiscal year 2025-26. There can be no assurances that the financial condition of the Fund has not materially declined since the 2020 actuarial study.

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

INVESTMENT OF STATE FUNDS

Moneys on deposit in the centralized State Treasury System are invested by the State Treasurer in the PMIA. As of December 31, 2022, the PMIA held approximately $171.9 billion of state moneys, and $27.7 billion invested for about 2,378 local governmental entities through the Local Agency Investment Fund ("LAIF"). The assets of the PMIA as of December 31, 2022, are shown in the following chart. Amounts owing on the SB 84 Loan to fund the supplemental pension payment to CalPERS as described in "DEBTS AND LIABILITIES UNDER PROPOSITION 2," the $250 million outstanding balance (as of December 31, 2022) of the $2 billion transfer to the Wildfire Fund on August 15, 2019, as required by AB 1054 and the $2.2 billion investment in Demand Deposit State and Local Government Series securities (as of December 31, 2022) for compliance with certain tax limitations related to tax-exempt bonds previously issued by the state or a state instrumentality are not reflected as assets of the PMIA in the chart below.



Percentages may not total 100%, due to rounding.
Source: State of California, Office of the State Treasurer.

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

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

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

The average life of the investment portfolio of the PMIA as of December 31, 2022, was 287 days. Over the prior 12 months, the average life has ranged from 322 days to 287 days.

OVERVIEW OF STATE GOVERNMENT

Organization of State Government

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

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

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

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

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

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

The executive branch is principally organized through eleven agency areas.

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

Employee Relations

In the 2023-24 Governor's Budget, the state work force for fiscal year 2023-24 is estimated at approximately 427,000 positions. Approximately 176,000 of those positions represent state employees of the legislative and judicial branches of government, and institutions of higher education. Of the remaining 252,000 positions, over 80 percent are subject to collective bargaining on wages, hours, and other terms and conditions of employment with the Administration, which are contained in a Memorandum of Understanding ("MOU") subject to ratification by the Legislature; less than 20 percent are excluded from collective bargaining.

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

There are 21 collective BUs that are represented by employee organizations. The Service Employees International Union ("SEIU") is the exclusive representative for 9 of 21 BUs, or approximately 50 percent of those represented employees subject to collective bargaining. Since the 2016 Budget Act, contract agreements with all bargaining units that represent state employees address the state's unfunded retiree health care obligation ($95.5 billion as of the latest actuarial valuation report on June 30, 2021) through shared prefunding of program costs along with other cost containment strategies. See "STATE FINANCES—OTHER ELEMENTS—Retiree Health Care Costs."

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

ECONOMY AND POPULATION

California's economy, the largest among the 50 states and one of the largest in the world, has major components in high technology, trade, entertainment, manufacturing, tourism, construction, and services. The makeup of the state economy generally mirrors that of the national economy. See "GOVERNOR'S PROPOSED BUDGET FOR FISCAL YEAR 2023-24–Development of Revenue Estimates" for a description of the fiscal year 2023-24 economic forecast for the national and California economies.

California's total population was estimated at 39.0 million as of July 2022, a decline of 0.5 percent from the previous year. Since 2010, the state has grown by 2 million persons. Provisional births for fiscal year 2021-22 totaled approximately 424,000, an increase of 2.8 percent from fiscal year 2020-21; however, births remain below average levels in the last decade. Net migration (in-migration minus out-migration), which averaged 53,000 persons per year during fiscal years 2010-11 through 2014-15, turned negative mid-decade as the number of Californians leaving the state continue to surpass the number of individuals moving into the state. In fiscal year 2021-22, net migration was negative 317,000 as immigration was slow to rebound from the pandemic.

The 2021 total fertility rate in California, at 1.63 children per woman, is lower than the U.S. average (1.66); both have shown steady declines in recent years. Low fertility may lead to declining school enrollment and reductions in the size of the future labor force, although those effects may be mitigated by migration patterns, labor force participation rates, and other factors affecting school enrollment and attendance rates.

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

California has a similar age structure as the remainder of the United States with 22.1 percent of Californians under 18 years and 16.8 percent age 65 and older. Population growth rates will vary by age group. Although the state's overall projected five-year growth is 2.4 percent (reaching 40.2 million in 2026), the 25-64 year old working-age population is anticipated to decrease 0.5 percent (to 20 million in 2026). Among younger ages, the 5-17 year old school-age group is expected to decline by 3.7 percent (to 6.2 million in 2026) and the 18-24 year old college-age group is expected to increase by 1.8 percent (to just over 4 million in 2026). Related to lower births in recent years, the 0-4 preschool-age group is expected to decrease by 3.6 percent (to 2.1 million in 2026). The population of the 65 and older retirement-age group is expected to expand rapidly (by 19.2 percent, to 7.9 million in 2026).

In long-term projections, California's population continues to increase, and is projected to reach 43.5 million by 2060. With population aging, deaths are expected to increase more than births, and this will lessen the state's growth over time, but projected gains from migration—in line with California's historical patterns—bolster younger age groups in each projection year, allowing continued population growth. The projections assume that there are no major natural catastrophes or wars that affect the state or the nation, and that economic stability continues throughout the forecast period, which runs through the end of calendar year 2060. The impact of the COVID-19 pandemic on California's population is still uncertain. COVID-19 and the related impacts on the economy and labor force created conditions that could have significant impacts on population growth. There were 64,000 more deaths in fiscal year 2020-21 compared to fiscal year 2019-20. Most of this increase is due to the pandemic, with a majority of the deaths occurring during December 2020 and January 2021 (41,000 and 47,800 deaths, respectively, compared to the 28,600 average monthly deaths for that period). Births were down approximately 24,500 from fiscal year 2019-20 to fiscal year 2020-21, and are expected to grow slightly in fiscal year 2021-22. Overall population growth rates will likely be negative in the immediate future, and forecasted trends may take years to recover.

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

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

TABLE 21
Population

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

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

Labor Force, Employment, Income, Construction and Export Growth

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

TABLE 22
Labor Force
(Thousands)

			Unemployment Rate	
Year	Labor Force	Employment	California	United States
2013	18,565	16,888	9.0%	7.4%
2014	18,677	17,265	7.6	6.2
2015	18,824	17,647	6.3	5.3
2016	19,012	17,965	5.5	4.9
2017	19,185	18,258	4.8	4.4
2018	19,290	18,468	4.3	3.9
2019	19,409	18,613	4.1	3.7
2020	18,931	16,997	10.3	8.1
2021	18,923	17,542	7.3	5.4
2022 [p/]	19,237	18,448	4.1	3.6

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

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

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

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

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

Figures may not add due to rounding.

Source: State of California, Employment Development Department.

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

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

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

Year	Total Personal Income	Annual % Change	California % of U.S.
2012	$1,827,167	6.5	13.0
2013	1,857,201	1.6	13.1
2014	1,980,737	6.7	13.2
2015	2,125,430	7.3	13.6
2016	2,218,458	4.4	13.8
2017	2,318,281	4.5	13.8
2018	2,431,774	4.9	13.8
2019	2,567,426	5.6	13.8
2020	2,790,523	8.7	14.1
2021	3,006,184	7.7	14.1

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

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

TABLE 25
Personal Income Per Capita
(Dollars)

Year	California	Annual % Change	United States	Annual % Change	California % of U.S.
2012	$48,121	5.6	$44,548	4.2	108.0
2013	48,502	0.8	44,798	0.6	108.3
2014	51,266	5.7	46,887	4.7	109.3
2015	54,546	6.4	48,725	3.9	111.9
2016	56,560	3.7	49,613	1.8	114.0
2017	58,804	4.0	51,550	3.9	114.1
2018	61,508	4.6	53,786	4.3	114.4
2019	64,919	5.5	56,250	4.6	115.4
2020	70,647	8.8	59,765	6.2	118.2
2021	76,614	8.4	64,143	7.3	119.4

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

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

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

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

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

	Units			
Year	**Total Number**	**Single-Family**	**Multi-Family**	**Residential Valuation**
2012	58,549	27,736	30,813	$12,727
2013	80,742	37,034	43,708	18,263
2014	83,657	39,222	44,435	18,744
2015	98,188	45,644	52,544	22,637
2016	102,350	50,311	52,039	24,045
2017	114,780	57,132	57,648	27,782
2018	113,502	58,831	54,671	27,845
2019	110,197	58,575	51,622	26,583
2020	106,075	59,043	47,032	25,423
2021	119,436	65,890	53,546	28,725

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

Source: U.S. Census Bureau.

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

TABLE 27
California's Exports of Goods
(Dollars in Millions)

Year	Exports[(a)]	Annual % Change
2013	$168,192	4.0
2014	173,869	3.4
2015	165,360	(4.9)
2016	163,261	(1.3)
2017	171,920	5.3
2018	178,175	3.6
2019	173,755	(2.5)
2020	155,925	(10.3)
2021	174,927	12.2
2022	185,550	12.2

(a) Origin of Movement (OM) series.

Source: U.S. Census Bureau.

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

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, 2023

Program	Series	Outstanding Par Amount	Credit Provider*	Expiration Date	Type of Credit	Reset Mode
GO VRDOs	2003A 1	$36,300,000	Barclays Bank PLC	8/25/2025	LOC	Daily
GO VRDOs	2003C 1	72,800,000	TD Bank, N.A.	8/28/2023	LOC	Weekly
GO VRDOs	2003C 3-4	72,700,000	U.S. Bank National Association	12/16/2024	LOC	Weekly
GO VRDOs	2004A 2 & 3	104,300,000	State Street Bank & Trust Company	1/16/2024	LOC	Daily
GO VRDOs	2004 A 9	34,800,000	State Street Bank & Trust Company	1/16/2024	LOC	Weekly
GO VRDOs	2005A-2-1	143,200,000	Sumitomo Mitsui Banking Corporation	9/22/2023	LOC	Weekly
GO VRDOs	2005B-1	147,100,000	Wells Fargo Bank, N.A.	4/22/2025	LOC	Weekly
GO VRDOs	2005B-3	49,100,000	Sumitomo Mitsui Banking Corporation	9/22/2023	LOC	Weekly
GO VRDOs	2005B-5	88,890,000	U.S. Bank National Association	11/18/2024	LOC	Daily
Total GO VRDOs		**$749,190,000**				
GO CP[(a)]	A1/B1	$500,000,000	Wells Fargo Bank, N.A.	4/22/2025	LOC	Up to 90 days
	A2/B2	500,000,000	Royal Bank of Canada	10/10/2025	LOC	Up to 90 days
	A3/B3	250,000,000	UBS AG, Stamford Branch	12/5/2025	LOC	Up to 90 days
	A4/B4	200,000,000	The Toronto-Dominion Bank	11/17/2023	LOC	Up to 90 days
	A5/B5	225,000,000	U.S. Bank National Association	12/16/2024	LOC	Up to 90 days
	A6/B6	350,000,000	Bank of America, N.A.	11/30/2023	LOC	Up to 90 days
	A7/B7	300,000,000	State Street Bank & Trust Company	12/7/2027	LOC	Up to 90 days
	A8/B8	125,000,000	Bank of Montreal, Chicago Branch	12/12/2025	LOC	Up to 90 days
	Total GO CP	**$2,450,000,000**				
Grand Total		**$3,199,190,000**				

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

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

STATE DEBT TABLES

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

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

The following tables, as applicable, do not reflect (i) the following bond issue; (ii) principal or interest paid since the respective dates of such tables, (iii) commercial paper that has been issued since January 1, 2023; or (iv) any bond issues that have been issued or any principal paid since December 31, 2022 for the issuers listed on the table titled State Agency Revenue Bonds.

$1,804,055,000 of State of California Federally Taxable Various Purpose General Obligation Bonds were issued on March 15, 2023.

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

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

(a) Does not include $1.1 billion of general obligation bonds (general fund (non-self liquidating)) and $1.2 billion in lease-purchase debt sold in this fiscal year on a forward delivery basis and issued in fiscal year 2021-22 (the "2021 Forward Delivery Bonds").
(b) Does not include $299.1 million in lease-purchase debt sold in this fiscal year on a forward delivery basis to be issued in a subsequent fiscal year. Includes the 2021 Forward Delivery Bonds.
(c) Principal outstanding as of July 1 of the next fiscal year.
(d) Calculated on a cash basis. The amounts do not reflect any interest subsidy under the Build America Bonds program. Subsidy not pledged to the repayment of debt service. Debt service costs of bonds issued in any fiscal year largely appear in subsequent fiscal years.
(e) Calculated on a cash basis. General Fund Receipts includes both revenues and nonrevenues, such as borrowings, the proceeds of which are deposited in the General Fund (e.g. tobacco securitization bonds).
(f) See Table 21 of Appendix A.
(g) See Table 24 of Appendix A.

