ANNUAL REPORT
FISCAL YEAR ENDED JUNE 30, 2020

The State of California (the "State"), acting by and through the Treasurer of the State of California (the "State Treasurer"), hereby provides this annual report for the Bonds (defined below) as required pursuant to the Continuing Disclosure Agreement for the fiscal year ended June 30, 2020.

Bond Issue

Name of Issue	Dated Date	Date of Continuing Disclosure Agreement
San Francisco State Building Authority Lease Revenue Refunding Bonds (State of California San Francisco Civic Center Complex) 2015 Series A (the "Bonds")	11/24/2015	11/24/2015

The base CUSIP number for the Bonds listed above is 79772L - _ _ _.

Note: The base CUSIP number provided is for the convenience of bondholders. The State Treasurer is not responsible for the accuracy or completeness of such number.

Annual Report

This Annual Report for the Bonds (as defined in the Continuing Disclosure Agreement for the Bonds) for the fiscal year ended June 30, 2020, consists of:

1. Notice to the Municipal Securities Rulemaking Board ("MSRB") of Failure to Provide Financial Statements, attached as Exhibit 1.

2. Certain financial information contained in "Appendix A – The State of California," dated as of March 29, 2021 attached as Exhibit 2, as more particularly described in the Continuing Disclosure Agreement.

3. The insurance required by the Lease relating to the Bonds is in effect.

Other Matters

This Annual Report is provided solely for compliance with the provisions of the Continuing 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, 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 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 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.

Dated: March 29, 2021

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

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

Name of Issuer:	San Francisco State Building Authority
Name of Bond Issue:	San Francisco State Building Authority $103,430,000 Lease Revenue Refunding Bonds (State of California San Francisco Civic Center Complex) 2015 Series A
Date of Issuance:	November 24, 2015

NOTICE IS HEREBY GIVEN that the State of California ("State") has not filed with the Municipal Securities Rulemaking Board ("MSRB") a complete Annual Report with respect to the above–named Bonds as required by Section 3 of the Continuing Disclosure Agreement ("Agreement"), dated November 24, 2015, by and between the Department of General Services and the Treasurer of the State of California, as trustee. The State is required by such Agreement to file an Annual Report no later than April 1 of each year and include in such Annual Report audited financial statements if available. If audited financial statements are not available at the time the Annual Report is required to be filed, the Annual Report shall include unaudited financial statements.

At the time of this filing, the State Controller expects the State's Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2020 (the "2020 Annual Comprehensive Financial Report") to be released after June 30, 2021, and unaudited financial statements of the State for the fiscal year ended June 30, 2020 ("2020 unaudited financial statements") to be prepared after April 30, 2021. When the 2020 Annual Comprehensive Financial Report is released, it will be available on the website of the State Controller and filed by the State Treasurer on the Electronic Municipal Market Access ("EMMA") website of the MSRB. If the 2020 unaudited financial statements are prepared, the State Treasurer expects that it will promptly file such unaudited financial statements on the EMMA website of the MSRB.

According to the State Controller, the delay in completion of the 2020 Annual Comprehensive Financial Report is due primarily to 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, which contributed to delays in State departments providing information to the State Controller necessary for the preparation of the 2020 Annual Comprehensive Financial Report. In addition, because of the delay in the release of the State's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019 for the same reasons described above, there was a delay in the start of the 2020 Annual Comprehensive Financial Report.

Dated: March 29, 2021

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 2

APPENDIX A
THE STATE OF CALIFORNIA

March 29, 2021

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INTRODUCTION TO APPENDIX A

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

APPENDIX A is divided into two Parts. PART I contains information about the 2021-22 Governor's Budget, certain limited aspects of the current state budget, and 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) will be updated as needed to provide the most current, material information.

PART II of APPENDIX A (including EXHIBIT 1—"PENSION SYSTEMS") contains information on the basic structure of the state's finances, including details on historical revenues, expenditures and reserves, cash management, outstanding indebtedness and other information. The information in PART II will typically be 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 latter update includes revenue and economic forecasts presented in the May Revision of the Governor's January budget proposal.

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 Budget Act and 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.

PART I

OVERVIEW

Population and Economy of the State

California is by far the most populous state in the nation, with an estimated 39.78 million residents as of 2020. Its population is nearly 40 percent larger than that of the second most populous state and it contains approximately 12 percent of the total U.S. population. The state's population is projected to continue to grow over the long term and reach 44 million residents by 2060.

California's economy accounted for 14.8 percent of the U.S. Gross Domestic Product ("GDP") through the first three quarters of 2020. 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 "ECONOMY AND POPULATION."

As described in "GOVERNOR'S PROPOSED FISCAL YEAR 2021-22 BUDGET - Development of Revenue Estimates" the COVID-19 pandemic has materially and adversely impacted local, state and federal economies, including, among other things, labor force, employment, income, construction and exports.

Financial Condition of the State General Fund

The state entered 2020 with historic levels of reserves, having repaid billions of dollars of budgetary borrowings, debts, and deferrals that were accumulated to balance budgets during the severe recession in 2009 (the "Great Recession") and years prior. Prudent fiscal management provided the necessary foundation for the state's efforts to respond to the ongoing challenges of the COVID-19 pandemic. The 2021-22 Governor's Budget includes $34 billion in budget resiliency, made up of budgetary reserves and an operating surplus that resulted from revenues being higher than projected in the most recent forecast prior to the 2021-22 Governor's Budget. See "Proposed Governor's Budget—General Fund Revenue and Expenditure Assumptions."

There are still budget risks to the state's General Fund in addition to the ongoing challenges related to the COVID-19 pandemic, such as the 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 "ECONOMIC AND BUDGET RISKS."

There can be no assurances that the fiscal stress currently facing the state will not continue or become more difficult, or that other changes in the state or national economies or in state or federal policies will not further materially adversely affect the financial condition of the state's General Fund.

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 and the state's Basic Financial Statements included as an appendix to this Official Statement. Also see "COVID-19," "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 otherwise limited the Legislature and the Governor's discretion in enacting budgets. 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 700 special funds, and, 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 and 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, 2021, the state had approximately $79.4 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, 2021, there were approximately $35.5 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 $7.6 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 face unfunded future liabilities in the tens of billions of dollars. It is unknown how significantly the recession triggered by the COVID-19 pandemic will ultimately impact unfunded pension liabilities. For fiscal year 2020-21, the actuarially determined General Fund pension contributions to CalPERS and CalSTRS are approximately $3.1 billion and $3.4 billion, respectively. For fiscal year 2021-22, the actuarially determined General Fund pension contributions to CalPERS and CalSTRS are estimated to be approximately $3.0 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 2019-20 Budget included discretionary pension payments from the General Fund to be made to CalPERS and CalSTRS over a multi-year period. Chapter 16, Statutes of 2020 (AB 84) modified the payments under AB 118 by reducing the remaining $500 million payments to CalPERS from AB 118 to a single $243 million payment in fiscal year 2020-21 to be paid using Proposition 2 debt repayment funding. Of the entire $7.41 billion of discretionary pension payments appropriated as of the 2020-21 Budget, $7.31 billion has been paid.

The 2021-22 Governor's Budget proposes to use Proposition 2 debt repayment funding in 2021-22 to reduce the state's unfunded liabilities for CalPERS and CalSTRS in the amounts of $1.5 billion and $410 million, respectively. These payments are in addition to the statutorily required state pension contributions. See "STATE FINANCES—OTHER ELEMENTS—

Pension Systems.” See also EXHIBIT 1—“PENSION SYSTEMS” for more information with respect to these payments.

Additionally, AB 118 authorized a $100 million supplemental pension payment from the Motor Vehicle Account towards the unfunded liability of the CalPERS California Highway Patrol Plan, to be paid in four equal installments over fiscal years 2019-20 through 2022-23. The total amount to be ultimately paid, and the timing of payment of the installments over fiscal years 2021-22 and 2022-23 are contingent on sufficient availability of available revenues.

The state also provides retiree health care and dental benefits to retired state employees and their spouses and dependents (when applicable) 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, 2019, 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 $93.51 billion as of June 30, 2019 (virtually all unfunded) as compared to a TOL of $86.47 billion estimated as of June 30, 2018. For details regarding the changes in this liability, see “STATE FINANCES—OTHER ELEMENTS—Retiree Health Care Costs.”

Financial Statements

The State of California Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019 (the “2019 Annual Comprehensive Financial Report”), is included as an appendix to this Official Statement and incorporated into APPENDIX A. The 2019 Annual Comprehensive Financial Report includes a Financial Section that consists of an Independent Auditor’s Report, Management’s Discussion and Analysis, and Basic Financial Statements of the state for the Year Ended June 30, 2019. The 2019 Annual Comprehensive Financial Report also contains required supplementary information and combining financial statements and schedules. See “FINANCIAL STATEMENTS.”

In addition, EXHIBIT 2 to APPENDIX A contains the State Controller’s unaudited reports of General Fund cash receipts and disbursements for the period from July 1, 2019 through February 28, 2021. 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, 2019 through June 30, 2020, and July 1, 2020 through February 28, 2021, 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.

"2019 Budget Act" means the Budget Act for fiscal year 2019-20, enacted on June 27, 2019.

"2019-20 Budget" means the 2019 Budget Act plus related legislation to implement the budget.

"2020 Budget Act" means the Budget Act for fiscal year 2020-21, enacted on June 29, 2020.

"2020-21 Budget" means the 2020 Budget Act plus related legislation to implement the budget.

"2020-21 Governor's Budget" means the proposed Governor's Budget for fiscal year 2020-21, released on January 10, 2020.

"2021-22 Governor's Budget" means the proposed Governor's Budget for fiscal year 2021-22, released on January 8, 2021.

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

COVID-19

On March 4, 2020, the Governor declared a state of emergency to help the state prepare and respond to the novel coronavirus identified as COVID-19. On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic and on March 13, 2020 the President declared a national state of emergency. Since then, tens of millions of cases of COVID-19 have been diagnosed throughout the country, resulting in hundreds of thousands of deaths. In response to the COVID-19 pandemic, California, like other state and local government authorities, has implemented, and revised from time to time, restrictions on mass gatherings and widespread closings and modifications of the operations of government, businesses, universities and schools. The severe drop in economic activity commencing in spring 2020 caused by the COVID-19 pandemic resulted in a recession that ended the nation's record-long economic expansion in February 2020.

In December 2020, two vaccines were approved for emergency use in the United States and vaccinations began in California. A third vaccine was approved for emergency use in February 2021. Health care workers and residents in long-term care facilities were initially given priority to receive the COVID-19 vaccine, followed by essential workers and Californians based on age. Supplies of the vaccines are currently limited and dependent on federal distribution.

The COVID-19 pandemic has disrupted, and continues to disrupt, large sectors of the state economy and remains a significant risk. See "ECONOMIC AND BUDGET RISKS."

COVID-19 Federal Assistance

The federal government has provided temporary funding to support the state's response to the COVID-19 pandemic through the following five federal bills:

(1) Coronavirus Preparedness and Response Supplemental Appropriations Act (HR 6074), (2) Families First Coronavirus Response Act (HR 6201), (3) Coronavirus Aid, Relief, and Economic Security ("CARES") Act (HR 748), (4) Paycheck Protection Program and Health Care Enhancement Act (HR 266), and (5) Coronavirus Response and Relief Supplemental Appropriations Act (HR 133) ("CRRSA"). These bills were designed to help pay for emergency response, testing and contact tracing, health care, and financial relief to individuals, families, and businesses as well as state and local governments including schools and higher education institutions.

As many federal programs were expiring, Congress passed CRRSA (described above), which totaled approximately $900 billion. While California expects to receive a substantial portion of CRRSA funds, the estimates are still being developed as more details are provided by federal agencies responsible for allocation of the funds. Preliminary estimates, however, suggest that California's share of the funding from CRRSA will total over $100 billion, with just over $30 billion to be administered through the state. Because of the enactment of this Act in late December 2020, these funds were not reflected in the 2021-22 Governor's Budget released on January 8, 2021.

As of early December 2020, the total funding relating to COVID-19 allocated to state programs by the federal government is estimated to be approximately $136 billion (not including any funding which may become available under CRRSA). These funds will support various state programs such as unemployment insurance (constituting over $114 billion of the total), Medi-Cal, and child care. In addition, over $162 billion is expected to be provided in the state to individuals and families, hospitals and other health care providers, higher education institutions and college students, local housing authorities, airports, farmers and local government.

The 2020-21 Budget reflected $2.7 billion in federal stimulus funds appropriated from the Coronavirus Relief Fund, authorized in the CARES Act, for COVID-19 related expenditures. The 2020-21 Budget also allows these funds to be used to offset fiscal year 2019-20 costs needed to meet immediate needs of various vulnerable populations. In addition, the 2020 Budget Act allocated $1.3 billion to counties and $500 million to cities that did not receive a direct allocation from the U.S. Treasury for homelessness, public health, public safety, and other services to combat the COVID-19 pandemic.

Moreover, on March 22, 2020, California secured a presidential Major Disaster Declaration, which makes federal funding available to the state for emergency protective measures, including direct federal assistance, as well as makes available a specified level of reimbursement of state eligible costs through FEMA, consistent with cost sharing under the federal Robert T. Stafford Disaster Relief and Emergency Assistance Act of up to 75 percent of these costs. In some instances, FEMA provides advance reimbursement of up to 50 percent of the 75 percent of the federally reimbursable amount of these costs. On February 2, 2021 President Biden ordered the FEMA cost share increased to 100 percent; the Administration continues to analyze the impact of this order. Over time, the Administration expects the federal government to reimburse most of the state's expenditures related to the 75 percent federal cost share to respond to the threat and spread of COVID-19, including expenditures for personal protective equipment, medical equipment and supplies, to support the hospital surge and vaccine distribution, and to provide necessary services to vulnerable populations, such as supporting seniors who might not be able to obtain sufficient food and supplies.

State COVID-19 Expenditures

The 2021-22 Governor's Budget includes estimated total COVID-19 direct emergency response costs of approximately $13 billion, with an estimated net General Fund impact of approximately $2.5 billion after federal reimbursements. This total represents costs incurred in fiscal year 2019-20 as well as projected costs in fiscal years 2020-21 and 2021-22. See "STATE FINANCES – REVENUES, EXPENDITURES AND RESERVES – State Expenditures-Health and Human Services" for more information.

RECENT DEVELOPMENTS

The following are certain significant recent developments concerning the state:

The 2021-22 Governor's Budget

On January 8, 2021, the Governor released his proposed budget for fiscal year 2021-22 (the "2021-22 Governor's Budget"). The 2021-22 Governor's Budget supports and expedites the state's recovery from the health and economic crisis caused by the COVID-19 pandemic while continuing to build budget resiliency by increasing reserve balances and paying down outstanding obligations. The 2021-22 Governor's Budget also includes investments in education, homelessness prevention, and climate change focused initiatives. See "GOVERNOR'S PROPOSED FISCAL YEAR 2021-22 BUDGET."

Recent Cash Receipts

In February 2021, the Department of Finance reported that, based on agency cash receipts, tax receipts for January 2021 were $7.453 billion above the 2021-22 Governor's Budget forecast of $18.208 billion. Fiscal year 2020-21 cash receipts, including revisions to prior months, were $10.539 billion (9.9 percent) above the 2021-22 Governor's Budget forecast of $106.524 billion. The 2021-22 Governor's Budget assumed that $1.1 billion in refunds would be issued in January related to the proposed Golden State Stimulus. As of the end of January, no refunds related to the new program had been issued as the Golden State Stimulus had not been enacted as of that date, explaining $1.1 billion of the cash overage.

The Department of Finance reported in March 2021 that, based on agency cash receipts, tax receipts for February 2021 were $3.801 billion above the 2021-22 Governor's Budget forecast of $4.994 billion. Fiscal year 2020-21 cash receipts were $14.34 billion over the 2021-22 forecast of $111.518 billion. A significant amount of receipts above the January forecast is due to lower refunds caused by a later enactment date for the Golden State Stimulus than expected at the time the 2021-22 Governor's Budget was issued, as well as a delayed opening date of the tax filing season by the Internal Revenue Service.

Recent State General Fund and Federal Legislation for Pandemic Relief

On February 23, 2021, the Governor signed legislation to provide relief to Californians experiencing hardship due to the pandemic. The $7.6 billion comprehensive package ($7.2 billion General Fund, $0.4 billion federal funds) focuses primarily on fiscal year 2020-21 but also affects fiscal year 2021-22 and later fiscal years. It provides for a $4.2 billion increase from the General Fund for COVID-19 relief as compared to the 2021-22 Governor's Budget proposal. Key provisions of this package build upon the 2021-22 Governor's Budget proposal by, among other things, providing additional cash relief to lower-income citizens (including a larger Golden State Stimulus grant amount), increasing aid to small businesses, providing license renewal fee waivers to businesses impacted by the pandemic, and committing additional resources for critical child care services.

The American Rescue Plan Act of 2021 ("ARPA") was signed by the President on March 11, 2021. The ARPA includes state and local fiscal recovery funds and preliminary estimates, which will be refined as federal guidance is issued, indicate that ARPA could provide about $42 billion to California; consisting of $26 billion to the state and $16 billion to local governments. In addition, preliminary estimates of other significant provisions suggest ARPA could result in another $54 billion in funding for state programs and more than $*70* billion in relief directly to individuals, families, businesses, higher education, transit, and local government in the state. These estimates do not include the potential effect of certain tax credits/exemptions included in the bill or additional relief for small businesses and restaurants.

State Income Tax Filing Extension

The state has delayed the deadline for filing and payment of personal income taxes related to the 2020 tax year from April 15 to May 17, 2021. This action was taken to conform with the federal action that delayed the filing and payment date of federal returns and to provide pandemic relief. While this delay in tax payments will shift billions of dollars in tax receipts from April to May, it does not impact the state's revenue estimates and is not expected to result in cash flow difficulties.

GOVERNOR'S PROPOSED FISCAL YEAR 2021-22 BUDGET

The 2021-22 Governor's Budget, released on January 8, 2021, proposes a multi-year plan that is balanced in the current and budget fiscal years, proposes to rebuild budgetary reserves that were utilized and consequently partially depleted as a result of the effects of the COVID-19 pandemic on the state's finances, as well as proposes to make additional payments to further reduce the General Fund's various debts and long-term liabilities.