SOURCES: Outstanding Debt, Bond Sales During Fiscal Year, and Debt Service: State of California, Office of the Treasurer
General Fund Receipts: State of California, Office of the State Controller
Population: State of California, Department of Finance
Personal Income: U.S. Department of Commerce, Bureau of Economic Analysis

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

	Proposition Number	Voter Authorization Date	Authorization Amount $	Long Term Bonds Outstanding $	Commercial Paper Outstanding [a] $	Unissued $
GENERAL FUND BONDS (Non-Self Liquidating)						
1988 School Facilities Bond Act [b]	79	11/08/88	797,745	14,075	0	0
1990 School Facilities Bond Act [b]	123	06/05/90	797,875	11,380	0	0
1992 School Facilities Bond Act [b]	155	11/03/92	898,211	35,145	0	0
California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002 [f]	40	03/05/02	2,596,643	1,522,470	20,195	111,128
California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Act of 2018	68	06/05/18	4,100,000	768,795	85,310	3,167,385
California Library Construction and Renovation Bond Act of 1988 [b]	85	11/08/88	72,405	3,085	0	0
* California Park and Recreational Facilities Act of 1984 [b]	18	06/05/84	368,900	2,750	0	0
* California Parklands Act of 1980	1	11/04/80	285,000	100	0	0
California Reading and Literacy Improvement and Public Library Construction and Renovation Bond Act of 2000	14	03/07/00	350,000	191,420	0	5,040
* California Safe Drinking Water Bond Law of 1976 [b]	3	06/08/76	172,500	1,080	0	0
* California Safe Drinking Water Bond Law of 1984	28	11/06/84	75,000	450	0	0
* California Safe Drinking Water Bond Law of 1986	55	11/04/86	100,000	6,220	0	0
California Safe Drinking Water Bond Law of 1988	81	11/08/88	75,000	11,690	0	0
California Stem Cell Research and Cures Bond Act of 2004	71	11/02/04	3,000,000	922,820	30,155	93,390
California Stem Cell Research, Treatments, and Cures Bond Act of 2020	14	11/03/20	5,500,000	269,820	0	5,230,180
* California Wildlife, Coastal, and Park Land Conservation Act [b]	70	06/07/88	768,670	31,355	0	0
Children's Hospital Bond Act of 2004	61	11/02/04	750,000	522,930	30	1,500
Children's Hospital Bond Act of 2008	3	11/04/08	980,000	759,810	360	42,695
Children's Hospital Bond Act of 2018	4	11/06/18	1,500,000	121,120	41,380	1,316,060
Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998 (Hi-Ed)	1A	11/03/98	2,500,000	1,071,670	0	0
Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998 (K-12)	1A	11/03/98	6,700,000	2,242,395	0	100
* Clean Air and Transportation Improvement Bond Act of 1990	116	06/05/90	1,990,000	255,090	0	0
* Clean Water Bond Law of 1984	25	11/06/84	325,000	1,390	0	0
* Clean Water and Water Conservation Bond Law of 1978	2	06/06/78	375,000	1,320	0	0
Clean Water and Water Reclamation Bond Law of 1988	83	11/08/88	65,000	4,090	0	0
County Correctional Facility Capital Expenditure and Youth Facility Bond Act of 1988	86	11/08/88	500,000	10,500	0	0
Disaster Preparedness and Flood Prevention Bond Act of 2006 [e] [h]	1E	11/07/06	3,960,560	2,740,485	165,755	247,487

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

	Proposition Number	Voter Authorization Date	Authorization Amount $	Long Term Bonds Outstanding $	Commercial Paper Outstanding [a] $	Unissued $
GENERAL FUND BONDS (Non-Self Liquidating)						
Earthquake Safety and Public Buildings Rehabilitation Bond Act of 1990 [g]	122	06/05/90	292,510	2,865	0	0
* Fish and Wildlife Habitat Enhancement Act of 1984	19	06/05/84	85,000	2,315	0	0
Higher Education Facilities Bond Act of 1988	78	11/08/88	600,000	5,160	0	0
Higher Education Facilities Bond Act of June 1990	121	06/05/90	450,000	10,075	0	540
Higher Education Facilities Bond Act of June 1992	153	06/02/92	900,000	64,875	0	0
Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006	1B	11/07/06	19,925,000	13,711,585	116,630	659,990
Housing and Emergency Shelter Trust Fund Act of 2002	46	11/05/02	2,100,000	105,575	2,150	65,845
Housing and Emergency Shelter Trust Fund Act of 2006	1C	11/07/06	2,850,000	806,890	31,085	219,950
Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (CCC)	51	11/08/16	2,000,000	633,565	68,875	1,196,320
Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (K-12)	51	11/08/16	7,000,000	5,000,195	1,400	1,072,870
Kindergarten-University Public Education Facilities Bond Act of 2002 (Hi-Ed)	47	11/05/02	1,650,000	1,015,260	0	0
Kindergarten-University Public Education Facilities Bond Act of 2002 (K-12)	47	11/05/02	11,400,000	6,420,065	0	5,455
Kindergarten-University Public Education Facilities Bond Act of 2004 (Hi-Ed)	55	03/02/04	2,300,000	1,465,765	0	58,019
Kindergarten-University Public Education Facilities Bond Act of 2004 (K-12)	55	03/02/04	10,000,000	6,089,545	0	16,160
Kindergarten-University Public Education Facilities Bond Act of 2006 (Hi-Ed)	1D	11/07/06	3,087,000	2,362,560	0	38,775
Kindergarten-University Public Education Facilities Bond Act of 2006 (K-12)	1D	11/07/06	7,329,000	5,016,385	0	168,560
* New Prison Construction Bond Act of 1986	54	11/04/86	500,000	895	0	0
New Prison Construction Bond Act of 1988	80	11/08/88	817,000	2,105	0	1,245
New Prison Construction Bond Act of 1990	120	06/05/90	450,000	490	0	605
Public Education Facilities Bond Act of 1996 (Higher Education)	203	03/26/96	975,000	252,375	0	4,650
Public Education Facilities Bond Act of 1996 (K-12) [c]	203	03/26/96	2,012,035	364,295	0	0
Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Act [e]	13	03/07/00	1,884,000	991,805	0	43,346
Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 [e][f]	84	11/07/06	5,266,357	3,166,120	97,310	716,787
Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Act of 2000	12	03/07/00	2,100,000	936,755	9,050	13,080
Safe, Clean, Reliable Water Supply Act [e]	204	11/05/96	969,500	319,710	0	62,915
Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century	1A	11/04/08	9,950,000	2,553,630	176,120	5,073,245
* School Building and Earthquake Bond Act of 1974	1	11/05/74	150,000	5,320	0	0

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

	Proposition Number	Voter Authorization Date	Authorization Amount $	Long Term Bonds Outstanding $	Commercial Paper Outstanding [a] $	Unissued $
GENERAL FUND BONDS (Non-Self Liquidating)						
School Facilities Bond Act of 1990	146	11/06/90	800,000	17,175	0	0
School Facilities Bond Act of 1992	152	06/02/92	1,900,000	43,780	0	10,280
Seismic Retrofit Bond Act of 1996	192	03/26/96	2,000,000	635,530	0	0
* State, Urban, and Coastal Park Bond Act of 1976	2	11/02/76	280,000	970	0	0
Veterans Homes Bond Act of 2000	16	03/07/00	50,000	29,455	0	975
Veterans Housing and Homeless Prevention Bond Act of 2014	41	06/03/14	600,000	192,835	44,450	347,265
Veterans and Affordable Housing Bond Act of 2018	1	11/06/18	3,000,000	346,380	93,370	2,558,765
Voting Modernization Bond Act of 2002	41	03/05/02	200,000	41,205	3,000	11,025
Water Conservation Bond Law of 1988 [g]	82	11/08/88	54,765	6,425	0	0
* Water Conservation and Water Quality Bond Law of 1986 [e]	44	06/03/86	136,500	7,545	0	230
Water Quality, Supply, and Infrastructure Improvement Act of 2014 [f]	1	11/04/14	7,465,000	1,926,910	245,715	5,015,540
Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 [e]	50	11/05/02	3,345,000	2,174,925	23,300	192,079
Total General Fund Bonds			**156,477,176**	**68,252,770**	**1,255,640**	**27,769,481**

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

	Proposition Number	Voter Authorization Date	Authorization Amount $	Long Term Bonds Outstanding $	Commercial Paper Outstanding [a] $	Unissued $
ENTERPRISE FUND BONDS (Self Liquidating)						
* California Water Resources Development Bond Act	1	11/08/60	1,750,000	120	0	167,600
Veterans Bond Act of 1986	42	06/03/86	850,000	3,465	0	0
Veterans Bond Act of 1988	76	06/07/88	510,000	6,240	0	0
Veterans Bond Act of 1990	142	11/06/90	400,000	14,335	0	0
Veterans Bond Act of 1996	206	11/05/96	400,000	27,425	0	0
Veterans Bond Act of 2000	32	11/07/00	500,000	114,555	0	0
Veterans Bond Act of 2008 [d]	12	11/04/08	300,000	170,420	0	0
Veterans and Affordable Housing Bond Act of 2018 (CalVet)	1	11/06/18	1,000,000	339,120	0	636,235
Total Enterprise Fund Bonds			**5,710,000**	**675,680**	**0**	**803,835**
TOTAL GENERAL OBLIGATION BONDS			**162,187,176**	**68,928,450**	**1,255,640**	**28,573,316**

(a) A total of not more than $2.45 billion of commercial paper principal plus accrued interest may be owing at one time. Bond acts marked with an asterisk (*) are not legally permitted to utilize commercial paper.
(b) SB 1018 (06/27/2012) reduced the voter authorized amount
(c) SB 1018 (06/27/2012) and SB 71 (06/27/2013) reduced the voter authorized amount
(d) AB 639 (10/10/2013) reduced the voter authorized amount
(e) AB 1471 (11/04/2014) reduced the voter authorized amount
(f) SB 5 (6/5/2018) reduced the voter authorized amount
(g) AB 92 (6/29/2020) reduced the voter authorized amount
(h) The original voter authorized amount has been reduced in accordance with section 5096.828 of the Public Resources Code of the State of California.

SOURCE: State of California, Office of the Treasurer.

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

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

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

SOURCE: State of California, Office of the Treasurer.

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

Fiscal Year Ending June 30	Current Debt		
	Interest (a)	Principal	Total (b)
2023 (c)	1,683,059,772.98	592,380,000.00	2,275,439,772.98
2024	3,301,352,581.80	3,310,470,000.00	6,611,822,581.80
2025	3,152,214,918.01	3,352,170,000.00	6,504,384,918.01
2026	2,995,361,147.34	3,430,475,000.00	6,425,836,147.34
2027	2,829,047,725.36	3,455,330,000.00	6,284,377,725.36
2028	2,674,014,922.79	3,745,075,000.00	6,419,089,922.79
2029	2,511,617,576.54	3,440,805,000.00	5,952,422,576.54
2030	2,348,085,932.79	3,495,100,000.00	5,843,185,932.79
2031	2,193,611,741.54	3,473,230,000.00	5,666,841,741.54
2032	2,040,333,320.29	3,305,625,000.00	5,345,958,320.29
2033	1,882,810,410.29	3,304,150,000.00	5,186,960,410.29
2034	1,749,511,187.76	3,632,850,000.00	5,382,361,187.76
2035	1,509,340,205.82	3,104,170,000.00	4,613,510,205.82
2036	1,349,253,803.91	3,128,665,000.00	4,477,918,803.91
2037	1,201,651,576.41	3,102,395,000.00	4,304,046,576.41
2038	1,030,236,702.64	2,960,910,000.00	3,991,146,702.64
2039	921,253,055.12	3,389,725,000.00	4,310,978,055.12
2040	635,842,913.87	2,112,745,000.00	2,748,587,913.87
2041	472,225,737.54	2,179,625,000.00	2,651,850,737.54
2042	374,205,187.54	1,188,165,000.00	1,562,370,187.54
2043	320,273,137.54	1,294,435,000.00	1,614,708,137.54
2044	253,806,478.16	1,008,660,000.00	1,262,466,478.16
2045	217,324,343.78	893,925,000.00	1,111,249,343.78
2046	173,568,468.78	850,000,000.00	1,023,568,468.78
2047	134,984,093.78	887,500,000.00	1,022,484,093.78
2048	93,713,971.90	850,000,000.00	943,713,971.90
2049	69,528,225.02	490,000,000.00	559,528,225.02
2050	47,403,225.02	675,000,000.00	722,403,225.02
2051	25,468,750.02	250,000,000.00	275,468,750.02
2052	19,984,375.01	350,000,000.00	369,984,375.01
2053	5,875,000.00	250,000,000.00	255,875,000.00
Total	**$ 38,216,960,489.35**	**$ 67,503,580,000.00**	**$ 105,720,540,489.35**

(a) The amounts do not reflect any interest subsidy under the Build America Bonds program. Subsidy not pledged to the repayment of debt service.
(b) Includes scheduled mandatory sinking fund payments. Does not include outstanding commercial paper.
(c) Represents the remaining debt service requirements from February 1, 2023 through June 30, 2023.

SOURCE: State of California, Office of the Treasurer.

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

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

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

SOURCE: State of California, Office of the Treasurer.

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

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

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

(b) Includes scheduled mandatory sinking fund payments.

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

SOURCE: State of California, Office of the Treasurer.

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

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

(a) Lease payments that secure each of these issues are payable from the operating budget of the respective lessees. The operating budgets of the lessees are primarily, but not exclusively, derived from the General Fund.
(b) Includes $11,695,000 Sacramento City Financing Authority Lease Revenue Refunding Bonds State of California - Cal/EPA Building, 2013 Series A, which are supported by lease payments from the California Environmental Protection Agency; these lease payments are subject to annual appropriation by the State Legislature.

SOURCE: State of California, Office of the Treasurer.

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

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

(a) Includes scheduled mandatory sinking fund payments.
(b) Does not include outstanding commercial paper.
(c) The estimate of future interest payments is based on rates in effect as of January 1, 2023. The interest rates for the daily and weekly rate bonds range from 2.20-3.21%.
(d) Estimated interest included.

SOURCE: State of California, Office of the Treasurer.

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

Issuing Agency		**Outstanding[(a)(b)(c)(d)(e)]**
State Revenue Bond Financing Programs:		
California Alternative Energy and Advanced Transportation Financing Authority		426,133
California Earthquake Authority		600,000,000
California Health Facilities Financing Authority		1,851,190,000
California Housing Finance Agency		41,220,000
California Infrastructure and Economic Development Bank		1,658,815,000
California State University		8,556,625,000
Department of Water Resources - Central Valley Project		2,945,890,000
The Regents of the University of California		28,331,645,000
Veterans Revenue Debenture		431,770,000
TOTAL	**$**	**44,417,581,133**
Conduit Financing:		
California Alternative Energy and Advanced Transportation Financing Authority		2,235,972
California Educational Facilities Authority		4,145,199,225
California Health Facilities Financing Authority		15,307,575,028
California Housing Finance Agency		4,878,095,786
California Infrastructure and Economic Development Bank		4,675,591,180
California Pollution Control Financing Authority		2,964,799,058
California School Finance Authority		2,209,758,830
TOTAL	**$**	**34,183,255,078**

(a) Totals for California State University, Department of Water Resources and Veterans Revenue Debenture were provided by the State of California, Office of the Treasurer. All other totals were provided by the listed issuing agency.

(b) Does not reflect any forward delivery sales that have not closed.

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

(d) Certain state agencies and authorities issue revenue obligations for which the General Fund has no liability. See "STATE INDEBTEDNESS AND OTHER OBLIGATIONS – Capital Facilities Financing - Non-Recourse Debt." The tables above are intended to provide general information concerning the scope of the various State Revenue Bond Financing and Conduit Financing Programs referenced therein, and are not intended to be an exhaustive listing of all of the outstanding obligations of the respective programs.

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

EXHIBIT 1 TO APPENDIX A

PENSION SYSTEMS

TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

Page

TABLES

PENSION SYSTEMS

General

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

The University of California ("UC") maintains a separate retirement system. The 2023-24 Governor's Budget does not specifically allocate any of UC's appropriation to fund its employer retirement costs; UC manages its retirement contributions within its overall budget.

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

The information in this Exhibit 1 relating to CalPERS and CalSTRS is primarily derived from information produced by CalPERS and CalSTRS, their independent accountants, and their actuaries. The state has not independently verified the information produced by CalPERS and CalSTRS and makes no representations nor expresses any opinion as to the accuracy of the information produced by CalPERS and CalSTRS.

The annual comprehensive financial reports of CalPERS and CalSTRS are available on their websites at www.calpers.ca.gov and www.calstrs.com, respectively. The CalPERS and CalSTRS websites also contain the most recent actuarial valuation reports, as well as other information concerning benefits and other matters. Such information is not incorporated by reference herein. The state cannot guarantee the accuracy of such information. Actuarial valuations are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial valuations will change with the future experience of the pension plans. As used in this Exhibit 1, an active member refers to a participant currently employed by a CalPERS or CalSTRS covered employer, an inactive member refers to a participant with member contributions on account who is not receiving a benefit or currently employed by a CalPERS or CalSTRS covered employer, and a retiree, survivor, or beneficiary refers to a participant currently receiving a benefit from CalPERS or CalSTRS.

CalPERS

1. <u>General</u>

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

("JRF II"). (These plans, as well as the other plans administered by CalPERS, are described in the comprehensive financial reports of CalPERS, which can be found on CalPERS' website at www.calpers.ca.gov. Such information is not incorporated by reference herein.) The PERF, LRF, JRF, and JRF II are defined benefit pension plans which generally provide benefits based on members' years of service, age, final compensation, and benefit formula. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Certain summary information concerning PERF is set forth below. Certain summary information concerning LRF, JRF, JRF II, and the 1959 Survivor Benefit program (which provides payments to the survivors of eligible members who die before retirement) is set forth at the end of this section.

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

2. Members and Employers

The PERF is a multiple-employer defined benefit retirement fund. In addition to the state, employer participants include nearly 3,000 public agencies and school districts. CalPERS acts as the common investment and administrative agent for the member agencies. The state and school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in CalPERS. Other public agencies can elect whether or not to participate in CalPERS or administer their own plans. Members of CalPERS generally become fully vested in their retirement benefits earned to date after five years of credited service. Separate accounts are maintained for each employer participating in CalPERS, and separate actuarial valuations are performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan, based on the benefit selected by the employer and the individual plan's proportionate share of CalPERS assets.

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

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

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

TABLE 28
CalPERS State Employee Membership as of June 30

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

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

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

- Miscellaneous Members – staff, operational, supervisory, and all other eligible employees who are not in special membership categories.

- Safety Members – employees whose principal duties are in active law enforcement or fire prevention and suppression work but are not defined as a State Peace Officer/Firefighter Member, or who occupy positions designated by law as Safety Member positions.

- State Industrial Members – employees of the California Department of Corrections and Rehabilitation who have the same service retirement and other benefits as Miscellaneous Members, but who also have industrial death and disability benefits under certain limited circumstances.

- State Peace Officer/Firefighter Members – employees who are involved in law enforcement, firefighting and fire suppression, public safety, protective services, or the management and supervision thereof, whose positions are defined as State Peace Officer/Firefighter Members in the Government Code or by the Department of Human Resources.

- Patrol Members – California Highway Patrol officers and their related supervisors and managers.

3. Retirement Benefits

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

The Public Employees' Pension Reform Act of 2013 ("PEPRA") (AB 340, Chapter 296, Statutes of 2012) increased the retirement age for new CalPERS members hired on or after January 1, 2013 ("PEPRA members"). State Miscellaneous and State Industrial PEPRA members who retire at age 62 will be eligible for a benefit equal to 2 percent of final compensation for each year of credited service (increased to 2.5 percent of final compensation for members retiring after age 67). State Safety PEPRA members who retire at age 57 will be eligible for a benefit equal to 2 percent under the Basic Safety Plan, 2.5 percent under the Safety Option Plan One, or 2.7 percent under the Safety Option Plan Two, of final compensation for each year of credited service. Approximately 46 percent of the state active member population consists of PEPRA members as of June 30, 2021.

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

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

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

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

4. Member and State Contributions

The pension benefits for state employee members in CalPERS are funded by contributions from members and the state, and by earnings from investments. Member and state contributions are a percentage of applicable member compensation and are determined annually on an actuarial basis. Member contribution rates are defined by law and vary by bargaining unit within the same member category. The required contribution rates of active CalPERS state members are based on a percentage of their salary ranging from 3.75 to 13.5 percent.

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

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

The 2023-24 Governor's Budget includes the following employer contribution rates for fiscal year 2023-24:

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

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

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

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

TABLE 30
State Contributions to PERF, including CSU
(Dollars in Millions)

Fiscal Year	State Employees All Funds	State Employees General Fund	CSU Employees All Funds	CSU General Fund	Total Contributions All Funds	Total General Fund
2019-20[(a)]	$5,946	$3,112	$716	$716	$6,663	$3,828
2020-21[(a)(c)]	4,925	2,432	680	680	5,604	3,112
2021-22[(a)(d)]	6,090	2,865	675	675	6,765	3,541
2022-23[(a)(b)(e)]	7,475	3,821	744	744	8,219	4,565
2023-24[(b)(f)]	7,727	3,974	747	747	8,474	4,721

(a) Does not include the $100 million in supplemental pension payments to be paid from the Motor Vehicle Account over fiscal years 2019-20 through 2022-23 pursuant to SB 90, as described in this section.

(b) Estimated contributions.

(c) Does not include the $243 million supplemental pension payment using Proposition 2 debt repayment funding in fiscal year 2020-21 pursuant to Chapter 16, Statutes of 2020 (AB 84), as described in this section.

(d) Does not include the $1.9 billion supplemental pension payment using Proposition 2 debt repayment funding in fiscal year 2021-22 included in the 2021 Budget Act, as described in this section.

(e) Does not include the $2.9 billion supplemental pension payment using Proposition 2 debt repayment funding in fiscal year 2022-23 included in the 2022 Budget Act, as described in this section.

(f) Does not include the $1.2 billion supplemental pension payment using Proposition 2 debt repayment funding in fiscal year 2023-24 proposed in the 2023-24 Governor's Budget, as described in this section.

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

The 2023-24 Governor's Budget proposes $1.2 billion in Proposition 2 debt repayment funding in fiscal year 2023-24 to reduce the state's unfunded liabilities. This payment is in addition to the statutorily required state pension contributions captured in the above table. Based on current revenue projections, an additional $2.1 billion in Proposition 2 debt repayment funding will be paid to CalPERS over the remaining forecast period (fiscal year 2024-25 to 2026-27), depending on the availability of Proposition 2 debt funding.

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

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

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

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

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

Additionally, the 2019-20 Budget included a $100 million supplemental pension payment from the Motor Vehicle Account towards the unfunded liability of the CalPERS CHP Plan, to be paid in four equal installments over fiscal years 2019-20 through 2022-23. The first three payments have been made. Payment of the final installment in fiscal year 2022-23 is contingent on the availability of sufficient revenues.

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

For the pension loan further described below that funded the fiscal year 2017-18 supplemental pension payment to CalPERS, the General Fund's share of the remaining repayment over the expected term (approximately $2.3 billion estimated as of the 2023-24 Governor's Budget) is eligible for repayment under Proposition 2's debt repayment requirements, as reflected in Table 3. The remaining balance is to be repaid from other funds that contribute to CalPERS and are expected to benefit from the supplemental pension payment. See "DEBTS AND LIABILITIES UNDER PROPOSITION 2" in the forepart of Appendix A for a description of the loan and related repayment terms and sources.

In fiscal year 2017-18, the state made a one-time $6 billion supplemental pension payment to CalPERS to mitigate the future increase in state contributions and reduce unfunded liabilities.

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

As of the 2023-24 Governor's Budget, the Department of Finance projects that the \$6 billion supplemental pension payment will save an estimated \$6.3 billion in state contributions (net of principal and interest on the loan) to CalPERS from all state funded sources over the next two decades.

5. Prospective Funding Status; Future State Contributions

The level of future required contributions from the state depends on a variety of factors, including future investment portfolio performance, actuarial assumptions, and additional potential changes in retirement benefits. In November 2021, the CalPERS Board adopted a discount rate of 6.8 percent (decrease from 7 percent) as part of the Asset Liability Management Process, which occurs every four years, and in alignment with the CalPERS Funding Risk Mitigation Policy (see "Section 7. Actuarial Methods and Assumptions," below), which triggered a decrease of 0.2 percent as a result of the fiscal year 2020-21 CalPERS investment returns. The statutorily required retirement contributions reflect the impact of these changes as of the 2022 Budget Act. The CalPERS Board adopted retirement rates on April 18, 2022 for the state plans for fiscal year 2022-23. The agenda item included preliminary contribution rate projections based on the 6.8 percent discount rate and did not include additional contributions pursuant to Government Code section 20683.2 or potential impacts of the Proposition 2 supplemental pension payments, which are applied to realize long-term savings, improve funded status, and achieve a more stable and predictable contribution rate.

The state has also used supplemental pension payments in response to changing discount rates. In December 2016, the CalPERS Board voted to lower its assumed rate of return from 7.5 to 7 percent over three years, which resulted in contribution increases for employers and some employees. The increase in contributions the state incurred, as a result of the discount rate change, was implemented over a five-year ramp-up period, with full implementation in fiscal year 2023-24. In response, as previously mentioned, the 2017-18 Budget included a \$6 billion one-time, supplemental pension payment to CalPERS in fiscal year 2017-18, which resulted in a decrease to the state's projected contributions beginning in fiscal year 2018-19. The 2021 Budget Act authorized a \$1.9 billion supplemental pension payment. The 2022 Budget Act authorized an additional \$2.9 billion supplemental pension payment, which is projected to impact the state's contributions starting in fiscal year 2023-24. The 2023-24 Governor's Budget proposes a \$1.2 billion supplemental pension payment. See Section 4. "Member and State Contributions" for additional details.

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

The projected state contribution rates do not reflect the projected additional contributions required to offset increased member contributions under PEPRA, or the estimated impact of the supplemental pension payments included in the 2021 Budget Act and the 2022 Budget Act using Proposition 2 funding. See "Member and State Contributions."

Projected Contribution Rates

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

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

In accordance with state law, the actuarial valuation for the fiscal year ended June 30, 2021, includes a sensitivity analysis of discount rates. The analysis shows that employer contribution rates are highly sensitive to changes in the discount rate and that employer contribution rates would be significantly reduced if a higher discount rate is used, and employer contribution rates would significantly increase if a lower discount rate is used. The actuarial valuation for the fiscal year ended June 30, 2021, contains information concerning the specific impact on employer contribution rates and unfunded liability resulting from these different discount rate assumptions.

The tables below show projected state contribution rates for fiscal years 2023-24 through 2027-28 for the employee categories under two different investment return scenarios, based on an estimated -7.4 percent investment return for fiscal year 2021-22. Note that the projected state contribution rates in the tables below do not reflect the additional state contribution rates required by statute to offset increased member contributions under PEPRA. The projected state contribution rates assume that all other actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur. The two different investment return scenarios capturing 90 percent of likely outcomes over a 20-year period ending June 30, 2041, are as follows:

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

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

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

State Miscellaneous

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

State Industrial

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

State Safety

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

State Peace Officers & Firefighters

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

California Highway Patrol

Assumed annual return from fiscal years 2021-22 to 2040-41	Projected Contribution Rates Fiscal Year				
	2023-24	2024-25	2025-26	2026-27	2027-28
3.0% (5th percentile)	65.4%	65.8%	68.2%	69.2%	75.7%
10.8% (95th percentile)	65.4	64.4	63.7	59.9	59.8

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

In addition, the actuarial valuation for the year ended June 30, 2021, includes projections based on volatility scenarios of the portfolio.

The tables below demonstrate the fiscal year 2024-25 rate impact of realizing losses of 5.2 percent and 17.2 percent in fiscal year 2022-23. In accordance with CalPERS policy, investment gains and losses are amortized over a 20-year period with the payment starting at a lower initial amount and ramping up over five years. This means future contribution rates would be impacted by the loss for an additional four years while also being impacted by future returns. If future returns did not exceed the 6.8 percent discount rate, rates would continue to trend upward.

State Miscellaneous

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

State Industrial

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

State Safety

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

State Peace Officers & Firefighters

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

California Highway Patrol

Assumed annual return for fiscal year 2022-23	Current Rate Fiscal Year 2022-23	Projected Contribution Rates Fiscal Year 2023-24	2024-25
-17.2%	63.89%	65.4%	71.0%
-5.2%	63.89	65.4	67.9

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

6. Investment Policy; Investment Returns

Pursuant to the state Constitution, the CalPERS Board has sole and exclusive fiduciary responsibility over the assets of the PERF. CalPERS' assets are managed both externally by professional investment management firms and internally by CalPERS investment staff. The CalPERS Board monitors the performance of the managers with the assistance of external investment consultants.

CalPERS has established a series of procedures and guidelines with respect to investments. The procedures, grouped together as the "Total Fund Investment Policy," serve to guide CalPERS' investment strategy for PERF. The CalPERS Board reviews the Total Fund Investment Policy as needed. Additional information concerning CalPERS investments can be found on the CalPERS website. Such information is not incorporated by reference herein.

The CalPERS Board adopted revisions to its Total Fund Investment Policy that included: (1) the addition of Private Debt, Emerging Markets Sovereign Debt, and Strategic Leverage, (2) updated target weights and ranges, (3) updated benchmarks for new segments, (4) a reduction of active leverage from 20 percent to 15 percent and (5) the introduction of 5 percent strategic leverage (keeping effective limit at 20 percent). These revisions took effect June 13, 2022.

The following tables set forth the total return on all assets for PERF for fiscal years 2012-13 through 2021-22, as well as time-weighted average returns.

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

Fiscal Year	Annualized Rate of Return
2012-13	13.2%
2013-14	18.4
2014-15	2.4
2015-16	0.6
2016-17	11.2
2017-18	8.6
2018-19	6.7
2019-20	4.7
2020-21	21.3
2021-22	-6.1

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

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

TABLE 32
PERF Time-Weighted Average Returns as of June 30, 2022

Period	Time Weighted Average Rate of Return
3 years	6.0%
5 years	6.7
10 years	7.7
20 years	6.9

Source: CalPERS Annual Comprehensive Financial Report for Fiscal Year ended June 30, 2022. July 12, 2021 CalPERS Newsletter for the 20-year time period.

In 2019, CalPERS publicly indicated that it expected actual investment returns in the following ten-year period would be less than 7 percent, the then-current CalPERS' actuarial rate of return. Actual investment returns lower than the actuarially assumed level will result in decreased funding status, and increased actuarially required contributions.