General Fund revenues and transfers for fiscal year 2021-22 are projected at $158.4 billion, which represents a decrease of $4.4 billion, or 2.7 percent, compared with a revised estimate of $162.7 billion for fiscal year 2020-21. These estimates include a transfer to the BSA of $3.0 billion in fiscal year 2021-22 and a net transfer from the BSA of $4.6 billion in 2020-21 (consisting of a $7.8 billion transfer from the BSA pursuant to the 2020 Budget Act and a $3.2 billion true-up transfer back into the BSA due to higher revenues forecasted in the 2021-22 Governor's Budget). The transfers have the effect of lowering (transfer to the BSA) or raising (transfer from the BSA) the total reported levels of General Fund revenues and transfers for the fiscal years by the amounts of the transfers. See "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—Sources of Tax Revenue."

General Fund expenditures for fiscal year 2021-22 are projected to be $164.5 billion; an increase of $8.6 billion compared with a revised estimate of $155.9 billion for fiscal year 2020-21. See "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—State Expenditures."

The 2021-22 Governor's Budget assumes expansion of the economy during the multi-year forecast period (through fiscal year 2024-25) and includes funding for the following in fiscal year 2021-22:

- K-12 Education – proposes $61.3 billion state funding, of which $59.7 billion is from the General Fund. See "STATE FINANCES – Proposition 98 and K-14 Funding."

- Higher Education – proposes state funding of $18.6 billion for all major segments of Higher Education, including $17.9 billion from the General Fund (both Non-Proposition 98 and Proposition 98). The remaining funds include amounts from special and bond funds. See "STATE FINANCES – Higher Education."

- Health and Human Services – proposes $79.2 billion in funding, including $54.4 billion from the General Fund and $24.8 billion from state special funds, for these programs. See "STATE FINANCES – Health and Human Services."

- Public Safety – proposes total state funding of $16.0 billion, including $13.1 billion from the General Fund and $2.9 billion from special funds, for Corrections and Rehabilitation. See "STATE FINANCES – California Department of Corrections and Rehabilitation."

The following table summarizes the General Fund budget as estimated (with respect to fiscal year 2020-21) and projected (with respect to fiscal year 2021-22) in the 2021-22 Governor's Budget and compares those budgets to the actual General Fund budget for the current fiscal year as enacted in the previous budget act:

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TABLE 1
GENERAL FUND BUDGET SUMMARY
(Dollars in Millions)

Fiscal-Year	As of 2020 Budget Act 2020-21	As of 2021-22 Governor's Budget 2020-21	As of 2021-22 Governor's Budget 2021-22
Prior Year Balance	$ 1,972	$ 5,359	$ 12,203
Revenues and Transfers	137,719	162,742	158,370
Total Resources Available	$ 139,691	$168,101	$170,573
Non-Proposition 98 Expenditures	88,834	98,956	103,681
Proposition 98 Expenditures	45,066	56,942	60,834
Total Expenditures	$ 133,900	$155,898	164,515
Fund Balance	$ 5,791	$ 12,203	$ 6,058
Reserve for Liquidation of Encumbrances	3,175	3,175	3,175
Special Fund for Economic Uncertainties	2,616	9,028	2,883
Safety Net and Public School Reserves	450	1,197	3,438
Budget Stabilization Account/ "Rainy Day Fund"	$ 8,310	$ 12,536	$ 15,574

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

Development of Revenue Estimates

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 forecast is usually updated twice a year and released with the proposed Governor's Budget by January 10 and the May Revision by May 14. The COVID-19 pandemic resulted in downturns in many industries and almost completely shut down others. Most of the impacted areas primarily affected low-income wage earners, whereas high-income earners remained largely unaffected. These two effects exacerbated existing income inequality. Personal income tax withholding receipts grew 6 percent year-over-year in 2020, despite record unemployment and overall wage declines. It appears that high-wage taxpayers, who are subject to higher tax rates, have generally not faced significant adverse effects of the economic downturn caused by the COVID-19 pandemic.

Tax return data for 2018, which became available in April 2020, did 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 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, and 89,000 in 2018. Such data is not inconsistent with an out-migration of high-income taxpayers, but neither does it suggest such an out-migration. Nonetheless, it is possible that it will take several years for the full extent of out-migration to take place, and that such out-migration will be more clearly visible in later tax return data.

Migration data from the American Community Survey ("ACS") for 2019 shows that 654,000 individuals moved out of California while 480,000 moved in resulting in a net loss of population to other states of 174,000, however international migration added 173,000 to California's population that year leaving the change to total migration nearly zero. In 2020 international migration was severely curtailed by executive order for nearly three-quarters of the year and therefore the data are likely to be quite different when new ACS data for 2020 is released in early September 2021. The 2021-22 Governor's Budget assumes no significant increase in out-migration of high-income taxpayers.

The 2021-22 Governor's Budget incorporates state and federal policies and programs authorized as of November 2020, when the forecast was finalized. It therefore does not reflect the CRRSA COVID-19 relief bill enacted in late December 2020. In addition, the 2021-22 Governor's Budget includes assumptions that more than one million Californians would lose their Pandemic Unemployment Assistance benefits at the end of 2020 and that almost three million Californians receiving regular state unemployment insurance would exhaust benefits in the second quarter of 2021. These assumptions do not reflect the federal extension of unemployment benefits in late 2020. Finally, the 2021-22 Governor's Budget also assumes that a COVID-19 vaccine would not become widely available until mid-2021. The 2021-22 May Revision will include an updated forecast including the effects of faster-than-expected deployment of vaccines as well as other relevant material economic policy developments between November 2020 and April 2021.

<u>National Economy</u>. After ten years of expansion, the U.S. entered a recession in February 2020, induced by the COVID-19 pandemic. Following 2.2 percent growth in 2019, U.S. real Gross Domestic Product ("GDP") fell by 5.0 percent on a seasonally-adjusted annualized basis in the first quarter of 2020, followed by a record 31.4-percent decline in the second quarter of 2020, bringing it to around first quarter 2015 levels. U.S. real GDP then grew at a record high 33.4 percent in the third quarter of 2020, bringing it back to first quarter 2018 levels. Growth is expected to continue in the forecast period with real GDP returning to fourth quarter 2019 levels by the first quarter of 2022.

The 2021-22 Governor's Budget projects state GDP will grow by 3.1 percent in 2021 after a contraction of 3.6 percent in 2020. In comparison, U.S. real GDP contracted by 2.5 percent in 2009, at the height of the Great Recession. Growth is then expected to decelerate to around 2.5 percent through 2024. U.S. nonfarm employment decreased by a record 22.2 million or by 14.5 percent from February to April 2020, the peak of the recession resulting from the COVID-19 pandemic, while the labor force decreased by 8.0 million, or by 4.8 percent, during the same period. The national unemployment rate reached a record high of 14.8 percent in April 2020. After a projected decrease of 1.5 percent in 2020, the labor force is expected to grow by 1.7 percent in 2021 allowing it to recover to its 2019 level in 2021. Following an average of 8.1 percent in 2020, the U.S. unemployment rate is projected to steadily decrease to 4.0 percent by 2024. In contrast to the six years it took for a fall of 6.3 percent in nonfarm jobs to recover after the Great Recession after 2008, the fall of 14.5 percent in nonfarm jobs in March and April is projected to be recovered by mid-2022. However, job creation is expected to be bifurcated, with some low-wage sectors, such as leisure and hospitality, which were hard-hit by the recession projected to remain below their 2019 levels at the end of the forecast period in 2024.

The 2021-22 Governor's Budget projects that, following an average of 1.8 percent in 2019 and 1.2 percent in 2020, U.S. headline inflation will accelerate to an average of 2.2 percent through 2024. During two emergency meetings in March 2020, the Federal Reserve reduced the federal funds rate target to a range of 1 percent to 1.25 percent and then to a range of 0 percent to 0.25 percent. The 2021-22 Governor's Budget projects the federal funds rate target to remain at that range through 2024, the end of the forecast period. See "ECONOMIC ASSUMPTIONS UNDERLYING THE GOVERNOR'S PROPOSED FISCAL YEAR 2021-22 BUDGET" for relevant tables.

California Economy. California remained the fifth largest economy in the world in 2019, with a GDP of $3.1 trillion in current dollars. California's real GDP contracted by a record 31.5 percent in the second quarter of 2020, after falling by 4.3 percent in the first quarter of 2020, bringing it back to levels experienced in the first quarter of 2017. California real GDP then grew by 31.2 percent in the third quarter of 2020, bringing it to first quarter 2019 levels. California's unemployment rate increased to a record-high 16.4 percent in April and May 2020, as nonfarm employment decreased by 2.6 million, or 14.9 percent, from February to April 2020. The California labor force decreased by over 900,000, or 4.8 percent, during the same period. Following a projected average of 10.3 percent in 2020, the California unemployment rate is expected to average 8.5 percent in 2021 before steadily decreasing to 5.7 percent by 2024. The California labor force is expected to recover to 2019 levels by 2024 while nonfarm employment is projected to remain below 2019 levels through the end of the forecast period.

The 2021-22 Governor's Budget projects faster job growth through 2024 for industries that are less reliant on in-person contact relative to industries that were hard-hit by the recession, especially the low-wage sectors, exacerbating existing inequity in California. Due to disproportionate job losses in low-wage sectors that occurred in the first half of 2020, average wages are projected to increase by 6.2 percent for the year, before averaging a growth of 2.2 percent through 2024. California personal income is projected to have grown by 4.9 percent in 2020 due largely to transfer payments, before contracting by 4.6 percent in 2021 as various assistance programs were expected to end. California personal income is then projected to start increasing in 2022, reaching a growth of 4.8 percent by 2024 at the end of the forecast period.

Inflation in California since 2014 remains concentrated in housing due to housing supply and demand imbalances. Following an average of 3.0 percent in 2019 and 1.7 percent in 2020, California's overall inflation is expected to return to 3.0 percent by 2024. Inflation in California is expected to remain higher than national inflation levels due to continued housing pressures and higher energy prices.

The median price of existing single-family homes in California set four consecutive record highs between June and September 2020. The California median home sales price exceeded $700,000 for the first time in August 2020, at $706,900, and reached a record high of $712,430 in September 2020. California residential housing units authorized by building permits averaged just under 100,000 in the first three quarters of 2020, 9.8 percent lower than in the same period in 2019. Multi-family units were down by 18.9 percent in the first three quarters of 2020 relative to the same period in 2019, whereas single-family units were only down by 0.7 percent. The 2021-22 Governor's Budget projects total permits for new construction to have declined by 10.3 percent to 101,000 units in 2020 before steadily increasing to reach growth of 7.4 percent by 2024. Total permits are projected to exceed the 2019 pre-pandemic level of 113,000 units in 2024, with a total of 118,000 units. See "ECONOMIC ASSUMPTIONS UNDERLYING THE GOVERNOR'S PROPOSED FISCAL YEAR 2021-22 BUDGET" for relevant tables. 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 2021-22 Governor's Budget

The revenue and expenditure estimates and projections incorporated into the 2021-22 Governor's Budget are based upon certain assumptions concerning the performance of the California, national, and global economies in 2021 and 2022. These economic assumptions (which were prepared in November 2020, before the recent federal COVID-19 relief bill was enacted in late December) are set forth below. There can be no assurance that these assumptions relating to future economic conditions will be achieved. Additional information on the state's economy is provided in the section "ECONOMY AND POPULATION."

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TABLE 2
Selected National and California Economic Data

	2019	2020	2021	Forecast 2022	2023	2024
United States						
Nominal gross domestic product, $ billions	$21,433	$20,924	$21,986	$ 22,999	$ 24,056	$25,275
Real gross domestic product, percent change	2.2%	-3.6%	3.1%	2.5%	2.5%	2.9%
Contributions to real GDP growth						
Personal consumption expenditures	1.6%	-2.6%	2.4%	1.5%	1.7%	2.0%
Gross private domestic investment	0.3%	-1.1%	1.1%	0.3%	0.6%	0.8%
Net exports	-0.2%	0.0%	-0.3%	0.6%	0.2%	0.0%
Government purchases of goods and services	0.4%	0.2%	-0.1%	0.1%	0.0%	0.1%
Personal income, $ billions	$18,552	$19,631	$19,364	$ 20,052	$ 20,941	$22,000
Corporate profits, percent change	2.3%	-3.9%	-10.0%	6.3%	8.5%	9.2%
Housing permits, thousands	1,386	--	--	--	--	--
Housing starts, thousands	1,295	1,362	1,357	1,298	1,274	1,270
Median sales price of existing homes	$274,600	--	--	--	--	--
Federal funds rate, percent	2.2%	0.4%	0.1%	0.1%	0.1%	0.1%
Consumer price index, percent change	1.8%	1.2%	1.9%	2.5%	2.3%	2.2%
Unemployment rate, percent	3.7%	8.1%	5.7%	4.7%	4.4%	4.0%
Civilian labor force, millions	163.5	161.0	163.7	165.9	167.3	168.6
Nonfarm employment, millions	150.9	142.4	147.5	151.3	153.4	155.1
California						
Personal income, $ billions	$ 2,632	$2,762	$2,635	$2,688	$2,796	$2,930
Exports of goods, percent change	-2.3%	--	--	--	--	--
Housing permits, thousands	113	101	99	103	110	118
Housing unit net change, thousands	95	--	--	--	--	--
Median sales price of existing homes	$592,450	--	--	--	--	--
Consumer price index, percent change	3.0%	1.7%	2.8%	3.2%	3.1%	3.0%
Unemployment rate, percent	4.1%	10.3%	8.5%	7.8%	7.0%	5.7%
Civilian labor force, millions	19.4	19.0	19.3	19.3	19.5	19.6
Nonfarm employment, millions	17.4	16.2	16.1	16.4	16.7	17.1
Percent of total nonfarm employment						
Mining and logging	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Construction	5.1%	5.5%	5.7%	5.7%	5.7%	5.7%
Manufacturing	7.6%	8.2%	8.2%	8.1%	7.9%	7.8%
Trade, transportation, and utilities	17.5%	17.5%	17.5%	17.6%	17.6%	17.7%
Information	3.2%	3.3%	3.3%	3.3%	3.3%	3.3%
Financial activities	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%
Professional and business services	15.7%	16.2%	16.3%	16.4%	16.6%	16.8%
Educational and health services	16.1%	16.7%	17.0%	17.0%	16.9%	16.8%
Leisure and hospitality	11.7%	9.3%	9.1%	9.4%	9.7%	9.9%
Other services	3.3%	3.1%	3.0%	3.0%	3.0%	3.0%
Government	15.0%	15.5%	15.0%	14.6%	14.4%	14.2%

Forecast based on data available as of November 2020.

Percent changes calculated from unrounded data.

Multi-Year Budget Projection

As required by Proposition 2, in connection with the 2021-22 Governor's Budget, the Department of Finance prepared a multi-year budget projection, as set forth below. The projection is based on current law as of December 2020, when the projection was finalized, and policies included in the 2021-22 Governor's Budget, and absent corrective actions. The projection reflects a variety of assumptions, including assumptions concerning state revenues and expenditures and future economic conditions. There can be no assurances that such assumptions will be achieved. While the multi-year budget projection takes into account current federal tax law, no major changes to the filing behavior of Californians are assumed.

As shown in Table 3, the multi-year budget projection indicates that sizable structural budget deficits would occur, absent corrective actions. The state is required under the State Constitution to adopt a balanced budget each year and is required to make budget adjustments as necessary to address any deficits as they may arise in the future.

The year-to-year changes in revenues and transfers, excluding transfers to the BSA, are driven, in general, by expected slow-to-moderate economic growth. In the second quarter of 2020, revenues were expected to see significant declines due to the COVID-19 driven recession that closed many industries. Although the 2020 Budget Act forecast assumed higher-income earners would not be as heavily impacted as low-incomes earners, the magnitude of the impact on higher-income earners was nonetheless overestimated. Strong withholding and record highs from the stock market indicated that high-income earners were largely unaffected, whereas low-income earners faced record-high unemployment and wage declines. The strong stock market suggests that capital gains, which accrue largely to high-income households, are likely to show strong growth in 2020 and 2021. Due to California's progressive tax structure, this means California's revenues have only suffered a moderate slowdown.

The 2021-22 Governor's Budget included a proposal called the Golden State Stimulus that was intended to provide immediate cash support to families most likely to have suffered economically from the COVID-19 pandemic. This proposal would refund $600 of taxes paid by certain low-income taxpayers. It was expanded and modified by the Legislature in a bill signed by the Governor on February 23, 2021. See "RECENT DEVELOPMENTS - Recent State General Fund Legislation for Pandemic Relief."

While slow-to-moderate economic growth (from year end fiscal year 2020-21 levels) is projected to occur in fiscal year 2021-22, revenues and transfers are projected to grow normally due to strong capital gains realizations and strong projected personal income tax withholding, despite the reduction of General Fund revenues by $2.4 billion for the Golden State Stimulus proposed in the 2021-22 Governor's Budget. Slow growth is projected to occur in subsequent fiscal years. General Fund revenue from the major tax sources, excluding transfers, loans, and federal reimbursements, was flat from fiscal year 2018-19 to fiscal year 2019-20, and is projected to grow by 4.7 percent from fiscal year 2019-20 to fiscal year 2020-21 and grow 2.9 percent from fiscal year 2020-21 to fiscal year 2021-22. Then growth (excluding transfers) is projected to continue sluggishly at 0.7 percent from fiscal year 2021-22 to fiscal year 2022-23, 0.6 percent from fiscal year 2022-23 to fiscal year 2023-24, and 2.8 percent from fiscal year 2023-24 to 2024-25.

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

Fiscal Year:	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**
Prior Year Balance	$ 5,359	$ 12,203	$ 6,058	$ (1,543)	$ (10,197)
Revenues and Transfers[a]	158,158	161,408	155,836	157,317	160,980
Transfer from/(to) the BSA[b]	4,584	(3,038)	(1,729)	(86)	(430)
Total Resources Available	$ 168,101	$ 170,573	$ 160,165	$ 155,688	$ 150,353
Proposition 98 Expenditures	56,942	58,526	58,938	59,271	60,913
Proposition 98 Supplemental Payment	--	2,310	--	--	--
Non-Proposition 98 Expenditures	98,956	103,680	101,853	104,537	109,688
Prop 2 infrastructure deferred maintenance[c]	--	--	917	2,077	1,238
Total Expenditures	$ 155,898	$ 164,516	$ 161,708	$ 165,885	$ 171,839
Fund Balance:	$ 12,203	$ 6,058	$ (1,543)	$ (10,197)	$ (21,485)
Reserve for Encumbrances	$ 3,175	$ 3,175	$ 3,175	$ 3,175	$ 3,175
Reserves (SFEU, Safety Net, and PSSSA)	$ 10,225	$ 6,320	$ (1,280)	$ (9,934)	$ (21,223)
Budget Stabilization Account/ (“Rainy Day Fund”)	$ 12,536	$ 15,574	$ 17,303	$ 17,389	$ 17,819
Operating Surplus/(Deficit) with BSA Transfer	$ 6,844	$ (6,146)	$ (7,600)	$ (8,654)	$ (11,288)
One-Time Investments	$ 2,250	$ 6,311	$ 0	$ 0	$ 0
Operating Surplus/(Deficit) with BSA Transfer – Excluding One-Time	$ 9,094	$ 166	$ (7,600)	$ (8,654)	$ (11,288)

Note: Totals may not add due to rounding

(a) The Proposition 30 and Proposition 55 revenue amounts projected in the 2021-22 Governor’s Budget are shown below (in millions):

	2020-21	**2021-22**	**2022-23**	**2023-24**	**2024-25**
Prop 30/55 – Income Tax	$9,405	$9,350	$9,021	$8,724	$8,661

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

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

Source: State of California, Department of Finance.

CURRENT STATE BUDGET

The 2020 Budget Act, enacted on June 29, 2020, took a balanced approach to closing the then-projected $54.3 billion budget deficit. Job losses and business closures caused by the COVID-19 recession sharply reduced state revenues. Compared to the 2020-21 Governor's Budget forecast, General Fund revenues were projected to decline by over $41 billion. That anticipated revenue drop, combined with projected increased costs in health and human services, and added costs to respond to the COVID-19 pandemic, led to a $54.3 billion projected budget deficit (as compared to the 2020-21 Governor's Budget forecast), absent corrective measures.

The 2020 Budget Act closed the gap through the use of existing reserves, special fund borrowing, deferrals, cancelled program expansions, and "trigger" reductions (which would automatically become effective based on certain criteria set forth in the 2020 Budget Act) , among other solutions. The 2020 Budget Act assumed a gradual recovery of the economy and included the following major components at the time of its enactment. For information on how the current fiscal year estimates have changed since the enactment of the 2020 Budget Act, see "Current Fiscal Year Revised Estimates in the 2021-22 Governor's Budget."

- K-14 Education under Proposition 98 — $70.9 billion guaranteed total funding, of which $45.1 billion is from the General Fund and the remainder is from local property taxes;

- Higher Education — total state funding of $16.7 billion for all major segments of higher education, including $15.8 billion from the General Fund (both Non-Proposition 98 and Proposition 98). The remaining funds include amounts from special and bond funds;

- Health and Human Services — total state funding for these programs of $70.4 billion, of which $44.8 billion is from the General Fund and $25.6 billion is from special funds; and

- Public Safety — total state funding of $15.9 billion, of which $13.4 billion is from the General Fund and $2.6 billion is from special funds, for Corrections and Rehabilitation.

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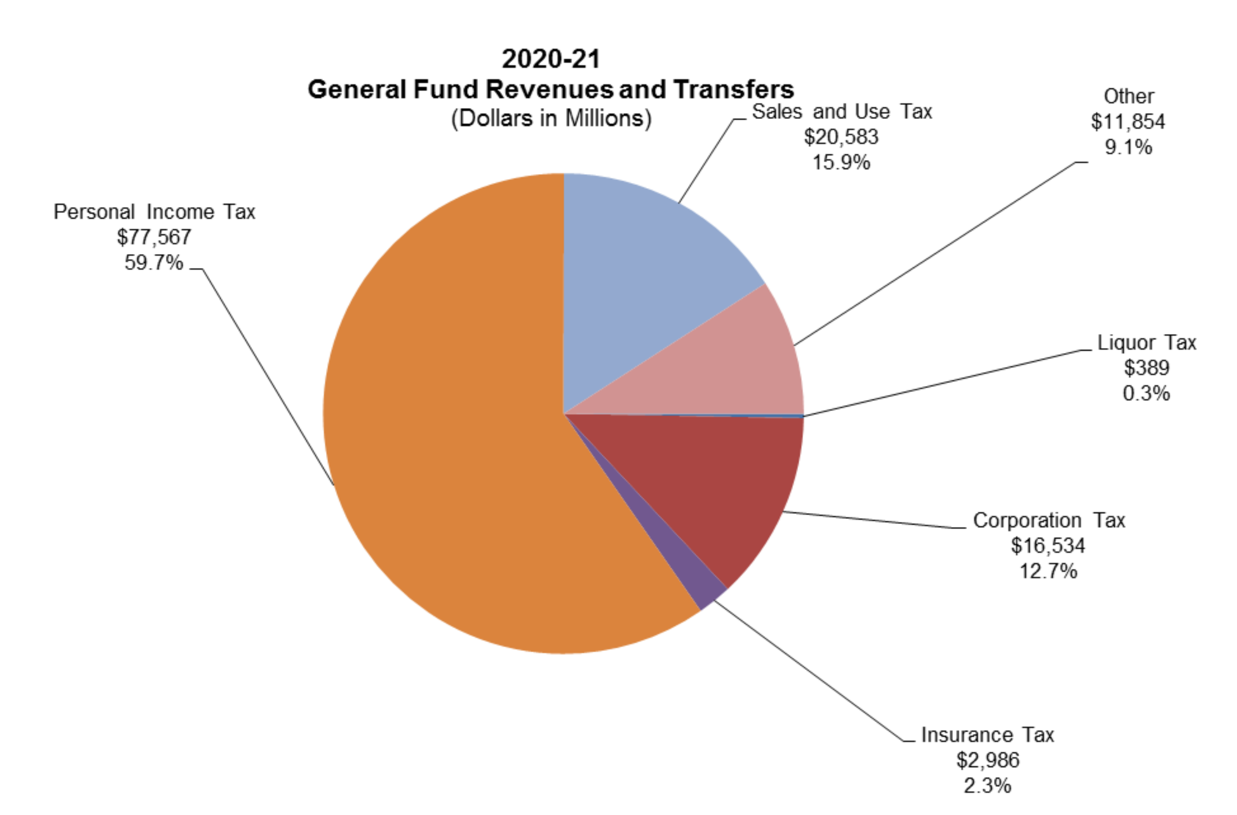

Note: Total amount reflected in this chart is $129.9 billion and does not include $7.806 billion of General Fund revenues transferred from the BSA.

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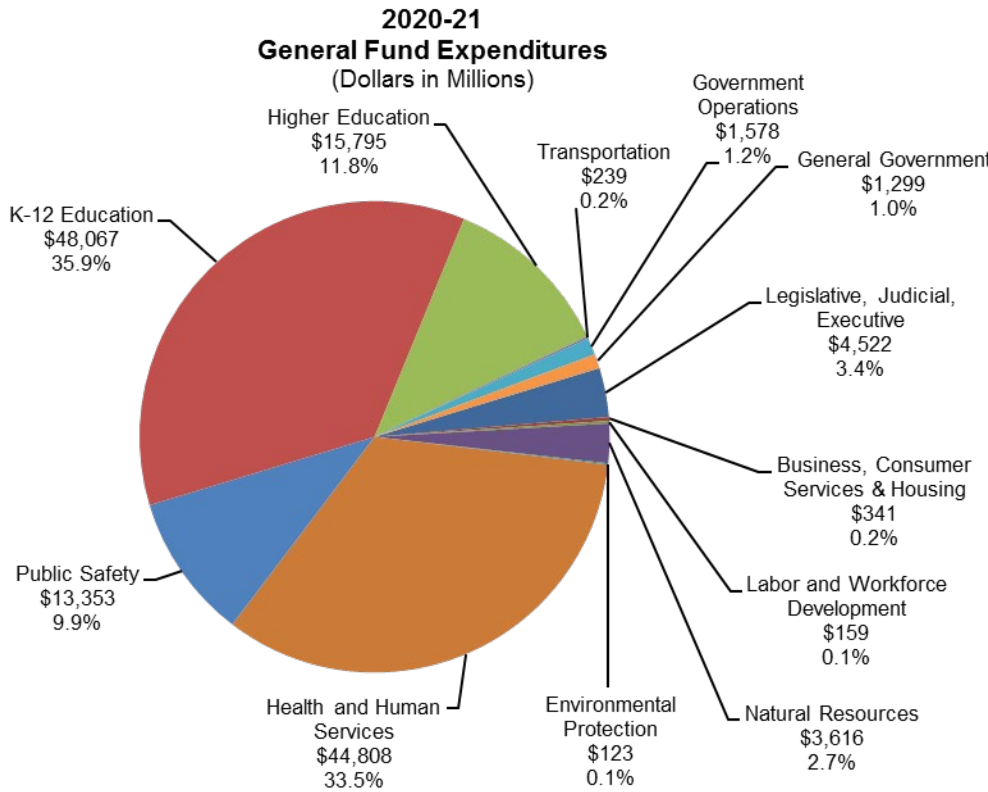

Note: Total amount reflected in this chart is $133.9 billion and includes agency costs for pension and debt service expenditures.

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Current Fiscal Year Revised Estimates in the 2021-22 Governor's Budget

Certain information is presented below concerning revised estimates of the General Fund contained in the 2021-22 Governor's Budget. The estimates are of three types: fund balance, revenue, and expenditure.

The beginning fund balance for the current fiscal year of 2020-21 is most recently estimated in the 2021-22 Governor's Budget to be $3.39 billion higher than was previously estimated in the 2020 Budget Act ($5.36 billion compared to $1.97 billion). This approximately $3.4 billion increase in beginning fund balance for the current fiscal year is primarily due to prior year adjustments for fiscal year 2019-20 related to the following:

- $2.2 billion decrease in Non-Proposition 98 spending.
- $3.0 billion increase in revenues and transfers.
- $1.8 billion increase in Proposition 98 expenditures.

As shown in Table 1, the latest estimate of current fiscal year General Fund revenues and transfers from the 2021-22 Governor's Budget has increased by $25.0 billion as compared to the 2020 Budget Act forecast, primarily due to higher than projected tax revenues, with personal income tax and sales and use tax revenues higher by $24.6 billion and $5.9 billion, respectively. Other revenues decreased by $2.9 billion, primarily due to a shift from fiscal year 2020-21 to fiscal year 2021-22 of reimbursements from the Federal Emergency Management Administration.

Also shown in Table 1, the latest estimate of General Fund expenditures for the current fiscal year has increased from the 2020 Budget Act estimate by $22.0 billion, the main components of which are the following:

- $9.8 billion increase in K-12 Education expenditures, related to the Proposition 98 minimum guarantee and the increase in forecasted General Fund revenues.
- $6.4 billion increase in statewide General Fund expenditures, including a $4.1 billion increase in COVID-19 expenditures.
- $2.3 billion increase in the Environmental Protection Agency expenditures, including a $2.4 billion increase in the Department of Resources, Recycling, and Recovery expenditures primarily related to debris clean up from recent wildfires.
- $1.6 billion increase in Legislative, Judicial, and Executive Agency expenditures, including a $1.4 billion increase in the current year General Fund budget of the Governor's Office of Business and Economic Development (GO-BIZ) related to the California Jobs Initiative program expenditures.

The 2020 Budget Act projected an ending balance in the SFEU of $2.6 billion for the current fiscal year. However, after taking account of all of the latest current-year revised estimates, the 2021-22 Governor's Budget projects an SFEU balance for the current fiscal year of \$9.0 billion. 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 presents actual revenues, expenditures and fund balance information for the General Fund for fiscal years 2017-18 through 2019-20. This information is normally provided by the State Controller’s Office; however, until fiscal year 2019-20 information is available from the State Controller’s Office, the Department of Finance’s previously estimated figures for fiscal year 2019-20 are used. The table also includes the Department of Finance’s latest estimated results for the current fiscal year 2020-21 and its projected 2021-22 figures, which are based on the assumptions and projections in the 2021-22 Governor’s Budget.

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 latest revised estimates.

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TABLE 4
General Fund Revenues, Expenditures, and Fund Balance
(Budgetary Basis[a]-Dollars in Millions)

	Fiscal Year				
	2017-18	2018-19	Estimated 2019-20	Estimated 2020-21	Projected 2021-22
Fund Balance–Beginning of Period	$ 5,931	$ 13,992	$ 10,206	$ 1,972	$ 12,203
Restatements					
Prior Year Adjustment	272	(128)	1,074	3,387	--
Fund Balance–Beginning of Period, as Restated	**$ 6,203**	**$ 13,864**	**$ 11,280**	**$ 5,359**	**$ 12,203**
Revenues	$ 136,198	$ 143,747	$ 141,628	$ 153,621	$ 161,574
Other Financing Sources					
Transfers from Other Funds[b]	414	524	(4,003)	9,121	(3,204)
Other Additions	175	124	–	–	–
Total Revenues and Other Sources	**$ 136,787**	**$ 144,395**	**$ 137,625**	**$ 162,742**	**$ 158,370**
Expenditures					
State Operations[c]	$ 32,579	$ 42,883	$ 43,824	$ 46,488	$ 41,828
Local Assistance[d]	92,052	96,253	102,664	109,141	122,403
Capital Outlay	105	876	445	270	284
Unclassified	–	–	–	–	–
Other Uses	–	–	–	–	–
Transfer to Other Funds[b]	4,262	8,041	–	–	–
Total Expenditures and Other Uses	**$ 128,998**	**$ 148,053**	**$ 146,933**	**$ 155,898**	**$ 164,516**
Revenues and Other Sources Over or (Under) Expenditures and Other Uses	$ 7,789	$ (3,658)	$ (9,308)	$ 6,844	$ (6,146)
Fund Balance					
Deferred Payroll(e)	944	–	–	–	–
Reserved for Encumbrances	1,399	3,272	3,175	3,175	3,175
Reserved for Unencumbered Balances of Continuing Appropriations[f]	2,418	2,707	–	–	–
Special Fund for Economic Uncertainty (SFEU)[g]	1,205	2,063	(1,203)	9,028	2,883
Unreserved–Undesignated[g]	8,026	2,164	–	–	–
Fund Balance–End of Period	**$ 13,992**	**$ 10,206**	**$ 1,972**	**$ 12,203**	**$ 6,058**

General Note: Totals may not add due to rounding.

(a) These statements have been prepared on a budgetary basis in accordance with state law and some modifications would be necessary to comply with generally accepted accounting principles ("GAAP"). The Supplementary Information contained in the state's Audited Basic Financial Statements for the year ended June 30, 2019, attached as an appendix to this Official Statement, contains a description of the differences between the budgetary basis and the GAAP basis of accounting and a reconciliation of the June 30, 2019 fund balance between the two methods. See "FINANCIAL STATEMENTS."

(b) For the State Controller's Office accounting purposes, the actuals reflect transfers to the BSA as an expenditure transfer within Transfer to Other Funds. For the Department of Finance's budgeting purposes, the Transfers to Other Funds line is netted with Transfers from Other Funds for fiscal years 2019-20 through 2021-22. For those years, transfers to the BSA and the Safety Net Reserve Fund are reflected within the Transfers from Other Funds amounts as revenue transfers.

(c) Includes debt service on general obligation bonds. The estimated amount of General Fund debt service cost is approximately $5.1 billion for fiscal year 2021-22. These estimated costs are 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; with all offsets together totaling approximately $2.1 billion in fiscal year 2021-22 and which 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 2015-16 through 2019-20" under "STATE DEBT TABLES."

(Footnotes Continued on Following Page)

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(d) Beginning in fiscal year 2019-20, includes transfer to the PSSSA.

(e) Deferred Payroll, which began with the June 2010 payroll, represents the amount of June payroll expenses deferred to July of the following fiscal year, for all state departments paid through the uniform payroll system. The Department of Finance, pursuant to Government Code Sections 12472.5 and 13302, implemented the deferrals of June payroll expenditures for various governmental and nongovernmental cost funds. The 2019 Budget Act eliminated the payroll deferral in fiscal year 2018-19.

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

(g) The Department of Finance generally includes in its budget estimates of the SFEU the items reported as actual amounts in the State Controller's Office *Budgetary/Legal Basis Annual Report* under "Unreserved-Undesignated," and does not include Reserved for Encumbrances in the End of Period Fund Balance total.

Source: Actual amounts for fiscal years 2017-18 and 2018-19 provided by State of California, Office of the State Controller. Estimated amounts for fiscal years 2019-20 through 2021-22 provided by State of California, Department of Finance.

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General Fund Revenue and Expenditure Assumptions

Certain information concerning the forecast for fiscal year 2021-22 in the Governor's Budget is presented below. The table below also presents the budget basis view of enacted and revised statements of General Fund revenue and expenditures by function for fiscal year 2020-21, as set forth in the 2021-22 Governor's Budget.

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

	Fiscal Year		
General Fund Revenue Source	**2020-21 Enacted June 2020**	**2020-21 Revised January 2021**	**2021-22 Proposed January 2021**
Personal Income Tax	$ 77,567	$ 102,208	$ 107,360
Sales and Use Tax	20,583	26,508	25,925
Corporation Tax	16,534	16,948	16,636
Insurance Tax	2,986	3,253	3,319
Alcoholic Beverage Taxes and Fees	389	385	389
Cigarette Tax	56	55	46
Motor Vehicle Fees	40	40	36
Other[(a)]	11,758	8,761	7,697
Subtotal	**$ 129,913**	**$ 158,158**	**$ 161,408**
Transfer from/(to) the Budget Stabilization Account "Rainy Day Fund"	7,806	4,584	(3,038)
Total General Fund Revenues and Transfers	**$ 137,719**	**$ 162,742**	**$ 158,370**

General Fund Expenditures by Agency	**2020-21 Enacted June 2020**	**2020-21 Revised January 2021**	**2021-22 Proposed January 2021**
Legislative, Judicial and Executive	$ 4,522	$ 6,135	$ 4,494
Business, Consumer Services & Housing	341	911	961
Transportation	239	245	421
Natural Resources	3,616	4,449	4,552
Environmental Protection	123	2,480	460
Health and Human Services	44,808	43,274	54,369
Public Safety (includes Corrections and Rehabilitation)	13,353	12,342	13,089
K-12 Education	48,067	57,836	59,657
Higher Education	15,795	16,861	17,873
Labor and Workforce Development	159	161	684
Government Operations	1,578	2,111	3,051
General Government			
Non-Agency Departments	908	943	1,001
Tax Relief/Local Government	1,182	1,182	437
Statewide Expenditures[(b)]	(791)	6,968	3,466
Total General Fund Expenditures	**$ 133,900**	**$ 155,898**	**$ 164,515**

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

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

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

ECONOMIC AND BUDGET RISKS

The Governor's Proposed Fiscal Year 2021-22 Budget is based on a variety of estimates and assumptions. If actual results differ from those assumptions, the state's financial condition may be adversely or positively affected. There can be no assurance that the financial condition of the state will not be materially and adversely affected by actual conditions or circumstances in the remainder of fiscal year 2020-21 and beyond.