7. Actuarial Methods and Assumptions

The total cost CalPERS incurs to provide benefits includes administrative expenses. All of these costs are funded through contributions to the PERF and investment earnings on PERF's assets. CalPERS' Chief Actuary estimates the total cost of the benefits to be paid and, using the actuarial funding method determined by CalPERS (as described below), the actuary allocates these costs to the fiscal years. CalPERS' financial objective is to fund in such a manner as to keep contribution rates approximately level as a percentage of payroll from generation to generation, while accumulating sufficient assets over each member's working career to cover the total cost of providing benefits.

The primary funding method used to accomplish this objective is the "Entry Age Normal Cost Method." Under this method, projected benefits are determined for all members and the associated liabilities are spread in a manner that produces level annual costs as a level percent of pay in each year from the age of hire (entry age) to the assumed retirement age. The cost allocated to the current fiscal year is called the "normal cost." The Actuarial Accrued Liability ("AAL") for active members is then calculated as the portion of the total cost of the plan allocated to prior years.

The CalPERS Chief Actuary considers various factors in determining the assumptions to be used in preparing the actuarial report. Demographic assumptions are based on a study of the actual history of retirement, rates of termination/separation of employment, years of life expectancy after retirement, disability, and other factors. This experience study is generally done once every four years. The most recent experience study was completed in 2021 in connection with the preparation of actuarial recommendations by the CalPERS Chief Actuary as described below.

The following table sets forth certain economic actuarial assumptions for fiscal years 2020-21 through 2022-23.

TABLE 33
Actuarial Assumptions—State Plans

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

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

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

CalPERS' investment return for the fiscal year ending June 30, 2021 was 21.3 percent, which outperformed the assumed 7 percent discount rate; thereby triggering the CalPERS Funding Risk Mitigation Policy described above. Approximately half of the excess return was used for rate relief and half of the excess return was used to lower the discount rate to 6.8 percent. CalPERS notes that for a given risk mitigation event, it is estimated that employer rates will decrease by about half of what they would have with no risk mitigation. The CalPERS Funding Risk Mitigation Policy requires staff to implement a new strategic asset allocation that will take effect on October 1 of the fiscal year immediately following the year the policy was triggered—in this case, fiscal year 2020-21 is the trigger year. CalPERS completed its Asset Liability Management Process in November 2021 and this effort resulted in a new strategic asset allocation that keeps the discount rate at 6.8 percent, and incorporates a 5 percent leverage allocation. An implementation plan for the strategic asset allocation, including benchmarks, ranges, and timeline, is anticipated at a future CalPERS Board meeting.

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

8. Actuarial Valuation; Determination of Required Contributions

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

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

9. Funding Status

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

On April 18, 2022, the CalPERS Board adopted the contribution rates for the state plans for fiscal year 2022-23. CalPERS issued a notice to state employers on June 8, 2022 that includes the final contribution rates for the state plans for fiscal year 2022-23. The unfunded liability allocable to state employees (excluding judges and elected officials) is $43.6 billion as of the June 30, 2021 valuation, which is a decrease of $19.3 billion from the June 30, 2020 valuation. The funded ratio increased to 80.7 percent as of June 30, 2021, from 70.6 percent as of June 30, 2020. The CalPERS Annual Comprehensive Financial Report as of June 30, 2022 estimates the funded ratio for the overall PERF at 72 percent.

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

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

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

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

In the state's 2020 Annual Comprehensive Financial Report, the state's proportionate share of the Net Pension Liability for PERF as of the June 30, 2019 measurement date (as calculated in accordance with GASB Statement 68) was approximately $56.8 billion. See Note 10 in the 2020 Annual Comprehensive Financial Report. Based on information provided by CalPERS, the State Controller's Office has prepared unaudited estimates of the state's proportionate share of the Net Pension Liability for PERF (as calculated in accordance with GASB Statement 68), consisting of the following: approximately $57.6 billion for the June 30, 2020 measurement date; approximately $36.1 billion for the June 30, 2021 measurement date; and approximately $64.0 billion for the June 30, 2022 measurement date.

10. Other Retirement Plans

In addition to PERF, CalPERS also administers the Judges' Retirement System ("JRS"), the Judges' Retirement System II ("JRS II"), the Legislators' Retirement System ("LRS"), and the 1959 Survivor Benefit program.

In the JRF actuarial reports for the year ended June 30, 2022, CalPERS reported that the JRF had an unfunded actuarial liability of approximately $2.8 billion. For the same year, the JRF II reported an unfunded liability of $18.3 million and LRF reported a funding surplus of $9.3 million. In the 1959 Survivor Benefit Program actuarial report for the year ended June 30, 2021, CalPERS reported that the state had an unfunded actuarial liability of approximately $18 million.

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

Further information concerning JRF, JRF II, and LRF can be found in CalPERS' financial reports and actuarial reports and is set forth in Note 10 (and the "Net Pension Liability and Related Rates" included in the Required Supplementary Information) to the Audited Basic Financial Statements of the State of California for the Year Ended June 30, 2020, attached as an appendix to this Official Statement.

CalSTRS

1. General

CalSTRS was established under the California Education Code in 1913 to provide benefits to California public school and community college teachers and to certain other employees of the state's public school system (pre-kindergarten through community college). CalSTRS is the administrator of a multiple-employer, cost-sharing defined benefit plan, tax-deferred defined contribution plans, a Medicare Premium Payment Program, and a Teachers' Deferred Compensation Fund.

CalSTRS administers the State Teachers' Retirement Plan (the "STRP"), a multiple employer, cost-sharing, defined benefit plan comprised of four programs: the Defined Benefit Program (referred to in this Official Statement as the "DB Program"), the Defined Benefit Supplement Program, the Cash Balance Benefit Program, and the Replacement Benefit Program. Within the STRP there is also a Supplemental Benefit Maintenance Account (the "SBMA") which provides purchasing power protection for retired members.

The state is not an employer (with certain very limited exceptions) in any CalSTRS programs but does contribute to the DB Program and the SBMA from its General Fund pursuant to statutes in the Education Code. The DB Program is funded through a combination of investment earnings and statutorily set contributions from three sources: the members of CalSTRS, the employers, and the state. For contributions from employers and the state, the CalSTRS Board (defined below) was provided limited rate setting authority in 2014 under the provisions of AB 1469 (Chapter 47, Statutes of 2014).

The SBMA is a separate account within the DB Program that is funded with a combination of investment earnings and statutorily set contributions from the state. The Purchasing Power Protection Program payments for retired members are made only to the extent funds are available in the SBMA and are not a vested benefit. See "Funding for the SBMA."

CalSTRS is administered by a 12-member Teachers' Retirement Board (the "CalSTRS Board") that includes four ex officio members: the Director of the Department of Finance, State Controller, the State Superintendent of Public Instruction, and the State Treasurer. The other eight CalSTRS Board members serve four-year terms and include three CalSTRS member-elected representatives who represent current educators, and five representatives appointed by the Governor and confirmed by the Senate including: one retired CalSTRS member, three public representatives, and one school board representative.

Certain summary information concerning the DB Program is set forth below.

2. Members and Employers

As of June 30, 2022, the DB Program included approximately 1,800 employers. The following table reflects the total number of members in the DB Program as of June 30, 2021 and 2022.

TABLE 35
DB Program Membership

Membership	June 30, 2021	June 30, 2022
Active Members	429,681	449,418
Inactive Members	230,770	227,163
Retirees and Beneficiaries	320,413	325,468
Total	980,864	1,002,049

Source: CalSTRS Annual Comprehensive Financial Report for Fiscal Years ended June 30, 2021 and June 30, 2022 – Statistical Section.

Based on information CalSTRS reported in its Annual Comprehensive Financial Report for fiscal year ended June 30, 2022, over the past six years, the number of active members remained stable, while the number of retirees and beneficiaries had grown by 10.4 percent. Over the past year, the number of active members has increased by about 5 percent, while the number of retirees and beneficiaries has grown by about 2 percent.

3. Retirement Benefits

Member benefits are determined by statute in the Education Code and are generally based on a member's age, final compensation, and years of credited service. Members are 100 percent vested in retirement benefits after five years of credited service and are eligible for normal retirement at age 60 and for early retirement at age 55 or at age 50 with 30 years of credited service. The normal retirement benefit is 2 percent of final compensation (as defined in the Education Code) for each year of credited service (increases to a maximum of 2.4 percent of final compensation for members retiring after age 63), and members who retired on or after January 1, 2001 with 30 or more years of service by December 31, 2010 receive monthly longevity bonus payments of up to $400 per month. PEPRA increased the retirement age for new CalSTRS members hired on or after January 1, 2013. PEPRA members who retire at age 62 will be eligible for a benefit equal to 2 percent of final compensation for each year of credited service (increases to a maximum of 2.4 percent of final compensation for members retiring after age 65). The PEPRA member population in CalSTRS has been increasing steadily over the last few years. As of June 30, 2021, there were about 131,000 active PEPRA members. According to CalSTRS, there were about 160,000 active PEPRA members as of June 30, 2022, representing roughly 36 percent of the total active population.

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

The following table shows the amount of benefits and administrative expenses paid under the DB Program for fiscal years 2016-17 through 2020-21:

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

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

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

4. Funding for the DB Program

The DB Program is funded with a combination of investment earnings and contributions from members, employers, and the state. The DB Program is one of the four programs under the STRP. Although specific amounts vary from year to year, from 1992 through 2022, approximately 62 percent of total inflows to the STRP were derived from investment earnings, according to CalSTRS. As described below, historically the contribution rates of the members, employers, and the state are determined by statute in the Education Code instead of actuarially determined amounts as is done for the CalPERS system. Over time, this has contributed to an underfunding of the DB Program.

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

Multiple supplemental pension payments were authorized as part of the 2019-20, 2020-21, and 2021-22 Budgets, from the state to CalSTRS. They are discussed in further detail later in this section.

Member Contributions. Under AB 1469, the member contribution rate increased over time from 8 percent in fiscal year 2013-14 to 10.25 percent in fiscal year 2016-17 for members not subject to PEPRA, and to 9.205 percent in fiscal year 2016-17 for members subject to PEPRA. In addition, PEPRA members are required to pay at least one-half the normal cost of their DB Program benefits, and under PEPRA, the contribution rate for PEPRA members will be adjusted if the normal cost changes by more than 1 percent since the last time the member contribution rate was set. The contribution rate for PEPRA members was increased to 10.205 percent in fiscal year 2018-19 due to this condition being met. The current rate continues to be set at 10.25 percent for members not subject to PEPRA and 10.205 percent for members subject to PEPRA.

Employer Contributions. Employers are required to make contributions to the DB Program. Prior to the passage of AB 1469, the employer contribution rate was 8.25 percent of creditable compensation. Under AB 1469, employer contributions have increased from 8.25 percent of creditable compensation to the current rate of 19.1 percent. Beginning in fiscal year 2021-22 through fiscal year 2045-46, AB 1469 authorizes the CalSTRS Board to adjust the employer contribution rate up or down 1 percentage point each year, but no higher than 20.25 percent total and no lower than 8.25 percent, to eliminate the unfunded actuarial obligation associated with benefit improvements enacted after July 1, 1990 and for service prior to July 1, 2014. In May 2022, the CalSTRS Board elected not to adjust the employer contribution rate for fiscal year 2022-23, and to keep it at 19.1 percent.

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

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

Under AB 1469, the state increased its supplemental contribution to the July 1, 1990 benefit obligation to a rate of 4.311 percent in fiscal year 2016-17. Beginning in fiscal year 2017-18 through fiscal year 2045-46, the CalSTRS Board is authorized to adjust the supplemental state contribution rate up 0.50 percent each year to eliminate the unfunded obligation for benefits in place as of July 1, 1990. If there is no unfunded obligation, the supplemental contribution shall be reduced to zero. In fiscal years 2017-18, 2018-19, 2019-20, and 2021-22 the CalSTRS Board adopted the maximum increase allowed. AB 84 amended the statute to suspend the CalSTRS Board's authority to adjust the state contribution rate for fiscal year 2020-21. The 2020-21 Budget instead authorized the state to make supplemental pension payments to CalSTRS using available Proposition 2 debt repayment funding. The 2021 Budget Act included a $410 million supplemental pension payment in fiscal year 2021-22 towards the state's share of unfunded liability for the DB Program. The 2022 Budget Act does not include a supplemental payment to the DB Program.

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

5. Accounting Standards

The Basic Financial Statements contained in the CalSTRS Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2022 (the "CalSTRS 2022 Financial Statements") were prepared in accordance with GASB Statement 67. GASB Statement 67 impacts the financial reporting requirements for CalSTRS but does not change the funding requirements for members, employers, or the state. The CalSTRS Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2022, is available on the CalSTRS website at www.calstrs.com. Such information is not incorporated by reference herein.

Under GASB Statement 67, CalSTRS is required to report the net pension liability ("NPL") instead of the previously required unfunded actuarial accrued liability ("UAAL"). Additionally, CalSTRS opted to provide other pension information to display the proportionate share of contributions per employer. Employers may consider this schedule when determining their proportionate share of the NPL to be recognized in their financial statements pursuant to GASB Statement 68.

Investors should note that the CalSTRS 2022 Financial Statements display the NPL of the entire STRP and do not provide a calculation of the DB Program separately. CalSTRS reports that an actuarial valuation of the DB Program will continue to be prepared. See "Actuarial Valuation" below for information about the most recent valuation report for the DB Program.

In Schedule A of the Independent Auditor's Report and Other Pension Information of the STRP for the fiscal year ended June 30, 2022 (which is available on the CalSTRS website at www.calstrs.com, however, such information is not incorporated by reference herein), 33.369 percent of the total employer and state contributions is allocated to the state. This value is used by the state's financial statements to represent the percent of NPL allocated to the state. GASB Statement 68 requires employers and non-employer contributing entities to report any NPL as a liability in their Statement of Net Position. The state's proportionate share of the NPL is 35.30 percent or $31.9 billion as of the June 30, 2019 measurement date pursuant to the state's financial statements for the fiscal year ended June 30, 2020. See Note 10 in the 2020 Annual Comprehensive Financial Report. Based on information provided by CalSTRS, the State Controller's Office has prepared an unaudited estimate of the state's proportionate share of the Net Pension Liability for CalSTRS as of the June 30, 2020 measurement date (as calculated in accordance with GASB Statement 68) of approximately $33.0 billion.

6. Funding for the SBMA

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

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

The following table displays the total state contributions to CalSTRS for the DB Program, SBMA, and the additional Pre-1990 Defined Benefit supplemental payments scheduled pursuant to AB 1469 for fiscal years 2019-20 through 2023-24.