In addition to the significant material and adverse impacts from the COVID-19 pandemic, the state faces a number of additional risks with potentially significant General Fund impact including, but not limited to, the following:

- Sufficiency of Additional Federal Aid and Vaccine Distribution. The 2021-22 Governor's Budget forecast was finalized in November 2020 and does not reflect the federal COVID-19 relief bill (CRRSA) enacted in late December 2020. The 2021-22 Governor's Budget forecast also assumes that a vaccine would only become widely available in mid-2021. The 2021-22 May Revision forecast will be updated to include the earlier-than-expected deployment of vaccines as well as any additional federal economic policy changes between November 2020 and April 2021. There can be no assurances that any additional aid will be forthcoming, or that unavailability and/or lack of public acceptance of vaccines will not exacerbate or prolong the adverse impacts of the COVID-19 pandemic.

- Threat of Extended Recession. Much of the burden of the COVID-19 recession has so far been borne by industries that are more reliant on in-person contact such as leisure and hospitality. Three out of four jobs lost in the U.S and California in March and April 2020 during the peak of the COVID-19 recession were in low-wage sectors, essentially erasing all the job gains in California since the Great Recession. However, ongoing pandemic circumstances may lead to widespread bankruptcy and job loss, causing higher levels of unemployment across all sectors. This scenario would more closely resemble the unfolding of the Great Recession, which also began in a single sector of the economy with the collapse of the housing market, but eventually became systemic through the financial system and caused an economy-wide downturn.

- Capital Gains Volatility. Capital gains tax revenues, which represented 15.8 percent of the state's personal income tax revenues in 2018, are the state's most volatile revenue source and are heavily reliant on stock market performance. The S&P 500 index declined by over 30 percent to 2,237 by the end of March 2020, but the stock market significantly outperformed the 2020 Budget Act forecast by the end of 2020. Stocks recovered a large portion of the February and March losses over the remainder of 2020 and the S&P 500 closed at a then record high of 3,756 at the end of December. The stock market is projected to contract slightly starting in 2021, and the volatility of the market remains a significant risk. Proposition 2 mitigates some of the state's exposure to capital gains volatility by requiring spikes in capital gains tax revenue 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. Given increased globalization and interconnectedness of physical and financial world markets, disruptions in large markets due to economic slowdowns in other countries or regions (such as the slowdown in many European countries or economic crises in emerging markets) or due to geopolitical tensions and deteriorating international trade relations (for example, Brexit), or the global impacts of the COVID-19 pandemic (such as travel restrictions), may have significant negative impacts on the nation's economy, including California.

  The COVID-19 pandemic created supply chain disruptions that impacted domestic manufacturing and transportation logistics, and reduced trade volumes for the nation and the state. From January through November 2020, California exports of goods were 11.2 percent lower than in the same period in 2019. Similarly, U.S. exports of goods were down by 13.9 percent in the first eleven months of 2020. California imports of goods from January to November 2020 were 4.1 percent lower than the same period in 2019. In comparison, U.S. imports of goods were down by 7.6 percent in the first eleven months of 2020. Continued uncertainty surrounding the stability of global supply chains and the unknown duration of the COVID-19 pandemic present ongoing risks to U.S. and California trade.

  A material change or imposition of tariffs by the federal government on the state's trading partners could directly and indirectly impact the state's economy. In 2019, the U.S. imposed tariffs of up to 25 percent on $250 billion worth of Chinese products, equivalent to half of the nation's imports from China. 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 2019 annual average data), a trade war could have negative effects on the state's economy. In 2019, merchandise imports from China entering through California totaled 31.7 percent of the state's total imports, down 19.8 percent from the 2018 pre-tariff level and the largest year-over-year decline since the 9.6 percent drop in 2009, during the Great Recession. California's merchandise exports to China accounted for 9.1 percent of the state's total exports in 2019, down 3.2 percent from 2018.

  The persistence of trade barriers exacerbates the supply chain issues triggered by the COVID-19 pandemic, increasing the costs of imports purchased from abroad and leading to decreased revenues of companies. These effects potentially impact wages and employment in the short run and could trigger a change in the business model of companies that until now have made significant investment decisions based on a system of free global trade.

- Federal Census. An undercount in the 2020 Census could particularly disadvantage the state for the next decade when federal funds and legislative seats are apportioned. California has a significant share of the population designated "hard-to-count" by the Census Bureau including the foreign-born, children under 5, the non-white population, and renters. While California accounts for 12 percent of the U.S. population, the state has nearly 22 percent of the hard-to-count national population. Although California implemented a campaign to mitigate the risk of a population undercount, the COVID-19 pandemic increased the risk of undercount, particularly when considering mass movement of college aged populations. Data from the 2020 Census will become the new state benchmark starting with July 2021 estimates to be released in December 2021 and new population projections released in mid-2022.

- Population Projections. The most recent projections, released January 2020, using 2019 data, 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. COVID-19 and the resulting recession create conditions that will likely further reduce births, increase deaths, and slow or reverse migration. Growth rates will likely be negative in the immediate future, and forecasted trends may take years to recover.

- 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. The consequences of the COVID-19 pandemic may also significantly increase General Fund health care costs. See "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—State Expenditures—*Health and Human Services*."

- Housing Constraints. California continues to face a critical housing shortage. California residential housing units authorized by building permits in the first three quarters of 2020 averaged 9.8 percent lower than in the same period in 2019. Multi-family units were down by 18.9 percent in the first three quarters of 2020 relative to the same period in 2019, whereas single-family units were only down by 0.7 percent. With fewer permits issued, the unprecedented increase in unemployment and potential for subsequent evictions along with the reluctance of builders to build homes during an economic downturn may worsen the housing shortage. Given the state's structural housing supply constraints and shortage, lower-income populations will be especially vulnerable to evictions. This may negatively impact the state as Californians will face increasing affordability issues which may affect their decisions about where to live and work. Businesses may subsequently leave as they base their location decisions on the ability of their employees and customers to live nearby.

- Debts and Liabilities. The state's past budget challenges were often addressed by use of unprecedented levels of debt, deferrals, and budgetary obligations accumulated during periods of economic recession in the prior two decades. Since the end of the last economic 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"). As part of the 2020 Budget Act, several billion dollars of new budgetary loans and education deferrals were utilized to help offset the revenue losses due to the COVID-19 pandemic. Additionally, 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. The state historically has been susceptible to wildfires and hydrologic variability. However, 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 unprecedented wildfires and a multi-year drought. In 2020, over 4 million acres burned in California, more than twice the previous record of over 2 million acres in 2018. Wildfires may increase health care costs for Californians. Destruction of housing also increases the demand for construction resources from rebuilding, and worsens the state’s housing imbalances. The future fiscal impact of climate change on the state budget is difficult to predict, but it 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 and water infrastructure projects.

- 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. In 2017, the state established a statewide security operations center to protect against malicious activity targeting critical technology infrastructure. 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.

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 fifteen years starting in fiscal year 2015-16, 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 limit) 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 pensions and retiree health costs. The two main retirement systems managed by state entities, 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. Although previously included as an eligible use of Proposition 2 funds, the state is not legally responsible for the pension and retiree health care costs of the University of California, an independent corporate entity under state law. As a result, these costs are no longer displayed on Table 6.

The 2020 Budget Act prefunded state retiree health benefits ($340 million), made another repayment towards the $6 billion loan applied to the fiscal year 2017-18 supplemental pension payment to CalPERS, as further described below ($221 million), makes a supplemental pension payment towards the unfunded liability of the state patrol member category ($243 million), and paid down a portion of the state's unfunded liability for teachers' pensions ($297 million).

The 2021-22 Governor's Budget again proposes to prefund state retiree health benefits ($926 million), make another repayment towards the $6 billion loan applied to the fiscal year 2017-18 supplemental pension payment to CalPERS, as further described below ($228 million), make a supplemental pension payment towards the unfunded liability of the state employee pension plans ($1.47 billion), and pay down the state's portion of the unfunded liability for teachers' pensions ($410 million).

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. As of the 2021-22 Governor's Budget, the Department of Finance projected the supplemental pension payment will save an estimated $6.3 billion (net of principal and interest on the 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 loan. Approximately half of the total 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 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 a given year. This occurrence, if not otherwise offset by a difference between CalPERS returns and the interest rate on the loan greater than estimated for the 20-year period, could result in a lower than anticipated benefit to the state as compared to the estimate. The 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 loan is required to be repaid from the General Fund and other funds no later than June 30, 2030. The first two General Fund repayments of this loan, which included interest and principal, were made with a fiscal year 2017-18 appropriation ($294 million) and a fiscal year

2018-19 appropriation ($723 million). A third General Fund repayment of this loan of $390 million (interest and principal), was made with a fiscal year 2019-20 appropriation. A fourth General Fund repayment of this loan, $221 million (interest and principal), is scheduled to be made with a fiscal year 2020-21 appropriation. Changes made to these repayment amounts from what was reported as of the 2018 Budget Act are due to updates in estimated available Proposition 2 funding in each respective fiscal year. The General Fund's share of the repayment of the loan over the expected term of the loan is eligible under Proposition 2's debt repayment requirements, as reflected in Table 6. As a result, the remaining balance is to be repaid from other funds that contribute to CalPERS and are expected to benefit from the supplemental pension payment.

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TABLE 6
Debts and Liabilities under Proposition 2
2021-22 Governor's Budget
(Dollars in Millions)

	Fiscal Year				
	Outstanding Amount at July 1, 2021[(a)]	**Proposed 2021-22 Pay Down**	**Proposed 2022-23 Pay Down**	**Proposed 2023-24 Pay Down**	**Proposed 2024-25 Pay Down**
State Retirement Liabilities (Unfunded Actuarial Estimate)					
State Retiree Health	$ 91,929	$ 926	$ 305	$ 325	$ 340
State Employee Pensions—SB 84 Loan[(b)]		228	56	14	768
State Employee Pensions[(c)]	61,409[(d) (e)]	1,474	1,978	1,614	475
Teachers' Pensions	102,636[(f)]	410	307	210	85
Judges' Pensions	3,170	0	0	0	0
Total	**$ 259,144**	**$ 3,038**	**$ 2,646**	**$ 2,163**	**$ 1,668**

(a) These amounts reflect unfunded actuarial liabilities measured as of June 30, 2019. The unfunded actuarial liabilities measured as of June 30, 2020 are expected to be published during calendar year 2021.

(b) The pay down amounts under State Employee Pensions—SB 84 Loan reflect repayment of the General Fund's share of the $6 billion loan described in this section.

(c) The pay down amounts under State Employee Pensions reflect 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 $39 million as of June 30, 2019.

(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 report.

(f) The amount does not reflect the reduction in the outstanding amount as a result of the supplemental pension payments shown in the table. The state portion of the unfunded liability for teachers' pensions is $33.1 billion. See EXHIBIT 1—"PENSION SYSTEMS—CalSTRS."

Due to the COVID-19 pandemic, conditions allowed for funds in the BSA to be returned to the General Fund for appropriation, as well as to suspend or reduce required transfers to the BSA. See "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—Budget Reserves—*Budget Stabilization Account*."

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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.

COVID-19 Litigation

As described in "COVID-19," California, like other state and local government authorities, has implemented, and revised from time to time, restrictions on mass gatherings and widespread closings and modifications of the operations of businesses, universities and schools. The cases described below have been filed against the Governor and state public health officials challenging such restrictions. Currently, these cases are proceeding as putative class actions seeking damages for alleged injuries purportedly caused as a result of the restrictions, including for the alleged loss of business income. At this time, neither case has been certified as a class action. If either case is certified and achieves success on such claims, then the impact of the litigation on the state's General Fund could be significant.

In *Tatoma, Inc., dba Atelier Aucoin Salon v. Gavin Newsom, et al.* (U.S. District Court, Southern District, Case No. 21-cv-0098-BEN-JLB), a putative class action complaint was filed by a San Diego salon, challenging the constitutionality of COVID-19 restrictions regarding hair and nail salons. The putative class includes "all residents in the State of California holding barbering or cosmetology licenses which were active as of March 19, 2020 and who have been unable to work at any time from March 19, 2020 to the present due to the Closure Orders issued by the State of California." Plaintiff alleges that the restrictions violate the Due Process Clause, Equal Protection Clause, and Takings Clause of the U.S. Constitution, as well as the right to liberty, the right to property and right to protection from takings without compensation of the California Constitution (art. 1, §§ 1, 7, 19). As part of the requested relief, plaintiff seeks "an order and judgment requiring Defendants to provide just compensation for the regulatory taking of [p]laintiff's private property."

In *640 Tenth LLP, et al. v. Gavin Newsom* (San Diego County Superior Court, Case No. 37-2020-00041316-CU-MC-CTL), a putative class action complaint was filed by a group of Southern California restaurants and gyms, challenging COVID-19 orders that required them to cease indoor operations. The putative class includes all restaurants and gyms in San Diego County. Plaintiffs allege that the Governor and health officials violated various state and federal provisions, and that the restrictions on the operation of their businesses "caused both a regulatory and physical taking of plaintiffs' property without just compensation." As part of the requested relief, plaintiffs seek "appropriate allowable monetary damages to compensate [p]laintiffs['] injuries."

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 twenty-nine 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. Seven lawsuits filed on behalf of individuals, businesses and public agencies are currently pending against the Department. The suits claim damages arising out of these events, including alleged damage to real and personal property, business losses, and relocation expenses. All the lawsuits have been coordinated.

In addition to the seven lawsuits, 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 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

Two pending class action cases challenge the fee imposed by former Revenue and Taxation Code Section 17942 on limited liability companies ("LLCs") registered in California, alleging that the fee violates the federal and state constitutions, is an improper exercise of the state's police powers, and has been misapplied by the Franchise Tax Board. *Bakersfield Mall LLC v. Franchise Tax Board* (San Francisco County Superior Court, Case No. CGC-07-462728 and *CA-Centerside II, LLC v. Franchise Tax Board* (Fresno County Superior Court, Case No. 10 CECG00434). In each case, the individual plaintiff seeks a refund of $56,000 for itself and a class of over 50,000 members. The cases are coordinated for hearing in San Francisco as the *Franchise Tax Board LLC Tax Refund Cases*, Judicial Council Proceeding No. 4742. If plaintiffs ultimately prevail on the merits on behalf of the classes, the potential refunds could total $1.2 billion.

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 trial court ruled that the regulation is inconsistent with statute and therefore invalid. The California Department of Tax and Fee Administration has appealed. Petitioners have 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 trial 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. If plaintiffs revive their claims in the second action, or if they bring a new class action tax refund claim, the court could order sales tax refunds potentially exceeding $1 billion.

Prison Healthcare Reform and Reduction of Prison Population

The adult prison health care delivery system includes medical health care and mental health care. There are two significant cases pending in federal district courts challenging the constitutionality of prison health care. *Plata v. Brown* (U.S. District Court, Northern District, Case No. C01-1351 JST) is a class action regarding the adequacy of medical health care, and *Coleman v. Brown* (U.S. District Court, Eastern District, Case No. 2:90-cv-00520 KJM-DB (PC)) is a class action regarding mental health care. A third case, *Armstrong v. Brown* (U.S. District Court, Northern District, Case No. C 94-02307 CW), is a class action on behalf of inmates with physical disabilities alleging violations of the Americans with Disabilities Act and Section 504 of the Rehabilitation Act. In *Plata* the district court appointed a Receiver, who took office in April 2006, to run and operate the medical health care portion of the health care delivery system. The *Plata* Receiver and the Special Master appointed by the *Coleman* court, joined by the court representative appointed by the *Armstrong* court, meet routinely to coordinate efforts in these cases. To date, ongoing costs of remedial activities have been incorporated into the state's budget process. However, at this time, it is unknown what future financial impact this litigation may have on the state's General Fund. In March 2015, the *Plata* court modified its order to update and clarify the process to transition responsibility for inmate medical care back to the state. This transition process is ongoing.

In *Plata* and *Coleman*, discussed above, a three-judge panel issued orders requiring the state to meet a final population-reduction benchmark by February 28, 2016, and to implement a number of measures designed to reduce the prison population. In January 2015, the state met this court-ordered population benchmark. The three-judge panel's order requires ongoing oversight until the state demonstrates compliance with the population benchmark is durable.

High-Speed Rail Litigation

In *Tos, et al. v. California High-Speed Rail Authority, et al.* (Sacramento County Superior Court, Case No. 34-2016-00204740), plaintiffs seek a declaration that a state law enacted in 2016 is an unconstitutional amendment of the high-speed rail bond act and to prevent the California High-Speed Rail Authority from expending bond proceeds in reliance on the challenged state law. The trial court denied plaintiffs' requests for a temporary restraining order and a preliminary injunction. Plaintiffs filed an amended complaint adding a claim challenging the approval of the Authority's plans for expenditure of bond proceeds by the Director of the Department of Finance. The trial court denied plaintiff's motion for judgment on the pleadings on the constitutional claim. Plaintiff's agreed that the court's ruling was determinative of their claims, and stipulated to a judgment in favor of the Authority. Plaintiffs appealed the judgment. (Court of Appeal, Third Appellate District, Case No. C089466.)

The federal government authorized $3.5 billion in grants (of which $2.6 billion has been expended) for the Central Valley segment of the high-speed rail project. In the event the state does not meet the requirement of the grant agreements, such as because a final decision in this matter prevents the use of bond proceeds, and the state is unable to complete the Central Valley segment with other funds or provide other matching funds consistent with the grant agreements, the state may be required to repay the federal grant moneys. As of December 2019, approximately $832 million of state expenditures were pending review by the federal government. If those expenditures are approved in full, the amount of unmatched federal spending will be approximately $1.5 billion.

In a February 19, 2019 letter, the Federal Railroad Administration ("FRA") stated its preliminary intention to terminate the grant agreement providing $930 million in unexpended funds for the project, listing various purported failures to satisfy obligations under the agreement. In the letter, the FRA states it will consider any timely-provided information showing that those obligations were satisfied before the FRA actually terminates the agreement. The letter also states that the FRA reserves the rights it might have under the grant agreements, including any right it might have to recovery of any federal funds expended. The Authority responded to the FRA's letter on March 4, 2019. By letter dated May 16, 2019, the FRA issued a final decision terminating the grant agreement. On May 21, 2019, the state and the Authority filed an action against FRA challenging the termination decision. (*State of California v. United States Department of Transportation*, U.S. District Court, Northern District, Case No. 3:19-cv-02754-JD.)

State Mandates

Petitioners in *Coast Community College District, et al. v. Commission on State Mandates* (Sacramento County Superior Court, Case No. 34-2014-80001842) assert that costs for complying with certain laws and regulations prescribing standards for the formation and basic operation of state community colleges are state-mandated costs that must be reimbursed by the state. The trial court denied the petition. Petitioners appealed and the Court of Appeal reversed and remanded much of the matter to the Commission on State Mandates to determine whether several minimum conditions for state aid are new programs or higher levels of service requiring state reimbursement. (Court of Appeal, Third Appellate District, Case No. C080349.) The Supreme Court granted review and depublished the Court of Appeal's opinion. (California Supreme Court, Case No. S262663.) The potential amount of reimbursement for such costs cannot be determined at this time.

Medi-Cal Reimbursements

In *Perea, et al. v. Dooley, et al.* (Alameda County Superior Court, Case No. RG-17-867262), petitioners 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 Latinos. Petitioners seek a writ of mandate and declaratory and injunctive relief that could require defendants to raise Medi-Cal reimbursement rates. A second case, *Deuschel v. California Health and Human Services Agency, et al.* (Los Angeles County Superior Court, Case No. BS171070), makes similar claims regarding the effect of Medi-Cal reimbursement rates on seniors and persons with disabilities, and seeks similar relief. At this time, 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 the 2019-20 fiscal year, 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 the 2019-20 fiscal year unfairly restricts new enrollment at these schools in violation of various provisions of the California Constitution, including the right to due process and the contracts clause. Plaintiffs seek relief similar to that sought in the *Atkins* case described above. On March 10, 2021, the court certified non-classroom-based schools as a class. The parties will brief the merits of the case, and a hearing is scheduled for July 2021.

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

FINANCIAL STATEMENTS

The State of California Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019 (the "2019 Annual Comprehensive Financial Report") was released on October 30, 2020. It is included as an appendix to this Official Statement and incorporated into

APPENDIX A. The 2019 Annual Comprehensive Financial Report includes a Financial Section that consists of an Independent Auditor's Report, Management's Discussion and Analysis, and Basic Financial Statements of the state for the Year Ended June 30, 2019 ("Basic Financial Statements"). The 2019 Annual Comprehensive Financial Report 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. Generally, the state's basic financial statements for a fiscal year are 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. According to the State Controller, the delay in completion of the 2019 Annual Comprehensive Financial Report was due, in part, to 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 2019 Annual Comprehensive Financial Report.

According to the State Controller, for primarily the same reasons described above for the delay in completion of the 2019 Annual Comprehensive Financial Report as well as the resulting late start on the State of California Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2020 (the "2020 Annual Comprehensive Financial Report"), the 2020 Annual Comprehensive Financial Report is expected to be delayed beyond March 31, 2021, the target date for release of the state's basic financial statements each fiscal year. The State Controller expects the 2020 Annual Comprehensive Financial Report to be released after June 30, 2021. The State Controller expects to prepare unaudited financial statements for fiscal year 2019-20 after April 30, 2021. The State expects that it will promptly file such unaudited financial statements, if prepared, on the EMMA website. When the 2020 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 of California Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018 (the "2018 Annual Comprehensive Financial Report") was released on June 5, 2019. On July 19, 2019, 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, 2018" (the "Auditor's Fiscal Year 2017-18 Report"). The Auditor's Fiscal Year 2017-18 Report includes conclusions of the State Auditor's Office regarding factors in the delay in the release of the 2018 Annual Comprehensive Financial Report, responses to those conclusions by the State Controller's Office and commentary from the State Auditor's Office to such responses. The Auditor's Fiscal Year 2017-18 Report is available on the website of the State Auditor at https://www.bsa.ca.gov. This report is not part of or incorporated into APPENDIX A.

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, 2019 through June 30, 2020 and July 1, 2020 through February 28, 2021 are included as EXHIBIT 2 to APPENDIX A. If the State Controller issues such a monthly report between the date on which a preliminary offering document for the securities offered in connection with this Appendix A is delivered and the date on which the related final offering document is delivered, such monthly report will be included in such final offering document.

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

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PART II

STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES

The Budget Process

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

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

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

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

The General Fund

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

The General Fund is the principal operating fund for the majority of governmental activities and is the depository of most of the major tax revenue sources of the state. For additional financial information on the General Fund, see the State Controller's unaudited report of General Fund cash receipts and disbursements attached to APPENDIX A as EXHIBIT 2 and the state's Basic Financial Statements included as an appendix to this Official Statement. 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, a number of 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 the "realignment" program for many services including housing criminal offenders.

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*."

The state's adopted budget for fiscal year 2018-19 created the Safety Net Reserve Fund. The 2021-22 Governor's Budget includes a balance of $450 million in this reserve. See "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—Budget Reserves."

Sources of Tax Revenue

In the second quarter of 2020, the long-running economic expansion came to an end as the COVID-19 pandemic forced dramatic downturns in many industries and almost completely shut down others. Most of these downturns directly affected low-income wage earners and exacerbated income inequality as high-income earners remain mostly unaffected. Based on the fact that personal income tax withholding receipts in 2020 increased by over 6 percent year-over-year in 2020 in the face of record unemployment and wage declines, it appears that high-wage taxpayers that are subject to higher tax rates have generally not faced significant adverse effects of the economic downturn caused by the COVID-19 pandemic. Sales tax revenues have also been unexpectedly strong, due to a shift in consumption from services to taxable goods. However, a 2 percent drop in sales tax revenues for the 12-month period from July 1, 2019 to June 30, 2020 compared with the 12-month period from July 1, 2018 to June 30, 2019, as well as the decline in total nonfarm employment of 1,705,000 from April 2020 to June 2020 and of 1,865,400 from January 2020 to June 2020 was sufficient to meet the criteria that would have allowed the Governor to pause the minimum wage increase at the beginning of 2021. The Governor declined to do so in September 2020, and the forecast includes scheduled increases in the minimum wage to $14.00 an hour for employers with 26 or more employees, or $13.00 an hour for employers with fewer employees on January 1, 2021. Future increases to $15.00/$14.00 an hour on January 1, 2022, and $15.00 an hour for all employers on January 1, 2023, as well as indexing for inflation afterwards, are also included.

In addition to strong growth in personal income tax withholding, the record highs set in the stock market suggests that capital gains, which accrue largely to high income households, are likely to show strong growth in 2020 and 2021. Because the economic hardship of the COVID-19 pandemic has largely impacted low-income taxpayers, and because of California's progressive tax structure, California's revenues have only suffered a moderate slowdown, much smaller than what was expected when the 2020 Budget Act was adopted in June. As discussed in the Economic Assumptions section, the 2021-22 Governor's Budget forecast does not include the federal stimulus passed in late December 2020, and the additional low-income support in the December stimulus legislation is expected to reduce the risks to those households. The effects of the federal stimulus will be included in the May Revision forecast, but at this time the effects on higher-income households and revenues are expected to be limited.

The 2020-21 Budget included two major tax policy changes to temporarily increase revenues and mitigate the adverse impact of COVID-19 that remain in effect: (1) suspend Net Operating Loss ("NOL") usage for tax years 2020, 2021, and 2022 for businesses with income equal to or greater than $1 million and (2) limit credit usage to $5 million per year for tax years 2020, 2021, and 2022. These two provisions are included in the 2021-22 Governor's Budget and projected to increase revenues by $3.9 billion in fiscal year 2020-21, $3.5 billion in fiscal year 2021-22, and $1.3 billion in fiscal year 2022-23, with 95 percent of the total coming from corporate income tax revenues and the remaining 5 percent coming from personal income tax revenues. Since these provisions are temporary and represent a deferral in businesses' ability to use their NOLs and credits, revenue losses of around a billion dollars per year are expected for a few years beginning in fiscal year 2023-24.

The 2021-22 Governor's Budget included a proposal called the Golden State Stimulus that is intended to provide immediate cash support to families most likely to have suffered economically from the COVID-19 pandemic. Regardless of income, all Californians pay a variety of taxes, including on the purchase of taxable goods, and this proposal would have refunded $600 of those taxes to certain low-income taxpayers. This tax refund is expected to reduce personal income tax revenues by $2.4 billion in fiscal year 2020-21. The Legislature expanded and modified this proposal in a bill signed by the Governor on February 23, 2021. The impact of this changed proposal will be included in the May Revision.

The 2021-22 Governor's Budget includes additional policy proposals as follows: (1) increase the Main Street Small Business Tax Credit, for which the 2020-21 Budget had included an allocation of $100 million in fiscal year 2020-21, by an additional $100 million in fiscal year 2021-22, and change the qualifying criteria to attract more businesses; (2) increase the current annual $180 million Cal Competes allocations by $90 million in fiscal year 2021-22 and by $90 million in fiscal year 2022-23; (3) increase the California Alternative Energy and Advanced Transportation Financing Authority ("CAEATFA") sales tax exclusion from $100 million to $200 million in calendar year 2021; and (4) allow individuals with income from S-corporations to effectively deduct some or all of their state and local taxes paid by electively paying an entity-level tax and receiving a tax credit in return. The General Fund revenue losses from these provisions are expected to be $82 million in fiscal year 2021-22 and $41 million in fiscal year 2022-23 and affect personal income tax, corporate income tax, and sales tax revenues.

The following is a summary of the state's major tax revenues and transfers. In fiscal years 2020-21 and 2021-22, as in most 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 a one-time transfer in fiscal year 2018-19 to the Safety Net Reserve Fund, 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 COVID-19 and wildfires increased General Fund revenues and transfers by over $700 million in fiscal year 2019-20, $2.7 billion in fiscal year 2020-21, and $6.4 billion in fiscal year 2021-22. General Fund revenues and transfers in fiscal year 2020-21 reflect a $7.8 billion withdrawal from the BSA, a $3.2 billion transfer to the BSA, $2.3 billion in loans and loan repayments to the General Fund, and a $450 million withdrawal from the Safety Net Reserve Fund. General Fund revenues and transfers in fiscal year 2021-22 reflect a $3.0 billion transfer to the BSA and over $400 million in loan repayments to special funds.

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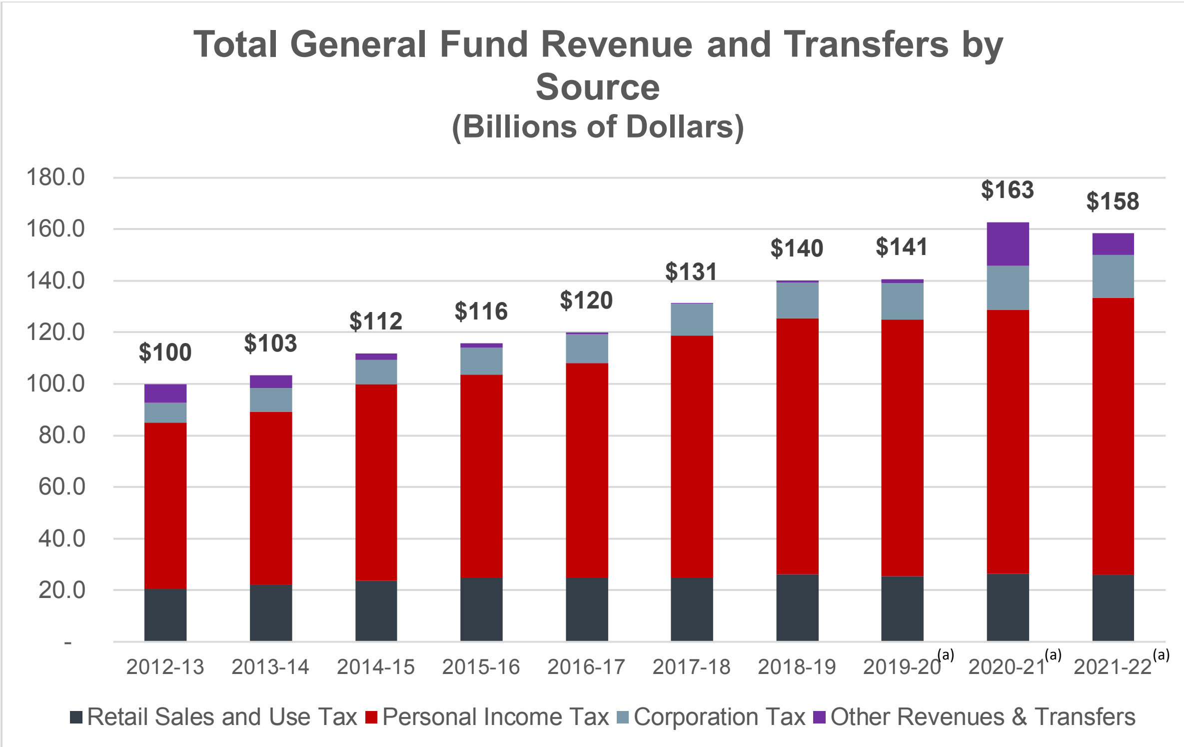

(a) Projected.

Note: Chart reflects yearly transfers from the General Fund to the BSA of $1.6 billion in fiscal year 2014-15, $2.1 billion in fiscal year 2015-16, $3.0 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, $3.2 billion in fiscal year 2020-21, and $3 billion in fiscal year 2021-22. 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 of $4.6 billion in fiscal year 2020-21). The chart also reflects a one-time transfer of $900 million to the Safety Net Reserve Fund in fiscal year 2018-19, and a withdrawal of $450 million to the General Fund from the Safety Net Reserve Fund in fiscal year 2020-21. Transfers reduce General Fund revenues and transfers by the amounts of the transfers while withdrawals increase General Fund revenues and transfers by the amounts of the withdrawals.

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

Fiscal Year	Personal Income Tax[(b)]		Sales & Use Tax		Corporate Income Tax[(c)]		Other Revenues and Transfers		Total
2012-13	$64,484	*64.5%*	$20,482[(b)]	*20.5%*	$7,783	*7.8%*	$7,166	*7.2%*	$99,915
2013-14	67,025	*64.8*	22,263[(b)]	*21.5*	9,093	*8.8*	4,994	*4.8*	103,375
2014-15	76,169	*68.1*	23,682[(b)]	*21.2*	9,417	*8.4*	2,521	*2.3*	111,789
2015-16	78,735	*68.1*	24,871[(b)]	*21.5*	10,460	*9.0*	1,595[(d)]	*1.4*	115,661
2016-17	83,264	*69.4*	24,874[(b)]	*20.7*	11,020	*9.2*	823[(d)]	*0.7*	119,982
2017-18	93,776	*71.5*	24,974	*19.0*	12,313	*9.4*	53[(d)]	*0.0*	131,116
2018-19	99,189	*70.8*	26,150	*18.7*	14,075	*10.0*	645[(d)]	*0.5*	140,060
2019-20[(a)]	99,509	*70.8*	25,495	*18.1*	14,035	*10.0*	1,583[(d)(e)]	*1.1*	140,623
2020-21[(a)]	102,208	*62.8*	26,508	*16.3*	16,948	*10.4*	17,077[(d)(e)(f)]	*10.5*	162,742
2021-22[(a)]	107,360	*67.8*	25,925	*16.4*	16,636	*10.5*	8,449[(d)(e)(f)]	*5.3*	158,370

(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 $2.4 billion for tax refunds related to the Golden State Stimulus, proposed in the 2021-22 Governor's Budget.

(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 an increase of $3.7 billion in fiscal year 2020-21 and $3.3 billion in fiscal year 2021-22 due to the suspension of Net Operating Losses and the limitation on the use of business incentive tax credits.

(d) Beginning in fiscal year 2014-15, reflects transfers from the General Fund to the BSA for rainy day purposes and a one-time transfer of $900 million in fiscal year 2018-19 to the Safety Net Reserve Fund. Fiscal year 2020-21 includes a net transfer of $4.6 billion from the BSA, which increases General Fund revenues and transfers.

(e) Includes over $700 million in cost recovery revenues for federal reimbursement of expenses related to COVID-19 and wildfires in fiscal year 2019-20, $2.7 billion in fiscal year 2020-21, and $6.4 billion in fiscal year 2021-22.

(f) Includes $2.3 billion in loans and loan repayments to the General Fund and a $450 million withdrawal from the Safety Net Reserve Fund in fiscal year 2020-21, and a $400 million General Fund loan repayment to special funds in fiscal year 2021-22.

Note: Percentages may not add to 100 percent because of rounding.
Source: State of California, Department of Finance.

1. <u>*Personal Income Tax*</u>

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") indicates that the top 1 percent of state income taxpayers paid 46.2 percent of the state's total PIT in tax year 2018.

Proposition 30 and Proposition 55, passed in 2012 and 2016, 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 2021-22 Governor's Budget projects the revenue from these additional tax brackets to be $9 billion in fiscal year 2019-20, $9.4 billion in fiscal year 2020-21, and $9.4 billion in fiscal year 2021-22.

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	
2012-13	$8,711	8.4%	$58,314	56.4%	$67,025	64.8%
2013-14	8,711	8.4	58,314	56.4	67,025	64.8
2014-15	11,469	10.3	64,700	57.9	76,169	68.1
2015-16[(c)]	11,713	10.1	67,022	57.9	78,735	68.1
2016-17[(c)]	12,255	10.2	71,010	59.2	83,264	69.4
2017-18[(c)]	14,457	11.0	79,319	60.5	93,776	71.5
2018-19[(b)(c)]	15,597	11.1	83,593	59.7	99,189	70.8
2019-20[(b)(c)(d)]	16,476	11.7	83,034	59.0	99,509	70.8
2020-21[(b)(c)(d)]	17,641	10.8	84,567	52.0	102,208	62.8
2021-22[(b)(c)(d)]	18,213	11.5	89,148	56.3	107,360	67.8

(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 2018-19, 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 of $200 million in fiscal year 2015-16, $205 million in fiscal year 2016-17, $348 million in fiscal year 2017-18, $396 million in fiscal year 2018-19, $1.1 billion in fiscal year 2019-20, $1.1 billion in fiscal year 2020-21, and $1.2 billion in 2021-22.