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

Fiscal Year	DB Program	SBMA	Pre-1990 DB	Total
2019-20[(a)]	$663	$750	$1,910	$3,323
2020-21[(a)]	683	775	1,969	3,427
2021-22[(a)]	701	796	2,366[(b)]	3,862
2022-23[(a)]	705	802	2,205	3,712
2023-24[(a)]	745	852	2,333	3,930

(a) Education Code section 22955.2, which was adopted as part of the 2019-20 Budget, authorizes the state to make multiple discretionary pension payments to CalSTRS using available Proposition 2 debt repayment funding that are not reflected in this table.
(b) Amount includes $174 million one-time General Fund discretionary contribution from the state, which equals 0.5 percent of creditable compensation, to offset the rate suspension in 2020-21.

Source: State of California, Department of Finance.

7. Actuarial Methods and Assumptions

CalSTRS retains an independent actuary (the "CalSTRS Consulting Actuary") that prepares annual actuarial valuation reports of the DB Program. The CalSTRS Consulting Actuary also prepares reports reviewing the DB Program's actual experience generally every four years. The CalSTRS Board uses experience reports to evaluate how realistic the long-term assumptions have been and may be in the future. In January 2020, the CalSTRS Consulting Actuary prepared the most recent experience report and recommended the changes in actuarial assumptions described below. The CalSTRS Board adopted these recommended changes at its January 2020 meeting, and they are reflected in the most recent valuation report for the DB Program (the "2021 CalSTRS Valuation") that was adopted on May 4, 2022. The 2021 CalSTRS Valuation provides an annual update of the fund's assets and liabilities for the Defined Benefit Program as of June 30, 2021.

In preparing the 2021 CalSTRS Valuation, the CalSTRS Consulting Actuary used the Entry Age Actuarial Cost Method to measure the accruing costs of benefits under the DB Program. GASB Statements 67 and 68 require all state and local governments with pension liabilities to use the Entry Age Actuarial Cost Method beginning in fiscal year 2014-15 if they are not already doing so. Under the Entry Age Actuarial Cost Method, the actuarial present value of projected benefits of each individual is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. The portion of the actuarial present value allocated to the valuation year is called the normal cost and represents the cost assigned to a member for a given year, such that it would meet the continuing costs of a particular benefit if contributed each year starting with the date of membership. The CalSTRS Consulting Actuary notes that the Entry Age Actuarial Cost Method is designed to produce a normal cost rate that remains a level percentage of earned salaries and that the normal cost rate is expected to remain fairly stable so long as the benefit provisions are not amended, the assumptions are not changed, membership experience emerges as assumed, and the demographic characteristics of the membership remain reasonably consistent. Some of the key demographic information taken into account includes assumptions about membership, service retirements, disability retirements, deaths, and merit salary increases, and some of the economic items include assumptions about investment performance, inflation, and wage growth.

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

TABLE 38
Actuarial Methods and Assumptions—DB Program

	Fiscal Year			
Methods	**2018-19**	**2019-20**	**2020-21**	**2021-22**
Actuarial Cost Method	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Amortization Method	Level Percent of payroll	Level Percent of payroll	Level Percent of payroll	Level Percent of payroll
Amortization Period	Closed	Closed	Closed	Closed
Remaining Amortization Period	30 years	30 years	30 years	30 years
Asset Valuation Method	Adjustment to market value	Adjustment to market value	Adjustment to market value	Adjustment to market value
Actuarial Assumptions				
Investment Rate of Return	7.00%	7.00%	7.00%	7.00%
Interest on Accounts	3.00	3.00	3.00	3.00
Wage Growth	3.50	3.50	3.50	3.50
Consumer Price Inflation	2.75	2.75	2.75	2.75
Post-retirement Benefit Increases	2.00 (simple)	2.00 (simple)	2.00 (simple)	2.00 (simple)

Source: CalSTRS Annual Comprehensive Financial Reports for Fiscal Years ended June 30, 2019 through June 30, 2022.

The table above refers to the actuarial methods and assumptions used in the CalSTRS Annual Comprehensive Financial Reports, including the assumed investment rate of return. At its February 1, 2017 meeting, the CalSTRS Board voted to lower the assumed investment rate of return in two steps in order to mitigate the impact on members. The CalSTRS Board voted to lower the assumed investment rate of return from 7.50 percent to 7.25 percent effective for fiscal year 2017-18 and to 7.00 percent effective for fiscal year 2018-19. The actuarial valuation is forward-looking, and uses assumptions to set future contribution rates. For example, the 2019 CalSTRS Valuation uses the investment rate of return assumed for fiscal year 2020-21 (7.00 percent) to determine the state contribution rate for that same fiscal year.

At its January 31, 2020 meeting, the CalSTRS Board approved several changes to demographic assumptions, with the most significant changes being the termination and service retirement assumption. The demographic assumption changes were based on the July 1, 2015 through June 30, 2018 experience study also adopted by the CalSTRS Board in January 2020. These changes generally create additional funding pressures on the DB Plan.

8. Actuarial Valuation

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

Actual market returns are taken into account but to reduce rate volatility, actual market gains and losses are spread or "smoothed" over a three-year period. That is, one third of the difference between the expected actuarial value of assets and the fair market value of assets is taken into account to determine the actuarial value of assets. Based on the 2021 CalSTRS Valuation, due to the asset smoothing method, approximately two-thirds of the approximately $44.4 billion investment gain has not been recognized (resulting in a difference of $29.6 billion between the AVA and MVA in the table below). GASB Statements 67 and 68, beginning in fiscal year 2013-14 for pension plans and fiscal year 2014-15 for employers, required state and local governments with pension liabilities to recognize the differences between expected and actual investment returns over a closed 5-year period instead of the 3-year period currently used by CalSTRS. CalSTRS continues to use 3-year period for valuation purposes and the 5-year period for financial reporting purposes.

9. Funding Status

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

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

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

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

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

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

10. Prospective Funding Status; Future Contributions

The 2023-24 Governor's Budget includes $3.9 billion from the General Fund for fiscal year 2023-24 state contributions to CalSTRS.

Under the current CalSTRS actuarial assumptions and the AB 1469 funding plan, with the supplemental pension payments, the state contribution rate is expected to remain the same through fiscal year 2027-28, and beginning in fiscal year 2028-29 the state will have fully funded its share of unfunded actuarial obligation and subsequently the state supplemental contribution rate will be eliminated.

11. Investment Policy; Investment Returns

Pursuant to the state Constitution, the CalSTRS Board has sole and exclusive fiduciary responsibility over all CalSTRS' assets (including the DB Program assets). CalSTRS' assets (including the DB Program assets) are managed both externally by professional investment management firms and internally by CalSTRS investment staff. The CalSTRS Board monitors the performance of the managers with the assistance of an external investment consultant.

CalSTRS has established a series of procedures and guidelines with respect to investments. The procedures, grouped together as the "Investment Policy and Management Plan," serve to guide CalSTRS asset allocation strategy for all CalSTRS' programs, including the DB Program. The CalSTRS Board reviews the Investment Policy and Management Plan annually. CalSTRS follows strategic allocation guidelines that identify targets for the percentage of funds to be invested in each asset class. These targets are typically implemented over a period of several years. The CalSTRS Board approved updated asset allocation targets at its November 6, 2019 meeting. Additional information concerning CalSTRS investments can be found on the CalSTRS website. Such information is not incorporated by reference herein.

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

TABLE 40
CalSTRS Investment Results Based On Market Value

Fiscal Year	Time-Weighted Annual Return
2012-13	13.6%
2013-14	18.3
2014-15	4.5
2015-16	1.4
2016-17	13.4
2017-18	9.0
2018-19	6.8
2019-20	3.9
2020-21	27.2
2021-22	-1.3

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

TABLE 41
CalSTRS Time-Weighted Net Returns as of June 30, 2022

Period	Time-Weighted Rate of Return
3 years	9.3%
5 years	8.7
10 years	9.4
20 years	7.8

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

June 2021

STATEMENT of GENERAL FUND CASH RECEIPTS and DISBURSEMENTS

BETTY T. YEE
California State Controller

BETTY T. YEE

California State Controller

July 9, 2021

Enclosed is the Statement of General Fund Cash Receipts and Disbursements for the period of July 1, 2020, through June 30, 2021. This statement reflects the state's General Fund cash position and compares actual receipts and disbursements for the 2020-21 fiscal year to cash flow estimates prepared by the Department of Finance (DOF).

The statement is provided in compliance with Provision 5 of Budget Act item 0840-001-0001, using records compiled by the State Controller's Office. Prior-year actual amounts also are displayed for comparative purposes. Attachment A compares actual receipts and disbursements for the 2020-21 fiscal year to cash flow estimates published in the 2021-22 May Revision. These cash flow estimates are predicated on projections and assumptions made by the DOF in preparation of the 2021-22 May Revision. Attachment B compares actual receipts and disbursements for the 2020-21 fiscal year to cash flow estimates prepared by the DOF based upon the 2020-21 Budget Act.

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

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

Sincerely,

Original signed by

BETTY T. YEE

STATEMENT OF GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS

A Comparison of Actual to 2021-22 May Revision Estimates
(Amounts in thousands)

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

General Note:

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

Footnotes:

(a) A Statement of Estimated Cash Flow for the 2020-21 fiscal year was prepared by the Department of Finance for the 2021-22 May Revision. Any projections or estimates are set forth as such and not as representation of facts. (Footnote pertains to all pages in this report)

(b) Outstanding loan balance of $0.00 billion is comprised of $0.00 billion of internal borrowing. Current balance is comprised of $20.05 billion carried forward from June 30, 2020, plus current year Net Increase/(Decrease) in Temporary Loans of ($20.05) billion. (Footnote ties to page A1; Outstanding Loans to General Fund)

(c) If shown, negative amounts are the result of repayments received that are greater than disbursements made. (Footnote ties to pages A1 and A3; Disbursements)

(d) Debt Service amounts are net of offsets such as federal subsidies and reimbursements from other sources. To the extent that these offsets do not occur when anticipated, there can be variances between actuals and estimates on a month-to-month basis. (Footnote ties to page A3; Debt Service)

(e) Cash Balance from Borrowable Resources has been reduced by Pooled Money Investment Account (PMIA) loans pursuant to Assembly Bill (AB) 55 (Chapter 6/1987, Government Code (GC) sections 16312 and 16313) and Surplus Money Investment Fund (SMIF) loans pursuant to Senate Bill (SB) 84 (Chapter 50/2017, GC section 20825) and AB 1054 (Chapter 79/2019, Public Utilities Codes (PUC) section 3285). (Footnote ties to page A1; Total Available Borrowable Resources)

(Continued on A2)

SCHEDULE OF CASH RECEIPTS
(Amounts in thousands)

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

(Continued from A1)

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

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

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

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

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

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

(Concluded)

SCHEDULE OF CASH DISBURSEMENTS
(Amounts in thousands)

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

See notes on page A1 and A2.

(Continued)

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

	Month of June		July 1 through June 30 2021				2020
	2021	2020	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
CAPITAL OUTLAY (c)	**5,637**	**30,413**	**(13,777)**	**202,691**	**(216,468)**	**(106.8)**	**231,354**
NONGOVERNMENTAL (c)							
Transfer to Special Fund for Economic Uncertainties	263,952	227,298	8,157,389	7,893,437	263,952	3.3	227,298
Transfer to Budget Stabilization Account	-	-	-	-	-	-	2,748,000
Transfer to Other Funds	70,462	851	2,349,991	2,142,053	207,938	9.7	5,238,691
Transfer to Revolving Fund	(1,770)	(6,869)	5,482	7,252	(1,770)	(24.4)	11,517
Advance:							
MediCal Provider Interim Payment	-	-	-	-	-	-	-
State-County Property Tax Administration Program	15,895	(13,472)	45,249	133,412	(88,163)	(66.1)	5,404
Social Welfare Federal Fund	-	(17,206)	17,217	17,904	(687)	(3.8)	11,894
Local Governmental Entities	-	-	(2,033)	(2,033)	-	-	(1,043)
Tax Relief and Refund Account	-	-	-	-	-	-	-
Counties for Social Welfare	330,359	302,866	27,493	71,674	(44,181)	(61.6)	26,390
Total Nongovernmental	**678,898**	**493,468**	**10,600,788**	**10,263,699**	**337,089**	3.3	**8,268,151**
Total Disbursements	**$ 12,934,246**	**$ 5,899,262**	**$ 155,237,350**	**$ 164,972,583**	**$ (9,735,233)**	**(5.9)**	**$ 152,893,593**
TEMPORARY LOANS							
Special Fund for Economic Uncertainties	$ -	$ 252	$ (252)	$ (253)	$ 1	(0.4)	$ 252
Budget Stabilization Account	-	874,138	(16,516,422)	(16,516,421)	(1)	0.0	16,516,422
Outstanding Registered Warrants Account	-	-	-	-	-	-	-
Other Internal Sources	-	3,532,016	(3,532,016)	(3,532,016)	-	-	3,532,016
Revenue Anticipation Notes	-	-	-	-	-	-	-
Net Increase / (Decrease) Loans	**$ -**	**$ 4,406,406**	**$ (20,048,690)**	**$ (20,048,690)**	**$ -**	**-**	**$ 20,048,690**

See notes on page A1 and A2.

COMPARATIVE STATEMENT OF REVENUES RECEIVED

All Governmental Cost Funds
(Amounts in thousands)

	July 1 through June 30			
	General Fund		Special Funds	
	2021	2020	2021	2020
MAJOR TAXES, LICENSES, AND INVESTMENT INCOME:				
Alcoholic Beverage Excise Taxes	$ 411,969	$ 407,884	$ -	$ -
Corporation Tax	26,097,277	9,817,957	-	-
Cigarette Tax	59,071	64,145	1,910,724	2,058,528
Cannabis Excise Taxes	-	-	767,562	375,281
Estate, Inheritance, and Gift Tax	77	283	-	(1)
Insurance Companies Tax	3,127,725	3,131,835	(292)	7,613
Motor Vehicle Fuel Tax:				
Gasoline Tax	-	-	6,546,185	6,545,303
Diesel & Liquid Petroleum Gas	-	-	1,267,892	1,239,420
Jet Fuel Tax	-	-	2,997	3,196
Vehicle License Fees	2	3	3,121,269	2,964,362
Personal Income Tax	143,754,577	82,918,934	2,570,002	1,493,309
Retail Sales and Use Taxes	28,647,775	26,423,288	16,501,375	15,843,950
Pooled Money Investment Interest	164,134	598,779	623	(895)
Total Major Taxes, Licenses, and Investment Income	**202,262,607**	**123,363,108**	**32,688,337**	**30,530,066**
NOT OTHERWISE CLASSIFIED:				
Alcoholic Beverage License Fees	1,258	2,140	71,793	76,509
Motor Vehicle Registration and Other Fees	(2)	-	7,559,982	7,020,325
Cannabis Licensing Fees	-	-	93,681	83,826
Electrical Energy Tax	-	-	652,621	702,579
Private Rail Car Tax	10,339	10,569	-	-
Penalties on Traffic Violations	-	-	11	157
Health Care Receipts	7,732	8,457	-	-
Revenues from State Lands	85,756	114,070	-	-
Abandoned Property	1,175,469	284,631	-	-
Trial Court Revenues	22,687	31,237	1,358,175	1,470,350
Horse Racing Fees	668	1,427	18,306	13,853
Cap and Trade	647	-	2,623,651	2,105,810
Miscellaneous Tax Revenue	-	-	2,769,935	640,547
Miscellaneous	1,883,442	1,451,198	15,738,334	14,000,754
Not Otherwise Classified	**3,187,996**	**1,903,729**	**30,886,489**	**26,114,710**
Total Revenues, All Governmental Cost Funds	**$ 205,450,603**	**$ 125,266,837**	**$ 63,574,826**	**$ 56,644,776**

STATEMENT OF GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS

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

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

General Note:

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

Footnotes:

(a) A Statement of Estimated Cash Flow for the 2020-21 fiscal year was prepared by the Department of Finance for the 2020-21 Budget Act. Any projections or estimates are set forth as such and not as representation of facts. (Footnote pertains to all pages in this report)

(b) Outstanding loan balance of $0.00 billion is comprised of $0.00 billion of internal borrowing. Current balance is comprised of $20.05 billion carried forward from June 30, 2020, plus current year Net Increase/(Decrease) in Temporary Loans of ($20.05) billion. (Footnote ties to page B1; Outstanding Loans to General Fund)

(c) If shown, negative amounts are the result of repayments received that are greater than disbursements made. (Footnote ties to pages B1 and B3; Disbursements)

(d) Debt Service amounts are net of offsets such as federal subsidies and reimbursements from other sources. To the extent that these offsets do not occur when anticipated, there can be variances between actuals and estimates on a month-to-month basis. (Footnote ties to page B3; Debt Service)

(e) Cash Balance from Borrowable Resources has been reduced by Pooled Money Investment Account (PMIA) loans pursuant to Assembly Bill (AB) 55 (Chapter 6/1987, Government Code (GC) sections 16312 and 16313) and Surplus Money Investment Fund (SMIF) loans pursuant to Senate Bill (SB) 84 (Chapter 50/2017, GC section 20825) and AB 1054 (Chapter 79/2019, Public Utilities Codes (PUC) section 3285). (Footnote ties to page B1; Total Available Borrowable Resources)

(Continued on B2)

SCHEDULE OF CASH RECEIPTS

(Amounts in thousands)

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

(Continued from B1)

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

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

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

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

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

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

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

(Concluded)

SCHEDULE OF CASH DISBURSEMENTS
(Amounts in thousands)

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

See notes on page B1 and B2.

(Continued)

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

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

See notes on page B1 and B2.

June 2022

STATEMENT of GENERAL FUND CASH RECEIPTS and DISBURSEMENTS

BETTY T. YEE

California State Controller

BETTY T. YEE
California State Controller

July 11, 2022

Enclosed is the Statement of General Fund Cash Receipts and Disbursements for the period of July 1, 2021, through June 30, 2022. This statement reflects the state's General Fund cash position and compares actual receipts and disbursements for the 2021-22 fiscal year to cash flow estimates prepared by the Department of Finance (DOF).

The statement is prepared in compliance with Provision 5 of Budget Act item 0840-001-0001, using records compiled by the State Controller's Office. Prior-year actual amounts also are displayed for comparative purposes. Attachment A compares actual receipts and disbursements for the 2021-22 fiscal year to cash flow estimates published in the 2022-23 May Revision. These cash flow estimates are predicated on projections and assumptions made by DOF in preparation of the 2022-23 May Revision. Attachment B compares actual receipts and disbursements for the 2021-22 fiscal year to cash flow estimates prepared by DOF based upon the 2021-22 Budget Act.

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

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

Sincerely,

Original signed by

BETTY T. YEE

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

	July 1 through June 30				
	2022				2021
	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
GENERAL FUND BEGINNING CASH BALANCE	**$ 50,914,128**	**$ 50,914,128**	**$ -**	**-**	**$ -**
Or Beginning Outstanding Loan Balance	-	-	-	-	**20,048,690**
Add Receipts:					
Revenues	230,387,940	232,582,532	(2,194,592)	(0.9)	205,450,603
Nonrevenues	15,432,519	14,857,697	574,822	3.9	20,749,565
Total Receipts	245,820,459	247,440,229	(1,619,770)	(0.7)	226,200,168
Less Disbursements (c):					
State Operations	56,142,996	59,885,673	(3,742,677)	(6.2)	39,729,678
Local Assistance	138,089,030	143,584,743	(5,495,713)	(3.8)	104,920,661
Capital Outlay	693,792	1,245,713	(551,921)	(44.3)	(13,777)
Nongovernmental	17,231,493	16,844,752	386,741	2.3	10,600,788
Total Disbursements	212,157,311	221,560,881	(9,403,570)	(4.2)	155,237,350
Receipts Over / (Under) Disbursements	33,663,148	25,879,348	7,783,800	30.1	70,962,818
Net Increase / (Decrease) in Temporary Loans	-	-	-	-	(20,048,690)
GENERAL FUND ENDING CASH BALANCE	84,577,276	76,793,476	7,783,800		50,914,128
Special Fund for Economic Uncertainties	3,978,641	3,978,641	-	-	-
TOTAL CASH	**$ 88,555,917**	**$ 80,772,117**	**$ 7,783,800**		**$ 50,914,128**
BORROWABLE RESOURCES					
Special Fund for Economic Uncertainties	$ 3,978,641	$ 3,978,641	$ -	-	$ -
Budget Stabilization Account	15,781,422	15,781,422	-	-	8,310,422
Other Internal Sources (f)	57,351,982	58,003,937	(651,955)	(1.1)	46,856,893
Cash Balance from Borrowable Resources	77,112,045	77,764,000	(651,955)	(0.8)	55,167,315
Less:					
PMIA Loans (AB 55, GC 16312 and 16313)	828,153	800,000	28,153	3.5	725,276
SMIF Loans (SB 84, GC 20825)	3,214,305	3,768,000	(553,695)	(14.7)	3,768,327
SMIF Loans (AB 1054, PUC 3285)	670,000	670,000	-	-	1,510,000
Total Available Borrowable Resources (e)	72,399,587	72,526,000	(126,413)	(0.2)	49,163,712
Outstanding Loans to General Fund (b)	-	-	-	-	-
Outstanding Loans to the SFEU Fund	-	-	-	-	-
UNUSED BORROWABLE RESOURCES	$ 72,399,587	$ 72,526,000	$ (126,413)	(0.2)	$ 49,163,712

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

Footnotes:

(a) A Statement of Estimated Cash Flow for the 2021-22 fiscal year was prepared by the Department of Finance for the 2022-23 May Revision. Any projections or estimates are set forth as such and not as representation of facts. (Footnote pertains to all pages in this report)

(b) Outstanding loan balance of $0.00 billion is comprised of $0.00 billion of internal borrowing. Current balance is comprised of $0.00 billion carried forward from June 30, 2021, plus current year Net Increase/(Decrease) in Temporary Loans of $0.00 billion. (Footnote ties to page A1; Outstanding Loans to General Fund)

(c) If shown, negative amounts are the result of repayments received that are greater than disbursements made. (Footnote ties to pages A1 and A3; Disbursements)

(d) Debt Service amounts are net of offsets such as federal subsidies and reimbursements from other sources. To the extent that these offsets do not occur when anticipated, there can be variances between actuals and estimates on a month-to-month basis. (Footnote ties to page A3; Debt Service)

(Continued on A2)

SCHEDULE OF CASH RECEIPTS
(Amounts in thousands)

	Month of June		July 1 through June 30					
			2022					2021
	2022	2021	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%		Actual
REVENUES								
Alcoholic Beverage Excise Tax	$ 35,339	$ 34,988	$ 432,629	$ 430,070	$ 2,559	0.6		$ 411,969
Corporation Tax	10,620,546	5,616,527	46,005,502	45,611,861	393,641	0.9		26,097,277
Cigarette Tax	4,584	4,608	55,297	54,388	909	1.7		59,071
Estate, Inheritance, and Gift Tax	-	2	64	63	1	1.6		77
Insurance Companies Tax	440,069	543,325	3,482,729	3,467,638	15,091	0.4		3,127,725
Personal Income Tax	13,488,546	16,742,467	143,618,719	148,010,824	(4,392,105)	(3.0)		143,754,577
Retail Sales and Use Taxes	3,189,880	3,029,926	32,805,438	32,452,996	352,442	1.1		28,647,775
Vehicle License Fees	-	-	1	-	1	-		2
Pooled Money Investment Interest	28,302	15,418	173,212	181,148	(7,936)	(4.4)		164,134
Not Otherwise Classified	1,944,302	1,748,514	3,814,349	2,373,544	1,440,805	60.7		3,187,996
Total Revenues	**29,751,568**	**27,735,775**	**230,387,940**	**232,582,532**	**(2,194,592)**	**(0.9)**		**205,450,603**
NONREVENUES								
Transfers from Special Fund for Economic Uncertainties	5,020	1,174,240	765,067	760,047	5,020	0.7		6,836,704
Transfers from Other Funds	570,559	191,110	14,128,190	13,680,390	447,800	3.3		13,283,878
Miscellaneous	105,881	29,440	539,262	417,260	122,002	29.2		628,983
Total Nonrevenues	**681,460**	**1,394,790**	**15,432,519**	**14,857,697**	**574,822**	**3.9**		**20,749,565**
Total Receipts	**$ 30,433,028**	**$ 29,130,565**	**$ 245,820,459**	**$ 247,440,229**	**$ (1,619,770)**	**(0.7)**		**$ 226,200,168**

(Continued from A1)

(e) Cash Balance from Borrowable Resources has been reduced by Pooled Money Investment Account (PMIA) loans pursuant to Assembly Bill (AB) 55 (Chapter 6/1987, Government Code (GC) sections 16312 and 16313) and Surplus Money Investment Fund (SMIF) loans pursuant to Senate Bill (SB) 84 (Chapter 50/2017, GC section 20825) and AB 1054 (Chapter 79/2019, Public Utilities Codes (PUC) section 3285). (Footnote ties to page A1; Total Available Borrowable Resources)

(f) Other Internal Sources balance includes $900.0 million for the Safety Net Reserve Fund pursuant to AB 1830 (Chapter 42/2018, Welfare and Institutions Code (WIC) section 11011) and $4.51 billion for the Public School System Stabilization Account pursuant to Section 21 of Article XVI of the California Constitution. (Footnote ties to page A1; Other Internal Sources)

(Concluded)

SCHEDULE OF CASH DISBURSEMENTS
(Amounts in thousands)

	Month of June		July 1 through June 30				
			2022				2021
	2022	2021	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
STATE OPERATIONS (c)							
Legislative/Judicial/Executive	$ 324,154	$ 235,725	$ 4,294,516	$ 4,553,924	$ (259,408)	(5.7)	$ 3,184,817
Business, Consumer Services and Housing	9,121	10,123	73,246	252,247	(179,001)	(71.0)	104,305
Transportation	24,082	3,129	138,408	466,075	(327,667)	(70.3)	64,118
Resources	189,940	141,811	3,090,767	3,230,351	(139,584)	(4.3)	2,674,070
Environmental Protection Agency	66,007	150,497	949,685	1,017,518	(67,833)	(6.7)	595,164
Health and Human Services:							
Health Care Services and Public Health	18,100	23,494	2,152,184	2,507,125	(354,941)	(14.2)	2,187,250
Department of State Hospitals	229,541	169,056	2,082,976	2,057,313	25,663	1.2	1,870,923
Other Health and Human Services	43,490	54,477	756,825	997,864	(241,039)	(24.2)	716,362
Education:							
University of California	16,337	38,509	4,496,693	4,513,006	(16,313)	(0.4)	3,482,408
State Universities and Colleges	536	7,838	5,212,131	5,245,396	(33,265)	(0.6)	3,704,277
Other Education	26,716	16,583	757,313	810,910	(53,597)	(6.6)	277,154
Dept. of Corrections and Rehabilitation	1,100,568	948,279	12,927,866	13,065,517	(137,651)	(1.1)	12,187,201
Governmental Operations	104,990	106,689	11,501,973	11,759,019	(257,046)	(2.2)	1,589,805
General Government	303,115	223,297	2,626,832	3,336,549	(709,717)	(21.3)	2,381,459
Public Employees' Retirement System	(259,452)	(242,306)	558,941	770,237	(211,296)	(27.4)	190,878
Debt Service (d)	(472,157)	(117,331)	4,518,131	5,298,113	(779,982)	(14.7)	4,506,749
Interest on Loans	-	76	4,509	4,509	-	-	12,738
Total State Operations	**1,725,088**	**1,769,946**	**56,142,996**	**59,885,673**	**(3,742,677)**	**(6.2)**	**39,729,678**
LOCAL ASSISTANCE (c)							
Public Schools - K-12	9,029,420	6,234,017	68,053,698	73,094,644	(5,040,946)	(6.9)	48,604,728
Community Colleges	1,132,069	839,898	8,220,567	8,728,802	(508,235)	(5.8)	5,809,472
Debt Service-School Building Bonds	-	-	-	-	-	-	-
State Teachers' Retirement System	-	-	3,862,582	3,862,582	-	-	3,724,219
Other Education	523,126	29,348	3,612,125	3,334,073	278,052	8.3	4,228,524
School Facilities Aid	-	-	-	-	-	-	-
Dept. of Corrections and Rehabilitation	30,567	8,645	561,671	605,114	(43,443)	(7.2)	464,078
Dept. of Alcohol and Drug Program	-	-	-	-	-	-	-
Health Care Services and Public Health:							
Medical Assistance Program	2,414,231	2,122,097	24,216,961	25,038,814	(821,853)	(3.3)	20,571,090
Other Health Care Services/Public Health	102,980	64,506	1,053,952	903,539	150,413	16.6	446,241
Developmental Services - Regional Centers	48,200	180,826	5,482,690	5,555,422	(72,732)	(1.3)	4,690,879
Department of State Hospitals	-	-	-	-	-	-	-
Dept. of Social Services:							
SSI/SSP/IHSS	1,261,120	772,526	8,233,419	8,019,229	214,190	2.7	7,705,311
CalWORKs	43,394	(63,568)	1,962,391	2,133,699	(171,308)	(8.0)	1,024,013
Other Social Services	232,490	166,233	1,852,798	1,690,820	161,978	9.6	1,391,061
Tax Relief	-	-	393,372	393,372	-	-	397,083
Other Local Assistance	278,168	125,237	10,582,804	10,224,633	358,171	3.5	5,863,962
Total Local Assistance	**15,095,765**	**10,479,765**	**138,089,030**	**143,584,743**	**(5,495,713)**	**(3.8)**	**104,920,661**

See notes on page A1 and A2.