(Footnotes Continued on Following Page)

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[d] Reflects an increase in revenues of $1.3 billion in 2019-20, $890 million in fiscal year 2020-21, and $960 million in 2021-22 due to state conformity to certain federal tax law changes enacted as part of the Tax Cuts and Jobs Act enacted in December 2017. Reflects a reduction of revenues of $2.4 billion in fiscal year 2020-21 due to tax refunds projected to be issued in connection with the Golden State Stimulus, proposed in the 2021-22 Governor's Budget.

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 2012 through 2018, and forecasted realizations for 2019 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 2021-22 Governor's Budget projected that capital gains would account for approximately 11.7 percent of General Fund revenues and transfers in fiscal year 2019-20, declining to 10.8 percent in fiscal year 2020-21, and increasing to 11.5 percent in fiscal year 2021-22. 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."

2. *Sales and Use Tax*

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

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

The breakdown for the uniform statewide state and local sales and use tax (referred to herein as the "sales tax") rate of 7.25 percent was 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 was expected to generate $7.4 billion in fiscal year 2020-21 and $7.3 billion in fiscal year 2021-22.

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 forecasted 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 forecasted 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 2021. See "GOVERNOR'S PROPOSED FISCAL YEAR 2021-22 BUDGET" for a projection of the SFEU balance for fiscal years 2020-21 and 2021-22.

On June 21, 2018, the Supreme Court ruled 5-4 in favor of South Dakota in *South Dakota v. Wayfair, Inc.*, overruling previous decisions (*Quill* & *Bellas Hess*) which significantly limited states' legal authority to require that out-of-state retailers collect and remit use tax. *Quill* & *Bellas Hess* had resulted in large use tax gaps as e-commerce has grown to account for about 10 percent of overall U.S. retail sales. In April 2019, the Legislature passed Chapter 5, Statutes of 2019 (AB 147) which made changes to sales tax law in the wake of the *Wayfair* decision, including requiring that businesses remit sales tax to California if they met a threshold of $500,000 sales into California per year. It also mandated that any business acting as a marketplace facilitator had to remit California sales tax for sales into California that took place on their website. The $500,000 threshold requirement went into effect on April 25, 2019 and the marketplace facilitator requirement went into effect on October 1, 2019. This legislation helped capture much of the shift to online transactions that occurred as a result of the COVID-19 pandemic.

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, which accounted for 6.3 percent of corporation tax revenue in fiscal year 2019-20.

Legislation enacted in the Budget Acts of 2008, 2009, and 2010 significantly reduced corporation tax revenues beginning in fiscal year 2011-12. However, the passage of Proposition 39 in 2012 reversed a portion of the reduction in revenue due to those tax changes. Proposition 39 amended a provision giving corporations an option on how to calculate the portion of worldwide income attributable to California. By requiring corporations to base their state tax liability on sales in California, it is estimated that state revenues are currently about $1 billion higher than they would be if Proposition 39 had not passed.

The temporary business tax credit limitation and temporary suspension of net operating loss provisions that were adopted in the 2020 Budget Act are expected to increase corporation tax revenue by $3.7 billion in 2020-21 and by $3.3 billion in 2021-22. The revenue estimate related to these provisions is highly uncertain and therefore represents a significant risk to the corporation tax revenue forecast.

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 generate General Fund revenues of $3.3 billion in fiscal year 2020-21 and is estimated to generate $3.3 billion in fiscal year 2021-22 as well.

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 approximately 32.3 percent of all special fund revenues in fiscal year 2021-22. Principal sources of this income are motor vehicle fuel taxes, registration and weight fees, and vehicle license fees. In fiscal year 2021-22, $18.7 billion of special fund revenues were 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."

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The following table displays major special fund revenues (actual and as estimated in January 2021).

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

Fiscal Year	Sales and Use[(a)]	Personal Income[(b)]	Tobacco[(c)]	Cannabis	Motor Vehicle Fuel[(d)]	Motor Vehicle Fees[(e)]	Insurance	Managed Care Organization Tax
2012-13	$19,161	$1,684	$779		$5,493	$5,839	$21	
2013-14	20,168	1,282	747		6,063	6,205		$828
2014-15	21,025	1,831	746		5,711	6,489		1,464
2015-16	20,766	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	23,297	2,119	2,080	$85	6,352	8,549		2,469
2018-19	24,502	2,297	1,990	299	7,558	9,848		2,456
2019-20[(a)]	23,890	2,370	1,898	491	7,798	9,723		1,672
2020-21[(a)]	24,814	2,540	1,781	544	8,023	10,284		2,318
2021-22[(a)]	24,552	2,636	1,556	658	8,639	10,412		

(a) These figures include allocations to Public Transportation Account, State Fiscal Recovery Fund, 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 State Fiscal Recovery Fund 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.

(b) 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.

(c) Figures include allocations to the California Children and Families First Trust Fund, Breast Cancer Fund, and the Cigarette and Tobacco Products Surtax Fund, and starting in fiscal year 2016-17, the California Healthcare, Research and Prevention Tobacco Tax Act of 2016 Fund. Fiscal year 2020-21 and 2021-22 amounts assume that a flavor ban for cigarette and tobacco products takes effect on January 1, 2021, but a referendum of the ban qualified for the November 2022 ballot on January 22, 2021, suspending implementation of the ban.

(d) 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.

(e) Registration and weight fees, motor vehicle license fees and other fees. Includes $800 million in fiscal year 2017-18, $1.7 billion each fiscal year in 2018-19 and 2019-20, $1.8 billion in fiscal year 2020-21, and $1.9 billion in fiscal year 2021-22 from a new graduated fee at $25 to $175 per vehicle. See "STATE FINANCES—OTHER ELEMENTS—Local Government Impacts on State Finances."

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 $60.2 million going to the General Fund and $1.9 billion going to special funds in fiscal year 2019-20. 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.

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 had been $9.25 per ounce of flower, $2.75 per ounce of leaves, or $1.29 per ounce of fresh whole plant, but was indexed for inflation beginning in 2020. 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.

State Expenditures

Certain information concerning state expenditures as set forth in the 2020-21 Governor's Budget is presented below. As described in "COVID-19," the COVID-19 pandemic materially impacted the state's revenues and expenditures beginning in fiscal year 2019-20, and is expected to continue to do so for the foreseeable future.

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). Other expenditure categories are shown in Table 17.

Expenditure estimates are updated three times a 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 $59.8 billion from the General Fund for fiscal year 2021-22 (both Non-Proposition 98 and Proposition 98). The state also provides instruction and support services for approximately 2.1 million students based on enrollment (or approximately 1.1 million full-time equivalent students) at 115 community colleges.

Response to the COVID-19 Pandemic. The 2020 Budget Act included a provision which protects K-12 schools from attendance declines resulting from COVID-19 by largely keeping K-12 apportionment funding at 2019-20 fiscal year levels while suspending the application of the 2020-21 statutory Cost-of-Living Adjustment. The 2020 Budget Act also reflected $11 billion in K-12 principal apportionment deferrals of payments that would otherwise be made in fiscal year 2020-21 to fiscal year 2021-22, as follows: February 2021 to November 2021 ($1.54 billion), March 2021 to October 2021 ($2.38 billion), April 2021 to September 2021 ($2.38 billion), May 2021 to August 2021 ($2.38 billion), and June 2021 to July 2021 ($2.38 billion). The 2021-22 Governor's Budget proposes to fully pay off these deferrals in the above specified months within the 2021-22 fiscal year. Additionally, the 2021-22 Governor's Budget proposes a new $3.7 billion in K-12 principal apportionment deferral of a payment that would otherwise be made in June 2022 into July 2022. This new deferral allows for $6.6 billion in early action proposals to be appropriated in the spring of fiscal year 2020-21 directed toward providing resources for K-12 schools to reopen safely and for expanded learning and academic interventions for those students most disproportionately impacted by the pandemic. Lastly, in recognition of the suspended Cost-of-Living Adjustment for the 2020-21 fiscal year, the 2021-22 Governor's Budget proposes a compounded Cost-of-Living Adjustment for the 2021-22 fiscal year of 3.84 percent applied to the Local Control Funding Formula ("LCFF") to return it to its pre-COVID-19 pandemic target levels, had the 2020-21 adjustment not been suspended. This compounded Cost-of-Living Adjustment, combined with estimated attendance changes, is projected to result in an increase of $2 billion in fiscal year 2021-22 over the revised fiscal year 2020-21 fiscal year LCFF Target amount.

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 ("EPA"), 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 2020-21 and 2021-22" 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. At the time of the 2021-22 Governor's Budget, these conditions are met in both fiscal years 2020-21 and 2021-22, requiring deposits of $746.5 million and $2.2 billion, respectively. Economic conditions at the 2020 Budget Act projected no required deposit in 2020-21 but Proposition 2 requires a two-year true-up on this transfer calculation, and the conditions requiring a deposit are projected to be met in fiscal years 2020-21 and 2021-22. 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 2021-22, school district reserve caps of 10 percent will be triggered in fiscal year 2022-23 pursuant to statute.

<u>Proposition 98 Funding for Fiscal Years 2020-21 and 2021-22</u>. As shown in Table 10, the funding provided to K-12 schools and community colleges is estimated to grow modestly in fiscal year 2020-21 and substantially in fiscal year 2021-22. The 2021-22 Governor's Budget estimates the Proposition 98 minimum guarantee to be $85.8 billion in fiscal year 2021-22, an increase of $14.9 billion compared to the amount assumed for fiscal year 2020-21 in the 2020 Budget Act. Additionally, the 2021-22 Governor's Budget proposes a one-time supplementary

payment, pursuant to statute adopted as part of the 2020 Budget Act, in excess of the minimum guarantee calculation in fiscal year 2021-22 of $2.3 billion, bringing the estimated total of the Proposition 98 funded level in fiscal year 2021-22 to $88.1 billion, $17.2 billion above the 2020-21 funded level assumed in the 2020 Budget Act.

The 2021-22 Governor's Budget estimates a revised funding level for K-12 schools and community colleges in fiscal year 2020-21 of $82.8 billion, which is $11.9 billion higher than the level assumed at the 2020 Budget Act. The large increases estimated at the 2021-22 Governor's Budget are primarily due to estimated state revenues in fiscal year 2020-21 and 2021-22 being significantly higher than was expected at the 2020 Budget Act at the onset of the COVID-19 pandemic.

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.

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TABLE 10
Proposition 98 Funding
(Dollars in Millions)

	2019-20		Fiscal Year 2020-21		2021-22	Change From Revised 2020-21 to Proposed 2021-22	
	Enacted[(a)]	**Revised[(c)]**	**Enacted[(b)]**	**Revised[(c)]**	**Proposed[(c)]**	**Amount**	**Percent**
K-12 Proposition 98							
State General Fund	$ 41,285	$ 44,181	$ 31,119	$ 37,930	$ 43,791	$ 5,861	15.5%
Education Protection Account	8,036	4,227	8,887	12,090	8,390	(3,700)	(30.6%)
Local property tax revenue[(d)]	21,921	21,822	22,519	22,472	23,672	1,200	5.3%
Subtotals[(e)]	$ 71,242	$ 70,230	$ 62,525	$ 72,493	$ 75,854	$ 3,361	4.6%
Community College Proposition 98							
State General Fund	$ 5,200	$ 5,539	$ 3,962	$ 4,680	$ 5,376	$ 696	14.9%
Education Protection Account	993	522	1,098	1,494	1,037	(457)	(30.6%)
Local property tax revenue[(d)]	3,244	3,252	3,305	3,414	3,598	184	5.4%
Subtotals[(e)]	$ 9,437	$ 9,313	$ 8,365	$ 9,588	$ 11,011	$ 423	4.4%
Total Proposition 98							
State General Fund	$ 46,485	$ 49,720	$ 35,081	$ 42,610	$ 49,167	$ 6,557	15.4%
Public School System Stabilization Account	377	0	0	747	2,241	1,494	200%
Education Protection Account	8,178	4,750	9,985	13,585	9,427	(4,158)	(30.6%)
Local property tax revenue[(d)]	23,523	25,073	25,824	25,886	27,270	1,384	5.3%
Totals[(f)]	**$ 78,563**	**$ 79,544**	**$ 70,890**	**$ 82,828**	**$ 88,105**	**$ 5,277**	**6.4%**

(a) As of the 2019 Budget Act, enacted on June 27, 2019.
(b) As of the 2020 Budget Act, enacted on June 27, 2020.
(c) As of the 2021-22 Governor's Budget, proposed January 8, 2021.
(d) Beginning in fiscal year 2011-12, local property tax revenues include amounts shifted to schools as a result of the elimination of redevelopment agencies. Fiscal years 2019-20 and 2020-21 include the one-time distribution of cash assets held by redevelopment agencies.
(e) Beginning in fiscal year 2015-16, community college funding includes between approximately $500 to $556 million for the K-14 Adult Education Block Grant, and beginning in fiscal year 2018-19, $164 million for the K-12 Strong Workforce Program.
(f) Totals may not add due to rounding.

Source: State of California, Department of Finance.

Future Obligations. As explained above, there are two forms of future obligations for the state General Fund which may be created under Proposition 98: a maintenance factor and settle-up payments. Both of these obligations were created in years leading up to fiscal year 2018-19. As of the 2020 Budget Act, all outstanding maintenance factor and settle-up balances were eliminated, as illustrated by the following table:

TABLE 11
Proposition 98 Obligations
(Dollars in Millions)

	Estimated Fiscal Year-End Balances[a]			
Obligation	**2016-17**	**2017-18**	**2018-19**	**2019-20**
Maintenance Factor[b]	$ 1,160	$ 0	$ 0	$ 0
Other Settle-Up[b]	1,390	787	687[c]	0

(a) Proposition 98 factors and appropriations have been certified through fiscal year 2017-18. The final certified factors and appropriations are displayed in Statewide Financial Information, Schedule 13.

(b) Settle-up and maintenance factor balances were adjusted to reflect the Proposition 98 certified values mentioned above.

(c) \$391 million included in "Underfunding of Proposition 98-Settle-Up" in Table 3, with remaining \$296 million a discretionary payment under the 2019 Budget Act.

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 2021-22 Governor's Budget provides \$10.0 billion Proposition 98 funds for community colleges (consisting of \$6.4 billion from the General Fund and Education Protection Account and \$3.6 billion from local property taxes). Of the \$10.0 billion, approximately \$7.0 billion is provided as core general purpose funding for the CCC districts, \$2.6 billion for specified purposes, and approximately \$0.4 billion to support deferred payments from the 2020-21 fiscal year. The 2021-22 Governor's Budget reflects a deferral of approximately \$326.5 million Proposition 98 General Fund apportionment funding from fiscal year 2021-22 to fiscal year 2022-23, as follows: May 2022 to July 2022 (\$163.2 million) and June 2022 to July 2022 (\$163.2 million). In addition, the 2020 Budget Act reflected a deferral of approximately \$1.453 billion Proposition 98 General Fund apportionment funding from fiscal year 2020-21 to fiscal year 2021-22, as follows: February 2021 to November 2021 (\$253.2 million), March 2021 to October 2021 (\$300 million), April 2021 to September 2021 (\$300 million), May 2021 to August 2021 (\$300 million), and June 2021 to July 2021 (\$300 million). The 2021-22 Governor's Budget proposes to fully pay off these deferrals in the above specified months within the 2021-22 fiscal year and also reflects the utilization of available Proposition 98 General Fund resources from the 2019-20, 2020-21, and 2021-22 fiscal years to support the repayment of the deferral reflected in the 2020 Budget Act.

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 311,000 associate degrees, certificates, and other awards in the 2019-20 school year. For the 2019-20 school year, about 1.1 million full-time equivalent students were enrolled at CCCs.

The CCC Board of Governors is authorized to approve baccalaureate degree pilot programs at a maximum of 15 CCC districts, with one baccalaureate degree program offered in each selected district. Ten districts launched a baccalaureate degree pilot program in the fall of 2016, and five others began operation in the fall of 2017. CCC baccalaureate degree pilot programs are authorized to operate until the end of fiscal year 2025-26. There were 559 students enrolled in these programs in the fall of 2019.

CSU provides undergraduate and graduate programs, awarding approximately 129,000 degrees in the 2019-20 school year. The CSU enrolled 411,081 full-time equivalent students at 23 campuses in the 2019-20 school year.

UC provides a range of undergraduate, graduate and professional programs, awarding about 83,000 degrees in the 2019-20 school year. The ten UC campuses and the Hastings College of Law enrolled 286,171 full-time equivalent students in the 2019-20 school year.

The following table summarizes the direct General Fund support for the three segments of state public higher education:

TABLE 12
Higher Education
General Fund Expenditures
(Dollars in Billions)

Fiscal Year	CSU[a][b]	UC[b]	CCCs[c][d]
2017-18	$3.8	$3.6	$5.8
2018-19	4.1	3.7	6.1
2019-20	4.7	3.9	6.1
2020-21	4.1	3.5	6.2
2021-22	4.5	3.8	6.4

(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 beginning in fiscal year 2015-16 and the K-12 Strong Workforce Program expenditures beginning in fiscal year 2018-19.
(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 serves approximately one-third of all Californians.

Medi-Cal caseload and expenditures increased starting in fiscal year 2014-15 largely due to implementation of federal health care reform. Caseload reached an average monthly peak of 13.5 million in fiscal year 2016-17 and slowly declined through fiscal year 2019-20.

However, due to the COVID-19 pandemic, the 2021-22 Governor’s Budget estimates average monthly caseload will increase to 14 million in fiscal year 2020-21 and 15.6 million in fiscal year 2021-22, and assumes caseload will peak at 16.1 million in January 2022 (or about 2.6 million above what the caseload would have been absent the COVID-19 pandemic). The increase is driven primarily 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 public health emergency as a condition for receiving the enhanced Federal Medical Assistance Percentage (“FMAP”).