(Continued)

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

	Month of June		July 1 through June 30				
			2022				2021
	2022	2021	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
CAPITAL OUTLAY (c)	**12,975**	**5,637**	**693,792**	**1,245,713**	**(551,921)**	**(44.3)**	**(13,777)**
NONGOVERNMENTAL (c)							
Transfer to Special Fund for Economic Uncertainties	5,020	263,952	4,788,781	4,783,761	5,020	0.1	8,157,389
Transfer to Budget Stabilization Account	-	-	7,471,000	7,471,000	-	-	-
Transfer to Other Funds	414,695	70,462	4,930,658	4,536,963	393,695	8.7	2,349,991
Transfer to Revolving Fund	(1,745)	(1,770)	28,574	32,337	(3,763)	(11.6)	5,482
Advance:							
MediCal Provider Interim Payment	-	-	-	-	-	-	-
State-County Property Tax Administration Program	-	15,895	(38,973)	(8,467)	(30,506)	360.3	45,249
Social Welfare Federal Fund	83,070	-	83,028	(42)	83,070	(197,785.7)	17,217
Local Governmental Entities	-	-	-	-	-	-	(2,033)
Tax Relief and Refund Account	-	-	-	-	-	-	-
Counties for Social Welfare	298,784	330,359	(31,575)	29,200	(60,775)	(208.1)	27,493
Total Nongovernmental	**799,824**	**678,898**	**17,231,493**	**16,844,752**	**386,741**	2.3	**10,600,788**
Total Disbursements	**$ 17,633,652**	**$ 12,934,246**	**$ 212,157,311**	**$ 221,560,881**	**$ (9,403,570)**	**(4.2)**	**$ 155,237,350**
TEMPORARY LOANS							
Special Fund for Economic Uncertainties	$ -	$ -	$ -	$ -	$ -	-	$ (252)
Budget Stabilization Account	-	-	-	-	-	-	(16,516,422)
Outstanding Registered Warrants Account	-	-	-	-	-	-	-
Other Internal Sources	-	-	-	-	-	-	(3,532,016)
Revenue Anticipation Notes	-	-	-	-	-	-	-
Net Increase / (Decrease) Loans	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**-**	**$ (20,048,690)**

See notes on page A1 and A2.

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

	July 1 through June 30			
	General Fund		Special Funds	
	2022	2021	2022	2021
MAJOR TAXES, LICENSES, AND INVESTMENT INCOME:				
Alcoholic Beverage Excise Taxes	$ 432,629	$ 411,969	$ -	$ -
Corporation Tax	46,005,502	26,097,277	-	-
Cigarette Tax	55,297	59,071	1,798,238	1,910,724
Cannabis Excise Taxes	-	-	878,560	767,562
Estate, Inheritance, and Gift Tax	64	77	-	-
Insurance Companies Tax	3,482,729	3,127,725	(1,570)	(292)
Motor Vehicle Fuel Tax:				
Gasoline Tax	-	-	7,123,553	6,546,185
Diesel & Liquid Petroleum Gas	-	-	1,324,711	1,267,892
Jet Fuel Tax	-	-	4,129	2,997
Vehicle License Fees	1	2	3,180,074	3,121,269
Personal Income Tax	143,618,719	143,754,577	2,571,295	2,570,002
Retail Sales and Use Taxes	32,805,438	28,647,775	19,422,597	16,501,375
Pooled Money Investment Interest	173,212	164,134	240	623
Total Major Taxes, Licenses, and Investment Income	**226,573,591**	**202,262,607**	**36,301,827**	**32,688,337**
NOT OTHERWISE CLASSIFIED:				
Alcoholic Beverage License Fees	1,656	1,258	62,330	71,793
Motor Vehicle Registration and Other Fees	-	(2)	7,588,888	7,559,982
Cannabis Licensing Fees	-	-	100,594	93,681
Electrical Energy Tax	-	-	741,713	652,621
Private Rail Car Tax	9,326	10,339	-	-
Penalties on Traffic Violations	-	-	4	11
Health Care Receipts	(9,230)	7,732	-	-
Revenues from State Lands	170,813	85,756	-	-
Abandoned Property	612,045	1,175,469	-	-
Trial Court Revenues	25,629	22,687	1,405,285	1,358,175
Horse Racing Fees	-	668	18,244	18,306
Cap and Trade	-	647	4,500,750	2,623,651
Individual Shared Responsibility Penalty Assessments	242,569		-	
Miscellaneous Tax Revenue	-	-	2,517,502	2,769,935
Miscellaneous	2,761,541	1,883,442	13,965,972	15,738,334
Not Otherwise Classified	**3,814,349**	**3,187,996**	**30,901,282**	**30,886,489**
Total Revenues, All Governmental Cost Funds	**$ 230,387,940**	**$ 205,450,603**	**$ 67,203,109**	**$ 63,574,826**

STATEMENT OF GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS

A Comparison of Actual to 2021-22 Budget Act
(Amounts in thousands)

	July 1 through June 30					
	2022					2021
	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount		%	Actual
GENERAL FUND BEGINNING CASH BALANCE	**$ 50,914,128**	**$ 50,914,128**	**$ -**		**-**	**$ -**
Or Beginning Outstanding Loan Balance	-	-	-		-	**20,048,690**
Add Receipts:						
Revenues	230,387,940	178,312,726	52,075,214		29.2	205,450,603
Nonrevenues	15,432,519	9,702,905	5,729,614	(h)	59.1	20,749,565
Total Receipts	245,820,459	188,015,631	57,804,828		30.7	226,200,168
Less Disbursements (c):						
State Operations	56,142,996	65,444,846	(9,301,850)	(g)	(14.2)	39,729,678
Local Assistance	138,089,030	154,303,635	(16,214,605)		(10.5)	104,920,661
Capital Outlay	693,792	629,304	64,488		10.2	(13,777)
Nongovernmental	17,231,493	13,913,413	3,318,080		23.8	10,600,788
Total Disbursements	212,157,311	234,291,198	(22,133,887)		(9.4)	155,237,350
Receipts Over / (Under) Disbursements	33,663,148	(46,275,567)	79,938,715		(172.7)	70,962,818
Net Increase / (Decrease) in Temporary Loans	-	-	-		-	(20,048,690)
GENERAL FUND ENDING CASH BALANCE	84,577,276	4,638,561	79,938,715			50,914,128
Special Fund for Economic Uncertainties	3,978,641	3,978,641	-		-	-
TOTAL CASH	**$ 88,555,917**	**$ 8,617,202**	**$ 79,938,715**			**$ 50,914,128**
BORROWABLE RESOURCES						
Special Fund for Economic Uncertainties	$ 3,978,641	$ 3,978,641	$ -		-	$ -
Budget Stabilization Account	15,781,422	15,781,422	-		-	8,310,422
Other Internal Sources (f)	57,351,982	45,992,950	11,359,032		24.7	46,856,893
Cash Balance from Borrowable Resources	77,112,045	65,753,013	11,359,032		17.3	55,167,315
Less:						
PMIA Loans (AB 55, GC 16312 and 16313)	828,153	800,000	28,153		3.5	725,276
SMIF Loans (SB 84, GC 20825)	3,214,305	3,268,000	(53,695)		(1.6)	3,768,327
SMIF Loans (AB 1054, PUC 3285)	670,000	670,000	-		-	1,510,000
Total Available Borrowable Resources (e)	72,399,587	61,015,013	11,384,574		18.7	49,163,712
Outstanding Loans to General Fund (b)	-	-	-		-	-
Outstanding Loans to the SFEU Fund	-	-	-		-	-
UNUSED BORROWABLE RESOURCES	$ 72,399,587	$ 61,015,013	$ 11,384,574		18.7	$ 49,163,712

General Note:

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

Footnotes:

(a) A Statement of Estimated Cash Flow for the 2021-22 fiscal year was prepared by the Department of Finance for the 2021-22 Budget Act. Any projections or estimates are set forth as such and not as representation of facts. (Footnote pertains to all pages in this report)

(b) Outstanding loan balance of $0.00 billion is comprised of $0.00 billion of internal borrowing. Current balance is comprised of $0.00 billion carried forward from June 30, 2021, plus current year Net Increase/(Decrease) in Temporary Loans of $0.00 billion. (Footnote ties to page B1; Outstanding Loans to General Fund)

(c) If shown, negative amounts are the result of repayments received that are greater than disbursements made. (Footnote ties to pages B1 and B3; Disbursements)

(d) Debt Service amounts are net of offsets such as federal subsidies and reimbursements from other sources. To the extent that these offsets do not occur when anticipated, there can be variances between actuals and estimates on a month-to-month basis. (Footnote ties to page B3; Debt Service)

(Continued on B2)

SCHEDULE OF CASH RECEIPTS

(Amounts in thousands)

	Month of June		July 1 through June 30					
			2022					2021
	2022	2021	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount		%	Actual
REVENUES								
Alcoholic Beverage Excise Tax	$ 35,339	$ 34,988	$ 432,629	$ 389,597	$ 43,032		11.0	$ 411,969
Corporation Tax	10,620,546	5,616,527	46,005,502	18,097,641	27,907,861		154.2	26,097,277
Cigarette Tax	4,584	4,608	55,297	58,042	(2,745)		(4.7)	59,071
Estate, Inheritance, and Gift Tax	-	2	64	-	64		-	77
Insurance Companies Tax	440,069	543,325	3,482,729	3,427,974	54,755		1.6	3,127,725
Personal Income Tax	13,488,546	16,742,467	143,618,719	123,486,059	20,132,660		16.3	143,754,577
Retail Sales and Use Taxes	3,189,880	3,029,926	32,805,438	28,936,150	3,869,288		13.4	28,647,775
Vehicle License Fees	-	-	1	-	1		-	2
Pooled Money Investment Interest	28,302	15,418	173,212	82,284	90,928		110.5	164,134
Not Otherwise Classified	1,944,302	1,748,514	3,814,349	3,834,979	(20,630)		(0.5)	3,187,996
Total Revenues	**29,751,568**	**27,735,775**	**230,387,940**	**178,312,726**	**52,075,214**		**29.2**	**205,450,603**
NONREVENUES								
Transfers from Special Fund for Economic Uncertainties	5,020	1,174,240	765,067	-	765,067		-	6,836,704
Transfers from Other Funds	570,559	191,110	14,128,190	9,468,120	4,660,070	(h)	49.2	13,283,878
Miscellaneous	105,881	29,440	539,262	234,785	304,477		129.7	628,983
Total Nonrevenues	**681,460**	**1,394,790**	**15,432,519**	**9,702,905**	**5,729,614**		**59.1**	**20,749,565**
Total Receipts	**$ 30,433,028**	**$ 29,130,565**	**$ 245,820,459**	**$ 188,015,631**	**$ 57,804,828**		**30.7**	**$ 226,200,168**

(Continued from B1)

(e) Cash Balance from Borrowable Resources has been reduced by Pooled Money Investment Account (PMIA) loans pursuant to Assembly Bill (AB) 55 (Chapter 6/1987, Government Code (GC) sections 16312 and 16313) and Surplus Money Investment Fund (SMIF) loans pursuant to Senate Bill (SB) 84 (Chapter 50/2017, GC section 20825) and AB 1054 (Chapter 79/2019, Public Utilities Codes (PUC) section 3285). (Footnote ties to page B1; Total Available Borrowable Resources)

(f) Other Internal Sources balance includes $900.0 million for the Safety Net Reserve Fund pursuant to AB 1830 (Chapter 42/2018, Welfare and Institutions Code (WIC) section 11011) and $4.51 billion for the Public School System Stabilization Account pursuant to Section 21 of Article XVI of the California Constitution. (Footnote ties to page B1; Other Internal Sources)

(g) Includes $8.10 billion for the Golden State Stimulus II payments, pursuant to SB 139 (Chapter 71/2021), made in August 2021 that were estimated to be paid in November 2021 for $1.50 billion and December 2021 for $600.0 million. (Footnote ties to page B1; State Operations and page B3; Governmental Operations)

(h) The 2021-22 Budget Act estimated $9.20 billion in transfers from the Coronavirus Fiscal Recovery Fund of 2021 to the General Fund in September 2021, which occurred in December 2021. (Footnote ties to page B1; Nonrevenues and page B2; Transfers from Other Funds)

(Concluded)

SCHEDULE OF CASH DISBURSEMENTS
(Amounts in thousands)