The 2021-22 Governor’s Budget includes $117.9 billion ($22.5 billion General Fund) in 2020-21 and $122.2 billion ($28.4 billion General Fund) in fiscal year 2021-22 for the Medi-Cal program. This represents a $1.2 billion General Fund decrease in the Medi-Cal program in 2020-21 compared to the 2020 Budget Act appropriation. The decrease in fiscal year 2020-21 is primarily attributable to lower projected COVID-19 caseload in 2020-21, lower estimated federal repayments related to claiming for state-only populations, and additional enhanced FMAP. The $4.3 billion ($5.9 billion General Fund) year-over-year increase in 2021-22 is largely due to costs associated with increased caseload projections, underlying program cost growth, funding for Behavioral Health Continuum Infrastructure, assumed conclusion of the enhanced FMAP in December 2021, and implementation of the California Advancing and Innovating Medi-Cal program.

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.

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The following table shows Medi-Cal expenditures as of the 2021-22 Governor's Budget.

TABLE 13
Medi-Cal Expenditures
(Dollars in Billions)

Fiscal Year	General Fund	Other State Funds	Federal Funds	Total
2017-18	$20.0	$13.8	$56.1	$90.0
2018-19	19.4	12.9	58.7	91.0
2019-20[(a)]	22.7	11.7	65.1	99.5
2020-21[(a)]	22.5	16.4	79.0	117.9
2021-22[(a)]	28.4	12.0	81.8	122.2

(a) Estimated expenditures.

Note: Totals may not add due to rounding.

The projected increase in federal fund spending in fiscal years 2020-21 and 2021-22 compared with fiscal year 2019-20 is primarily due to increased caseload costs and the assumed receipt of the enhanced FMAP through December 31, 2021. The projected decrease in other state fund spending in fiscal year 2021-22 compared with fiscal year 2020-21 is largely attributable to reduced Hospital Quality Assurance Fee revenue collections, reduced managed care reimbursements to the General Fund from inter-governmental transfers, and completion of the Public Hospital Redesign and Incentives program.

Federal Medicaid regulations allow states to impose certain health care-related taxes on plans or providers as long as certain conditions are met. The revenue from these taxes serve 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. Effective July 1, 2016, Chapter 2, Statutes of 2016, authorized a tax on the enrollment of Medi-Cal managed care plans and commercial health plans until June 30, 2019. The 2020 Budget Act included lagged net General Fund savings of $582.3 million in 2019-20 from the 2016 Managed Care Organization ("MCO") tax.

Additionally, Chapter 348, Statutes of 2019 (AB 115) established a new, three-and-a-half-year MCO tax, effective July 1, 2019, contingent upon federal approval. The MCO tax was federally-approved on April 3, 2020, effective through fiscal year 2022-23. The 2021-22 Governor's Budget includes net General Fund savings of $1.8 billion in fiscal year 2020-21, $1.6 billion in fiscal year 2021-22, and $1.5 billion in fiscal year 2022-23 from this MCO tax.

MFAR Rule. In January 2021, the Centers for Medicare and Medicaid Services officially withdrew a proposed rule titled the Medicaid Fiscal Accountability Regulation ("MFAR"). This rule would have implemented new criteria surrounding health care-related taxes, including the MCO tax, provider taxes and supplemental payments, and might have resulted in an increase in General Fund expenditures of at least several billion dollars.

Weldon Amendment. The so-called "Weldon Amendment" prohibits states from discriminating against health care entities that do not provide coverage for abortions. On January

24, 2020, the federal Department of Health and Human Services issued a Notice of Violation finding that state law violates the federal Weldon Amendment. The notice gave the state 30 days to cure its alleged violation of the Weldon Amendment. On February 21, 2020, the State Attorney General sent a letter responding to the Notice of Violation, stating in part that, contrary to the allegations raised in the Notice of Violation, the state is in compliance with the Weldon Amendment. On January 15, 2021, the federal government issued a notice of disallowance in the amount of $200 million in federal Medicaid funds in the upcoming quarter due to the alleged continued non-compliant status under the Weldon Amendment. The notice of disallowance stated that the alleged continued non-compliant status under the Weldon Amendment will result in future disallowances of $200 million every quarter, for an annual disallowance total of $800 million, until California complies with the Weldon Amendment. It is expected that an administrative process and litigation will follow. As recently as 2016, the U.S. Department of Health and Human services affirmed the state's compliance with the Weldon Amendment. Although state law generally requires health plans to cover abortion, state law also allows health plans to apply for exemptions from an abortion-coverage requirement.

Health Care Reform. California's implementation of the Affordable Care Act ("ACA") included the mandatory and optional Medi-Cal expansions. The mandatory Medi-Cal expansion simplified eligibility, enrollment, and retention rules that make it easier to enroll and stay on Medi-Cal. The optional expansion of Medi-Cal extended eligibility to adults without children, and to parents and caretaker relatives with incomes up to 138 percent of the federal poverty level. With implementation of the ACA, the federal government took responsibility for 100 percent of costs for the optional expansion population, with the state share increasing thereafter. Beginning January 1, 2020, California is responsible for 10 percent of costs for this population. As such, 2020-21 is the first full fiscal year with the 10 percent state share.

The 2021-22 Governor's Budget estimates that in fiscal year 2021-22, approximately 4.8 million Californians will have health insurance through the optional expansion of Medi-Cal, and 1.9 million through the state's insurance exchange (Covered California). The 2021-22 Governor's Budget includes costs of $25.8 billion ($2.7 billion General Fund) in fiscal year 2021-22 for the Medi-Cal optional expansion population.

<u>Individual Mandate and Subsidies Program</u>. The 2019 Budget Act included a statewide requirement for California residents to obtain comprehensive health care coverage or pay a penalty consistent with the federal penalties and mandate exemptions originally outlined under the Affordable Care Act beginning January 1, 2020. The 2019 Budget Act also included advanced premium assistance subsidies to individuals with household incomes below 138 percent and between 200 and 600 percent of the Federal Poverty Level beginning January 1, 2020. The 2021-22 Governor's Budget includes $355.2 million in fiscal year 2020-21 and $405.6 million in fiscal year 2021-22 for these subsidies. However, due to the COVID-19 pandemic and its economic impacts, the number of enrollees receiving state subsidies and the cost per subsidy may increase as more individuals become eligible to enroll in a health plan through the state insurance exchange.

Funding for subsidies is not contingent on penalty revenues. The appropriation for the subsidy program in the 2021-22 Governor's Budget is made available for coverage year 2022 (beginning January 1, 2022 and ending December 31, 2022). The 2021-22 Governor's Budget provides a process by which the Department of Finance may augment the appropriation to pay all subsidies provided for in the annual program design for each coverage year. The program is not an entitlement and is set to sunset on January 1, 2023.

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

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

TABLE 14
IHSS Expenditures
(Dollars in Billions)

Fiscal Year	Caseload	General Fund Expenditures
2017-18[(a)]	516,377	$3.2
2018-19[(b)]	536,628	3.7
2019-20[(c)]	555,324	4.3
2020-21[(d)(e)]	570,411	4.3
2021-22[(d)(f)]	592,829	5.3

(a) Fiscal year 2017-18 General Fund expenditures reflect (1) a revised county IHSS maintenance-of-effort structure which includes increased costs of $366.2 million to mitigate the increase in counties' costs associated with the end of the Coordinated Care Initiative; (2) implementation of the state hourly minimum wage increase from $10.50 to $11.00, effective January 1, 2018; and (3) growth in caseload and average service hours per case.

(b) Fiscal year 2018-19 General Fund expenditures reflect (1) $318.7 million to mitigate the increase in counties' costs associated with the end of the Coordinated Care Initiative; (2) implementation of the state hourly minimum wage increase from $11 to $12, effective January 1, 2019; and (3) growth in caseload and average service hours per case.

(c) 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. Fiscal year 2019-20 expenditures reflect an estimate. Additional review and reconciliation of 2019-20 ending fund balances will occur in the 2021-22 May Revision process to evaluate if a budget adjustment is required.

(d) Estimated.

(e) 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.

(f) 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 and (4) growth in caseload and average service hours per case.

CalWORKs. The California Work Opportunity and Responsibility to Kids ("CalWORKs") program, the state's version of the federal Temporary Assistance for Needy Families ("TANF") program, 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 state annually receives a TANF block grant allocation of $3.7 billion from the federal government. To qualify for the TANF funds, the state is required annually to expend a "Maintenance of Effort" amount, which is currently $2.9 billion.

Under federal law, states are required to demonstrate a 50-percent work participation rate among all TANF aided families with a work eligible individual and a 90-percent work participation rate among two-parent families with at least two work eligible individuals. The federal government determined that the state failed to meet these requirements for federal fiscal years ("FFYs") 2008 through 2019, and the state was therefore subject to $1.84 billion in total penalties. After the state successfully completed corrective compliance plans and met the all-family rate in FFY 2015, 2016, and 2017, the federal government waived $587 million in penalties for FFYs 2008 through 2011 and recalculated the state's penalties for FFYs 2012 through 2015 to $758 million to reflect failure to meet the two-parent rate. The state continued to fail meeting the two-parent rate in FFY 2016 through 2019, resulting in a total of $786 million in total penalty liability based on the most recent correspondence with the federal government. The state is projected to continue two-parent participation rate non-compliance, which will result in annual penalties of approximately $5-7 million. The earliest the assessed penalties would be imposed is FFY 2022 pending penalty dispute options and further correspondence with the federal government.

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The following table shows CalWORKs caseload and General Fund expenditures.

TABLE 15
CalWORKs Expenditures
(Dollars in Billions)

Fiscal Year	Caseload	General Fund Expenditures
2017-18	423,097	$0.6
2018-19	383,360	0.3
2019-20[(a)]	365,143	0.5
2020-21[(b)]	405,317	1.3
2021-22[(b)]	482,436	2.3

(a) Fiscal year 2019-20 expenditures reflect an estimate. Additional review and reconciliation of 2019-20 ending fund balances will occur in the 2021-22 May Revision process to evaluate if a budget adjustment is required.

(b) Estimated as of the 2021-22 Governor's Budget. Subject to change pending actual caseload data related to the COVID-19 pandemic.

In recent years, the CalWORKs caseload had been declining consistent with California's improving economy. However, due to the COVID-19 pandemic and its economic impacts, the CalWORKs caseload was projected to grow significantly at the 2020 Budget Act. This higher caseload did not materialize, possibly as a result of expanded and extended unemployment insurance benefits and direct stimulus payments. The 2021-22 Governor's Budget includes revised caseload projections, driven by updated assumptions and the uncertainty surrounding further federal relief and duration of the public health emergency. See "COVID-19." Additionally, the 2021-22 Governor's Budget assumes implementation of a single 60-month CalWORKs time limit on aid and allows individuals to participate in flexible welfare-to-work activities for the entire 60 months, effective May 1, 2022 or when automation is possible in the Statewide Automated Welfare system. This policy change, when implemented, is expected to increase CalWORKs program costs in future years.

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 2021-22 Governor's Budget includes approximately $2.7 billion for the SSI/SSP program from the General Fund for fiscal year 2021-22. The average monthly caseload in this program was estimated to be 1.2 million recipients in fiscal year 2021-22.

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 estimated it will serve approximately 386,431 individuals in the community and approximately 322 individuals in state-operated facilities in fiscal year 2021-22.

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

TABLE 16
Department of Developmental Services Expenditures
(Dollars in Billions)

Fiscal Year	Caseload	General Fund Expenditures
2017-18	325,594	$4.1
2018-19	341,953	4.4
2019-20	351,045	4.9
2020-21[(a)]	358,141	5.9
2021-22[(a)]	386,753	6.5

[(a)] Estimated.

4. *Public Safety*

The California Department of Corrections and Rehabilitation ("CDCR") operates 37 youth and adult correctional facilities and 35 youth and adult camps as well as numerous other facilities. The CDCR also contracts for multiple adult parolee service centers and community correctional facilities. The CDCR's infrastructure includes more than 46 million square feet of building space on more than 24,000 acres of land (37 square miles) statewide.

The 2021-22 Governor's Budget assumes an average daily adult inmate population of 95,324 in fiscal year 2021-22 and an average daily adult parole population of 45,924 in fiscal year 2021-22. The 2021-22 Governor's Budget includes total expenditures (excluding capital outlay) of $13.1 billion ($12.7 billion from the General Fund) for CDCR, including salaries and benefits of approximately $8.7 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 successful implementation of a variety of court-ordered population reduction measures and 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 inmate population projections estimated that population would increase by approximately 1,000 inmates 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 inmates to participate in rehabilitative programs.

Proposition 57 reforms the juvenile and adult criminal justice system in California by creating a parole consideration process for non-violent offenders who have 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 2021-22 Governor's Budget estimates that Proposition 57 will result in a population reduction of approximately 7,300 adult inmates in fiscal year 2021-22, growing to an inmate reduction of approximately 13,000 in fiscal year 2023-24. These figures are subject to considerable uncertainty and include the estimated effects of the COVID-19 pandemic on CDCR operations. The pandemic has also significantly impacted prison population, but its long-term effect is uncertain.

Prison Medical Care. The federal receiver, appointed by the court to oversee the CDCR's medical operations (the "Receiver"), has plans for the design and construction of additional facilities and improvements to existing facilities for inmates with medical or mental health care needs. See "LITIGATION—Prison Healthcare Reform and Reduction of Prison Population." All of these projects will be constructed at existing state correctional institutions.

The 2021-22 Governor's Budget included \$2.5 billion from the General Fund for the Receiver's costs in fiscal year 2020-21, which is approximately \$100 million lower than the 2020 Budget Act estimate of General Fund costs for the Receiver in fiscal year 2020-21.

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 inmate medical care back to the state. This transition process is ongoing. As of the end of December 2020, a total of 19 institutions have been transitioned back to the state, with 16 facilities remaining to be transferred.

CDCR and the Receiver are taking measures to reduce the presence and spread of COVID-19 in CDCR institutions. At the time of this publication, court orders and changing conditions are requiring additional actions to mitigate the spread of COVID-19, including providing various levels and frequency of testing for staff and inmates, as well as developing various protocols for social distancing and increased health care capacity. These necessary actions continue to evolve. As of mid-December 2020, CDCR had estimated COVID-19 expenditures of \$408.3 million and expects to spend up to \$723.8 million more by the end of fiscal year 2020-21.

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 2014-15 through 2018-19.

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TABLE 17
Governmental Cost Funds (Budgetary Basis)
Schedule of Expenditures by Function and Character
Fiscal Years 2014-15 to 2018-19

(Dollars in Thousands)

	Fiscal Year				
Expenditures by Function	**2014-15[g][h]**	**2015-16[g][i]**	**2016-17[g][j]**	**2017-18[g][k]**	**2018-19[g][l]**
Legislative, Judicial, and Executive					
Legislative	$ 347,844	$ 362,84[illegible]	$ 381,601	$ 397,732	$ 421,437
Judicial	3,540,001	3,593,129	3,715,472	3,834,339	3,958,165
Executive	1,843,252	2,016,591	2,248,940	1,805,382	3,801,370
Business, Consumer Services, and Housing	884,008	831,493	1,134,851	891,944	1,153,072
Transportation	7,390,367	7,560,409	7,788,678	9,004,517	11,402,541
Natural Resources	4,350,235	2,908,453	2,969,790	3,546,890	3,752,276
Environmental Protection	1,159,685	2,858,230	2,966,221	3,686,908	5,773,010
Health and Human Services	49,929,687	51,906,730	57,018,457	59,990,840	62,648,933
Corrections and Rehabilitation[a]	9,841,406	10,016,807	10,773,544	11,570,215	12,282,346
Education					
Education – K through 12	48,853,440	47,105,843	48,577,998	50,978,259	56,034,607
Higher Education	12,658,443	13,470,420	13,765,678	14,415,823	15,299,358
Labor and Workforce Development	773,047	811,335	802,606	799,250	797,943
Government Operations	946,248	972,837	982,691	1,563,657	5,165,749
General Government					
Non-Agency Departments[a]	2,880,301	2,316,440	2,405,785	2,543,663	2,734,197
Tax Relief	416,755	413,953	422,752	420,303	472,774
Shared Revenues	1,879,362	2,139,016	1,297,140	1,838,436	2,657,485
Debt Service[b]	6,439,994	5,871,876	–	–	–
Other Statewide Expenditures[b]	2,891,100	1,440,270	6,532,786	6,647,638	9,079,225
Reserve for Liquidation of Encumbrances[c]	(633,345)	(503,745)	(1,125,846)	(1,127,577)	(4,086,372)
Statewide General Administration Expenditures (Pro Rata)[d]	(602,749)	(671,457)	(96,706)	(117,284)	(109,029)
General Fund Credits from Federal Funds (SWCAP)[e]	(147,349)	(148,980)	(159,193)	(161,186)	(196,766)
Total	**$ 155,641,732**	**$ 155,272,49[illegible]**	**$ 162,403,245**	**$ 172,529,749**	**$ 193,042,321**
Expenditures by Character					
State Operations	$ 43,274,995	$ 43,170,64[illegible]	$ 44,160,150	$ 47,759,563	$ 59,323,118
Local Assistance	111,421,332	111,415,10[illegible]	117,176,655	124,032,641	132,564,422
Capital Outlay[f]	945,405	686,751	1,066,440	737,545	1,154,781
Total	**$ 155,641,732**	**$ 155,272,49[illegible]**	**$ 162,403,245**	**$ 172,529,749**	**$ 193,042,321**

[a] Beginning with fiscal year 2015-16, Correctional Programs was retitled to Corrections and Rehabilitation. Beginning with fiscal year 2017-18, General Administration was changed to Non-Agency Departments per the Uniform Codes Manual.

[b] Beginning with fiscal year 2016-17, Debt Service was moved into Other Statewide Expenditures. Beginning in fiscal year 2018-19, expenditures no longer include the deferral of June payroll expenditures to July pursuant Senate Bill 83, Chapter 24, Statues 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 2014-15, the increased balance in the Reserve for Liquidation of Encumbrances was due to the growth of Local Assistance expenditures. 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 played a huge role in large variances.

[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.

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(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.