	Month of June		July 1 through June 30					
			2022				2021
	2022	2021	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
STATE OPERATIONS (c)							
Legislative/Judicial/Executive	$ 324,154	$ 235,725	$ 4,294,516	$ 2,737,797	$ 1,556,719	56.9	$ 3,184,817
Business, Consumer Services and Housing	9,121	10,123	73,246	140,742	(67,496)	(48.0)	104,305
Transportation	24,082	3,129	138,408	676,429	(538,021)	(79.5)	64,118
Resources	189,940	141,811	3,090,767	3,878,348	(787,581)	(20.3)	2,674,070
Environmental Protection Agency	66,007	150,497	949,685	2,448,996	(1,499,311)	(61.2)	595,164
Health and Human Services:							
Health Care Services and Public Health	18,100	23,494	2,152,184	1,581,142	571,042	36.1	2,187,250
Department of State Hospitals	229,541	169,056	2,082,976	2,455,807	(372,831)	(15.2)	1,870,923
Other Health and Human Services	43,490	54,477	756,825	949,241	(192,416)	(20.3)	716,362
Education:							
University of California	16,337	38,509	4,496,693	4,674,206	(177,513)	(3.8)	3,482,408
State Universities and Colleges	536	7,838	5,212,131	5,193,301	18,830	0.4	3,704,277
Other Education	26,716	16,583	757,313	370,466	386,847	104.4	277,154
Dept. of Corrections and Rehabilitation	1,100,568	948,279	12,927,866	12,822,881	104,985	0.8	12,187,201
Governmental Operations	104,990	106,689	11,501,973	11,646,789	(144,816) (g)	(1.2)	1,589,805
General Government	303,115	223,297	2,626,832	10,285,155	(7,658,323)	(74.5)	2,381,459
Public Employees' Retirement System	(259,452)	(242,306)	558,941	715,961	(157,020)	(21.9)	190,878
Debt Service (d)	(472,157)	(117,331)	4,518,131	4,847,901	(329,770)	(6.8)	4,506,749
Interest on Loans	-	76	4,509	19,684	(15,175)	(77.1)	12,738
Total State Operations	**1,725,088**	**1,769,946**	**56,142,996**	**65,444,846**	**(9,301,850)**	**(14.2)**	**39,729,678**
LOCAL ASSISTANCE (c)							
Public Schools - K-12	9,029,420	6,234,017	68,053,698	70,505,524	(2,451,826)	(3.5)	48,604,728
Community Colleges	1,132,069	839,898	8,220,567	8,665,203	(444,636)	(5.1)	5,809,472
Debt Service-School Building Bonds	-	-	-	-	-	-	-
State Teachers' Retirement System	-	-	3,862,582	4,272,582	(410,000)	(9.6)	3,724,219
Other Education	523,126	29,348	3,612,125	3,489,401	122,724	3.5	4,228,524
School Facilities Aid	-	-	-	-	-	-	-
Dept. of Corrections and Rehabilitation	30,567	8,645	561,671	470,116	91,555	19.5	464,078
Dept. of Alcohol and Drug Program	-	-	-	-	-	-	-
Health Care Services and Public Health:							-
Medical Assistance Program	2,414,231	2,122,097	24,216,961	28,406,786	(4,189,825)	(14.7)	20,571,090
Other Health Care Services/Public Health	102,980	64,506	1,053,952	695,257	358,695	51.6	446,241
Developmental Services - Regional Centers	48,200	180,826	5,482,690	6,092,067	(609,377)	(10.0)	4,690,879
Department of State Hospitals	-	-	-	-	-	-	-
Dept. of Social Services:							
SSI/SSP/IHSS	1,261,120	772,526	8,233,419	8,209,742	23,677	0.3	7,705,311
CalWORKs	43,394	(63,568)	1,962,391	(505,439)	2,467,830	(488.3)	1,024,013
Other Social Services	232,490	166,233	1,852,798	3,009,635	(1,156,837)	(38.4)	1,391,061
Tax Relief	-	-	393,372	415,001	(21,629)	(5.2)	397,083
Other Local Assistance	278,168	125,237	10,582,804	20,577,760	(9,994,956)	(48.6)	5,863,962
Total Local Assistance	**15,095,765**	**10,479,765**	**138,089,030**	**154,303,635**	**(16,214,605)**	**(10.5)**	**104,920,661**

See notes on page B1 and B2.

(Continued)

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

	Month of June		July 1 through June 30				
			2022				2021
	2022	2021	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
CAPITAL OUTLAY (c)	**12,975**	**5,637**	**693,792**	**629,304**	**64,488**	**10.2**	**(13,777)**
NONGOVERNMENTAL (c)							
Transfer to Special Fund for Economic Uncertainties	5,020	263,952	4,788,781	3,978,641	810,140	20.4	8,157,389
Transfer to Budget Stabilization Account	-	-	7,471,000	7,471,000	-	-	-
Transfer to Other Funds	414,695	70,462	4,930,658	2,438,772	2,491,886	102.2	2,349,991
Transfer to Revolving Fund	(1,745)	(1,770)	28,574	-	28,574	-	5,482
Advance:							
MediCal Provider Interim Payment	-	-	-	-	-	-	-
State-County Property Tax Administration Program	-	15,895	(38,973)	-	(38,973)	-	45,249
Social Welfare Federal Fund	83,070	-	83,028	-	83,028	-	17,217
Local Governmental Entities	-	-	-	-	-	-	(2,033)
Tax Relief and Refund Account	-	-	-	-	-	-	-
Counties for Social Welfare	298,784	330,359	(31,575)	25,000	(56,575)	(226.3)	27,493
Total Nongovernmental	**799,824**	**678,898**	**17,231,493**	**13,913,413**	**3,318,080**	23.8	**10,600,788**
Total Disbursements	**$ 17,633,652**	**$ 12,934,246**	**$ 212,157,311**	**$ 234,291,198**	**$ (22,133,887)**	**(9.4)**	**$ 155,237,350**
TEMPORARY LOANS							
Special Fund for Economic Uncertainties	$ -	$ -	$ -	$ -	$ -	-	$ (252)
Budget Stabilization Account	-	-	-	-	-	-	(16,516,422)
Outstanding Registered Warrants Account	-	-	-	-	-	-	-
Other Internal Sources	-	-	-	-	-	-	(3,532,016)
Revenue Anticipation Notes	-	-	-	-	-	-	-
Net Increase / (Decrease) Loans	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**-**	**$ (20,048,690)**

See notes on page B1 and B2.

February 2023

STATEMENT of GENERAL FUND CASH RECEIPTS and DISBURSEMENTS

MALIA M. COHEN
California State Controller

MALIA M. COHEN

CALIFORNIA STATE CONTROLLER

March 10, 2023

Enclosed is the Statement of General Fund Cash Receipts and Disbursements for the period of July 1, 2022, through February 28, 2023. This statement reflects the state's General Fund cash position and compares actual receipts and disbursements for the 2022-23 fiscal year to cash flow estimates prepared by the Department of Finance (DOF).

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

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

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

Sincerely,

Original signed by

KC MOHSENI

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

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

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

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

Footnotes:

(a) A Statement of Estimated Cash Flow for the 2022-23 fiscal year was prepared by the Department of Finance for the 2023-24 Governor's Budget. Any projections or estimates are set forth as such and not as representation of facts. (Footnote pertains to all pages in this report)

(b) Outstanding loan balance of $0.00 billion is comprised of $0.00 billion of internal borrowing. Current balance is comprised of $0.00 billion carried forward from June 30, 2022, plus current year Net Increase/(Decrease) in Temporary Loans of $0.00 billion. (Footnote ties to page A1; Outstanding Loans to General Fund)

(c) If shown, negative amounts are the result of repayments received that are greater than disbursements made. (Footnote ties to pages A1, A3 and A4; Disbursements)

(d) Debt Service amounts are net of offsets such as federal subsidies and reimbursements from other sources. To the extent that these offsets do not occur when anticipated, there can be variances between actuals and estimates on a month-to-month basis. (Footnote ties to page A3; Debt Service)

(Continued on A2)

SCHEDULE OF CASH RECEIPTS

(Amounts in thousands)

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

(Continued from A1)

(e) Cash Balance from Borrowable Resources has been reduced by Pooled Money Investment Account (PMIA) loans pursuant to Assembly Bill (AB) 55 (Chapter 6/1987, Government Code (GC) sections 16312 and 16313) and Surplus Money Investment Fund (SMIF) loans pursuant to Senate Bill (SB) 84 (Chapter 50/2017, GC section 20825) and AB 1054 (Chapter 79/2019, Public Utilities Codes (PUC) section 3285). (Footnote ties to page A1; Total Available Borrowable Resources)

(f) Other Internal Sources balance includes $900.0 million for the Safety Net Reserve Fund pursuant to AB 1830 (Chapter 42/2018, Welfare and Institutions Code (WIC) section 11011) and $9.51 billion for the Public School System Stabilization Account pursuant to Section 21 of Article XVI of the California Constitution. (Footnote ties to page A1; Other Internal Sources)

(g) Includes a $1.4 billion transfer from the Golden State Stimulus Emergency Fund made to the General Fund pursuant to SB 88 (Chapter 8, Statutes of 2021, Welfare and Institutions Code (WIC) section 8150 (f) (3)). (Footnote ties to page A1; State Operations and page A3; Governmental Operations)

(h) Pursuant to Control Section 12.30 of the 2022 Budget Act the annual transfer of funds between the General Fund and the Special Fund for Economic Uncertainties (SFEU) to bring the balance in the SFEU to $3.51 billion was expected in January 2023, but occured in February 2023. (Footnote ties to page A1; Special Fund for Economic Uncertainties and Borrowable Resources - Special Fund for Economic Uncertainties and page A2; Transfers from Special Fund for Economic Uncertainties)

(i) Personal Income Tax revenues are lower than projected for the 2023-24 Governor's Budget due to the stock market substantially declining in 2022. (Footnote ties to page A2; Personal Income Tax)

(j) Pursuant to AB 178 (Chapter 45, Statutes of 2022), a transfer of $917 million from the General Fund to the State Project Infrastructure Fund was anticipated as a Transfer to Other Funds, but was recorded as Capital Outlay. (Footnote ties to page A1; Capital Outlay and page A4; Capital Outlay and Transfer to Other Funds)

SCHEDULE OF CASH DISBURSEMENTS
(Amounts in thousands)

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

See notes on page A1 and A2.

(Continued)

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

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

See notes on page A1 and A2.

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

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

STATEMENT OF GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS

A Comparison of Actual to 2022-23 Budget Act
(Amounts in thousands)

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

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

Footnotes:

(a) A Statement of Estimated Cash Flow for the 2022-23 fiscal year was prepared by the Department of Finance for the 2022-23 Budget Act. Any projections or estimates are set forth as such and not as representation of facts. (Footnote pertains to all pages in this report)

(b) Outstanding loan balance of $0.00 billion is comprised of $0.00 billion of internal borrowing. Current balance is comprised of $0.00 billion carried forward from June 30, 2022, plus current year Net Increase/(Decrease) in Temporary Loans of $0.00 billion. (Footnote ties to page B1; Outstanding Loans to General Fund)

(c) If shown, negative amounts are the result of repayments received that are greater than disbursements made. (Footnote ties to pages B1, B3 and B4; Disbursements)

(d) Debt Service amounts are net of offsets such as federal subsidies and reimbursements from other sources. To the extent that these offsets do not occur when anticipated, there can be variances between actuals and estimates on a month-to-month basis. (Footnote ties to page B3; Debt Service)

(Continued on B2)

SCHEDULE OF CASH RECEIPTS

(Amounts in thousands)

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

(Continued from B1)

(e) Cash Balance from Borrowable Resources has been reduced by Pooled Money Investment Account (PMIA) loans pursuant to Assembly Bill (AB) 55 (Chapter 6/1987, Government Code (GC) sections 16312 and 16313) and Surplus Money Investment Fund (SMIF) loans pursuant to Senate Bill (SB) 84 (Chapter 50/2017, GC section 20825) and AB 1054 (Chapter 79/2019, Public Utilities Codes (PUC) section 3285). (Footnote ties to page B1; Total Available Borrowable Resources)

(f) Other Internal Sources balance includes $900.0 million for the Safety Net Reserve Fund pursuant to AB 1830 (Chapter 42/2018, Welfare and Institutions Code (WIC) section 11011) and $9.51 billion for the Public School System Stabilization Account pursuant to Section 21 of Article XVI of the California Constitution. (Footnote ties to page B1; Other Internal Sources)

(g) Includes $7.94 billion in Learning Recovery Grant payments, pursuant to AB 182 (Chapter 53/2022, Education Code section 32526), made in August 2022 that were estimated to be paid from July 2022 through June 2023. (Footnote ties to page B1; Local Assistance and page B3; Public Schools - K-12)

(h) Pursuant to AB 178 (Chapter 45, Statutes of 2022), a transfer of $917 million from the General Fund to the State Project Infrastructure Fund was anticipated in September 2022 as a Transfer to Other Funds, but was recorded as Capital Outlay in January 2023. (Footnote ties to page B1; Capital Outlay and page B4; Capital Outlay and Transfer to Other Funds)

(i) Pursuant to subdivision (b) of Section 21 of Article XVI of California Constitution, approximately $5.0 billion expenditure transfer was anticipated from General Fund to the Public School System Stabilization Account in September 2022, which occured in October 2022. (Footnote ties to page B1; Local Assistance and page B3; Other Local Assistance)

(j) Pursuant to Control Section 11.96 (i) (Chapter 249, Statutes of 2022) a transfer of $3.1 billion was made from the Coronavirus Fiscal Recovery Fund to the General Fund. (Footnote ties to page B1; Nonrevenues and page B2; Transfers from Other Funds)

(k) Includes a $1.4 billion transfer from the Golden State Stimulus Emergency Fund made to the General Fund pursuant to SB 88 (Chapter 8, Statutes of 2021, Welfare and Institutions Code (WIC) section 8150 (f) (3)). (Footnote ties to page B1; State Operations and page B3; Governmental Operations)

(l) Pursuant to Control Section 12.30 of the 2022 Budget Act the annual transfer of funds between the General Fund and the Special Fund for Economic Uncertainties (SFEU) to bring the balance in the SFEU to $3.51 billion was expected in January 2023, but occured in February 2023. (Footnote ties to page B1; Special Fund for Economic Uncertainties and Borrowable Resources - Special Fund for Economic Uncertainties and page B2; Transfers from Special Fund for Economic Uncertainties)

(m) Personal Income Tax revenues are lower than projected for the 2022-23 Budget Act due to the stock market substantially declining in 2022. (Footnote ties to page B2; Personal Income Tax)

(Concluded)

SCHEDULE OF CASH DISBURSEMENTS
(Amounts in thousands)

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

See notes on page B1 and B2.

(Continued)

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

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

See notes on page B1 and B2.

Exhibit 4

1. Information relating to outstanding debt of the State Public Works Board:

   a) As of March 1, 2023, the SPWB had unused authorization to issue an additional \$5.8 billion of lease revenue bonds. As of March 1, 2023, the Pooled Money Investment Board had approved interim loans totaling \$376,839,000 and the Director of the Department of Finance of the State of California had approved interim loans from the General Fund totaling \$1,205,612,856 relating to these authorized projects.

   b) The following table sets forth the SPWB outstanding bonds secured by the Master Indenture Reserve Fund, as of March 1, 2023:

**STATE PUBLIC WORKS BOARD OF THE STATE OF CALIFORNIA
OUTSTANDING LEASE REVENUE BONDS SECURED BY THE
MASTER INDENTURE RESERVE FUND[1]
as of March 1, 2023**

Department of Corrections and Rehabilitation[2]	$2,912,610,000
Judicial Council	1,609,680,000
Department of General Services	676,155,000
Various Other Leased Projects	1,300,755,000
Total	$6,499,200,000

[1] As of March 1, 2023, the Master Indenture Reserve Fund secured 54 series of bonds, the Master Indenture Reserve Fund Requirement under the provisions of the Master Indenture was \$111,306,246.28 and the Master Indenture Reserve balance was \$117,597,502.14.
[2] Includes 7 series of Incorporated Bonds totaling \$978,320,000.