(g) Executive Orders 15/16-A, 16/17-A, 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 2014, 2015, 2016, and 2017 respectively, and pursuant to Government Code sections 12472.5 and 13302, to defer the June 2015, June 2016, June 2017, and June 2018 payroll expenditures for various governmental and nongovernmental cost funds to July 2015, July 2016, July 2017, and July 2018. This affected all state departments paid through the uniform payroll system. Current year expenditures no longer include the deferral of June payroll expenditures to July pursuant to Senate Bill 83, Chapter 24, Statues 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) Six departments operating using a new financial information system (Financial Information System for California (FI$Cal)) did not submit their required fiscal year 2014-15 financial statements to the State Controller's Office in time to be included in the State Controller's Office *Budgetary/Legal Basis Annual Report* ("BLBAR"). The amounts reported in the BLBAR included these department's June 30, 2015 cash balances plus accruals derived from actual activities reported through October 28, 2015.

(i) Twelve departments using FI$Cal submitted estimated financial statements to the State Controller's Office for fiscal year 2015-16 which were included in the BLBAR.

(j) 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 BLBAR.

(k) 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.

(l) The Department of Secretary of State was not able to submit fiscal year 2018-19 financial statements for General Fund (Fund 0001), Secretary of State's Business Fees Fund (Fund 0228), and Federal Trust Fund (Fund 0890) prior to the cut-off of producing the State Controller's Office *Budgetary/Legal Basis Annual Report* ("BLBAR"). SCO included cash basis balances from legacy system for these three 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 (g) in Table 4 for information concerning the recent balances in the SFEU and projections of the balances for the previous and current fiscal years. The Budget Act and related trailer bills are not the only pieces of legislation which appropriate funds. Updated estimates of revenues and expenditures, existing statutory requirements and additional legislation introduced and passed by the Legislature may also impact the fiscal year-end balance in the SFEU.

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

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

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

- Requires a calculation of capital gains revenues in excess of 8 percent of General Fund tax revenues that are not required to fund a Proposition 98 increase. In addition, it requires a calculation of 1.5 percent of annual General Fund revenues. The sum of the amounts so calculated will be applied for the purposes set forth below.

- Requires half of each year's calculated amount for the first 15 years be used to pay specified types of debt or other long-term liabilities. The other half must be deposited into the BSA. After the first 15 years, at least half of each year's deposit will be deposited in the BSA, with the remainder used for supplemental debt or liabilities payments at the option of the Legislature and to the extent not so used, also deposited into the BSA.

- Allows the withdrawal of funds from the BSA only for a 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 size 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 size, 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.

Due to the COVID-19 pandemic, the Governor declared a budget emergency on June 25, 2020, which allowed the Legislature to suspend the required transfer for fiscal year 2020-21 and to withdraw $7.8 billion from the BSA. The 2021-22 Governor's Budget projects the BSA will reach a balance of $17.8 billion by fiscal year 2024-25.

Under current projections, Proposition 2 will result in $13 billion in reductions of debts and liabilities through fiscal year 2021-22. 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. The Safety Net Reserve Fund specifically protects safety net services during an economic downturn. To limit reductions to safety net programs and services, the 2020 Budget Act transferred $450 million of the $900 million in the Safety Net Reserve to the General Fund. The 2021-22 Governor's Budget reflects a balance of $450 million.

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

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. The 2021-22 Governor's Budget includes a deposit of $747 million and $2.2 billion in fiscal years 2020-21 and 2021-22 respectively, resulting in a projected balance of approximately $3 billion at the end of fiscal year 2021-22.

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. Annually required General Fund contributions to CalPERS and CalSTRS are projected to be approximately $3.0 billion and $3.9 billion, respectively, for fiscal year 2021-22. In addition to these required payments, the 2021-22 Governor's Budget includes a proposal for discretionary payments to CalPERS and CalSTRS. See "OVERVIEW—State Pension Systems and Retiree Health Care Costs."

Both systems currently have unfunded liabilities in the tens of billions of dollars, and 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." The ultimate financial impacts to either system caused by the COVID-19 pandemic is currently unknown.

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, 2019, the measurement date of the net OPEB liability, approximately 193,000 retirees were enrolled to receive health benefits and approximately 194,000 to receive dental benefits. Generally, employees vest for those benefits after serving 10 years with the state. Additional information on the State's OPEB plan can be found in the state's Basic Financial Statements for the fiscal year ended June 30, 2019, included as an appendix to this Official Statement. 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, 2019, 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, 2020. 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 the new GASB standards and to develop the actuarial funding costs assuming a full-funding policy. The economic assumptions for price and wage inflation are 2.25 percent and 2.50 percent, respectively.

The report provides actuarial liabilities 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. The state's OPEB actuarial valuation report as of June 30, 2019, reports a TOL of $93.51 billion, of which $91.93 billion is unfunded.

An actuarially determined contribution ("ADC") was developed assuming a full-funding interest rate of 6.75 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 30 years.

The TOL increased from $86.47 billion as of June 30, 2018, to $93.51 billion as of June 30, 2019, representing a change of $7.04 billion. If the previous assumptions had been realized, the TOL would have increased by $4.32 billion, to $90.79 billion as of June 30, 2019. The primary factors contributing to the $2.72 billion of unexpected increase in actuarial liabilities include:

- Demographic experience increased the expected actuarial liabilities by 0.7 percent or $590 million. 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 187,622 at June 30, 2018, to 192,701 at June 30, 2019, and the number of active members increased by 1.6 percent from 272,078 to 276,317, 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 2.2 percent or $1.99 billion.

- The healthcare related assumptions were updated based on the 2018 Experience Review for the Years July 1, 2014, to June 30, 2018, conducted by GRS which includes rates of decrement, salary increase rates, and economic assumptions. These assumption changes increased expected total OPEB liability by 0.4 percent or $360 million.

- Healthcare trend rates for the June 30, 2019, actuarial valuation were reviewed and updated since the last actuarial valuation, and the related assumption changes decreased the expected total OPEB liability by approximately 2.3 percent or $2.07 billion.

- The consolidation of the SEIU bargaining units increased the total OPEB liability by $90 million.

- Changing the GASB Statements No. 74 and 75 blended discount rate as of June 30, 2018, which ranged from 3.62 percent to 4.28 percent, to the blended discount rate as of June 30, 2019, which ranges from 3.13 percent to 3.85 percent, increased the total OPEB liability by 6.6 percent or $5.73 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 expects to earn 6.75 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 6.75 percent was used.

The State Controller plans to issue an actuarial valuation report annually.

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 18
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

(a) Long-term expected return on assets is 6.75% for full funding.

Source: State of California OPEB Valuation as of June 30, 2019 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. The employer contribution for health premiums maintains the average 100/90 percent contribution formula established in the Government Code. Under this formula, the state averages the premiums of the four largest health benefit plans to calculate the maximum amount the state will contribute toward each retiree's health benefits. The state also contributes 90 percent of this average for the health benefits of each of the retiree's dependents.

Generally, with 10 years of service credit, employees are entitled to 50 percent of the state's full contribution. This rate increases by 5 percent per year and with 20 years of service, the employee is entitled to the full 100/90 formula. Most state employees hired after January 1, 2016, are subject to a longer vesting schedule and an 80/80 contribution formula (effective dates vary by contract). CSU employees fully vest for the 100/90 formula at 5 years of service. An agreement between the CSU Board of Trustees and the California Faculty Association doubles the vesting period for CSU faculty hired after July 1, 2017, from 5 years to 10 years.

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TABLE 19
Actual Costs/Budget for
Other Postemployment Benefits
(Dollars in Thousands)

Fiscal Year	State Employees All Funds[b]	State Employees General Fund	CSU Employees All General Fund	Employer OPEB Prefunding All Funds[c]	Employer OPEB Prefunding General Fund[c]	Total Contributions All Funds	Total Contributions General Fund[d]
2017-18	$1,695,269	$1,690,669	$285,305	$188,523	$91,615	$2,169,097	$2,067,589
2018-19	1,758,678	1,754,478	312,852	393,708	208,380	2,465,238	2,275,710
2019-20	1,843,831	1,843,664	325,718	561,815	273,531	2,731,364	2,442,913
2020-21[a]	2,022,852	2,022,852	357,466	600,000	335,174	2,980,318	2,715,492
2021-22[a]	2,350,140	2,350,140	412,667	1,292,000[e]	926,000[e]	4,054,807	3,688,807

(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 Governor's Budget (AB 214/SB 112).

Source: State of California, Department of Finance.

1. <u>*Ongoing Efforts*</u>

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. Additionally, 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 and related excluded state employees to make OPEB contributions to prefund those benefits and address the $91.9 billion unfunded liability for retiree health benefits. State employees of the judicial branch are also subject to the prefunding strategy and retiree health provisions.

As part of Chapter 2, Statutes of 2016 (AB 133), the 2015 Budget Act was amended to include a one-time allocation of $240 million to pay down the state's unfunded liability for retiree health care. The state has more than $3.2 billion currently set aside in the prefunding trust fund to pay for future retiree health benefits. By the end of fiscal year 2020-21, the trust fund balance is projected to approach $4.1 billion in assets.

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

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.

However, as a result of the COVID-19 recession, and absent the receipt of additional federal funds, reductions in state employee compensation costs totaling $2.8 billion ($1.4 billion General Fund) were necessary to balance the 2020-21 Budget. To achieve these savings, collective bargaining negotiations commenced with all of the state's 21 bargaining units to reduce pay by approximately 10 percent, relative to June 2020 pay levels. The Administration reached either successor agreements or addenda to existing agreements, which have been ratified by the Legislature, that include cost savings measures with all 21 bargaining units. While pay reductions were implemented and previously negotiated pay increases were deferred to future years, two of these agreements included the suspension of the employees' monthly contribution for prefunding OPEB for one year (fiscal year 2020-21) and 17 of these agreements included the suspensions for two years (fiscal years 2020-21 and 2021-22) to help offset the fiscal burden on employees. However, during that period, the state will continue to contribute its portion of the normal cost. Additionally, for bargaining unit 5 (California Association of Highway Patrolmen), the employer and the employees' monthly contribution for prefunding OPEB was suspended for the next two years (fiscal years 2020-21 and 2021-22). As a result of suspending the employee (and employer contribution for bargaining unit 5 only), the funding plan to eliminate the OPEB unfunded AAL by July 1, 2046, may be delayed.

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, 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 cases of emergency.

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 local school and community college ("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 the 2018-19 fiscal year, total spending exceeded the limit by $1.9 billion and, as shown in the following table, is currently expected to exceed 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 2021-22 Governor's Budget projects that the 2019-20 fiscal year's appropriations are below the 2019-20 limit by $1.765 billion. Given the excess in the 2018-19 fiscal year is greater than the amount under the limit in the subsequent 2019-20 fiscal year, if this estimate remained the same in the 2021 Budget Act, the state would be over the limit in this two-year period resulting in additional transfers to K-14 education and refunds to taxpayers. The estimate for fiscal year 2019-20 will be revised again at enactment of the adopted 2021-22 budget when final adjustments to both revenues and expenditures for the 2019-20 fiscal year will completed.

An estimate of the Appropriations Limit is included in the Governor's Budget, and is thereafter subject to the budget process and established in the Budget Act.

The following table shows the Appropriations Limit for fiscal years 2017-18 through 2021-22.

TABLE 20
State Appropriations Limit
(Dollars in Millions)

	Fiscal Year				
	2017-18	**2018-19**	**2019-20**	**2020-21**	**2021-22**
State Appropriations Limit	$ 103,390	$ 107,818	$ 112,102	$ 115,860	$ 117,626
Appropriations Subject to Limit	(101,658)	(109,685)	(110,337)[(a)]	(118,143)[(a)]	(113,464)[(a)]
Amount (Over)/Under Limit	$ 1,732	$ (1,867)	$ 1,765[(a)]	$ (2,283)[(a)]	$ 4,162[(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 2,000 residents in Alpine County to well over 10 million in Los Angeles County. County governments provide many basic services, including indigent health care, welfare, 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. <u>Constitutional and Statutory Limitations</u>

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-12 schools and community colleges ("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 2021-22 Governor's Budget.

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

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

2. Property Tax Revenues

The amount of property tax revenue generated each year can affect the state General Fund budget because local property tax revenue is allocated to offset General Fund expenditures for K-14 education required by Tests 2 and 3 of Proposition 98. Under Test 1 of Proposition 98, which is operative in fiscal year 2020-21, 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 2021-22 Governor's Budget, statewide property tax revenues were estimated to increase 4.6 percent in fiscal year 2020-21 and 5.6 percent in fiscal year 2021-22. 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. *<u>Dissolved Redevelopment Agency Funds</u>*

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 2021-22 Governor's Budget estimated that schools will receive an additional $2.4 billion in fiscal year 2020-21 and $2.6 billion in fiscal year 2021-22. Additional revenues were projected to average $3 billion per year from fiscal year 2022-23 through fiscal year 2024-25, 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. Various local governments have disputed the implementation of the dissolution law and litigation is pending.

4. *<u>Realigning Services to Local Governments</u>*

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 2021-22: (1) a state special fund sales tax of 1.0625 percent (projected to total $7.3 billion) and (2) $700.6 million in VLFs, projected as of the 2021-22 Governor's Budget. General Fund savings have been over $2.0 billion annually from the realigned programs beginning in fiscal year 2011-12. The state estimated savings of $2.8 billion in fiscal year 2020-21.

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 are not currently sufficient to cover the cost of the benefits to claimants. 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. The UI Fund deficit was $21.5 billion at the end of calendar year 2020. Using current economic outlook and unemployment projections, the deficit is projected to be $48.3 billion at the end of calendar year 2021. Repayment of principal on this federal UI loan is strictly an employer responsibility, and not a liability of the state's General Fund. To ensure that the 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 off the federal UI loan.

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. The Family 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 of 2021 then extended this interest free loan period through March 14, 2021. In the event that the federal government does not extend the interest free loan period after March 14, 2021, the interest due will depend 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 UI Fund, and any state or federal law changes relating to the funding of the program) and the interest rate imposed by the federal government. The Governor's Budget assumes an estimate of $555 million General Fund for the anticipated interest payment (accrued interest for 9 months) due in September 2021. However, this estimate does not reflect the recent interest free loan extension through March 14, 2021. Beginning in 2022-23, it is estimated the annual interest payment on the federal UI loan could be $500 million to $1 billion General Fund.

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 800 of the state's approximately 1,300 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 2021-22 Governor's Budget, the General Fund was projected to have at least $30 billion of internal funds (excluding the BSA and the SFEU) available to borrow through fiscal year 2021-22. 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 reduced to $8.3 billion in September 2020 and is expected to increase to $15.6 billion by September 2021. 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 1990's and early 2000's. 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 2017-18 through 2019-20, and estimates for fiscal years 2020-21 and 2021-22 based on the 2021-22 Governor's Budget. See EXHIBIT 2 to APPENDIX A. The amount of internal borrowable resources fluctuates daily throughout the year.

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TABLE 21
Internal Borrowable Resources
(Cash Basis)
(Dollars in Millions)

	Fiscal year ended June 30[(a)]				
	2018	**2019**	**2020**	**2021[(b)(c)]**	**2022[(b)(c)]**
Internal Borrowable Resources	$ 46,659	$ 57,634	$ 64,931	$ 51,897	$ 58,320
Less Reserve for PMIA and SMIF loans	6,734	6,526	7,617	7,351	6,511
Available Borrowable Resources	39,925	51,108	57,314	44,546	51,809
Outstanding Loans					
From Special Fund for Economic Uncertainties	0	0	0	0	2,883
Budget Stabilization Account	0	0	16,516	0	9,289
From Special Funds and Accounts	0	0	3,533	0	
Total Outstanding Internal Loans	$ 0	$ 0	$ 20,049	$ 0	$ 12,172
Unused Internal Borrowable Resources	$ 39,925	$ 51,108	$ 37,265	$ 44,546	$ 39,638

(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 $490 million in Fiscal Year 2020-21 and $840 million in Fiscal Year 2021-22 of the $2.0 billion transfer to the Wildfire Fund.

Source: Fiscal years ended June 30, 2018 through June 30, 2020: State of California, Office of the State Controller.
Fiscal year ended June 30, 2021 and 2022: 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 2019-20, 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 21. Due to impacts of the COVID-19 pandemic, the economic and financial condition of the state is materially different than the recent historical baselines, however, based on current cash projections no RANs are planned through fiscal year 2021-22. See "COVID-19" and "—Cash Management in Fiscal Years 2019-20, 2020-21 and 2021-22" below.

Cash Management in Fiscal Years 2019-20, 2020-21 and 2021-22

The state entered fiscal year 2019-20 with a General Fund positive cash balance at June 30, 2019 of $5.4 billion. The state's cash flow for fiscal year 2019-20 indicated that 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 2019-20, the fifth consecutive year in which external borrowing was not required.

The state General Fund entered fiscal year 2020-21 with an outstanding loan balance of $20 billion. However, 2021-22 Governor's Budget cash flow projections for the balance of fiscal year 2020-21 and fiscal year 2021-22 do not assume issuance of RANs to manage cash requirements, with an estimated cash cushion of unused internal borrowable resources of at least $26 billion at the end of each month. Due to the unprecedented nature of the COVID-19 pandemic, and the material volatile and adverse impacts of COVID-19 on the global, national and state economies, there can be no assurances that actual results will not materially adversely vary from these projections. In the event that the state does not have sufficient available cash and internal borrowable resources as a result of increased expenses and/or reduced revenues from the amounts assumed, the state can implement a variety of cash management tools.

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 in fiscal year 2020-21.

- 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. See "STATE FINANCES—REVENUES, EXPENDITURES AND RESERVES—State Expenditures." 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, 2021, 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, 2021)

Authorized and Outstanding		Authorized but Unissued*	
Primarily Payable from General Fund	Self-Liquidating	Primarily Payable from General Fund	Self-Liquidating
$71.2 billion	$672.8 million	$35.5 billion	$971.0 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 3.79 percent of the state's total outstanding general obligation bonds. With respect to the $975,000,000 of variable rate general obligation bonds having scheduled mandatory tender dates, if these bonds cannot be remarketed or redeemed on or prior to their respective scheduled mandatory tender dates, there is no event of default but the interest rate on the bonds not remarketed or redeemed on or prior to such date will increase, in most cases in installments, on and after the applicable scheduled mandatory tender date subject to a maximum interest rate for such bonds that may be less than the statutory maximum interest rate for the bonds, until such bonds can be remarketed or redeemed or are paid at maturity.

Type of Bonds	Outstanding Principal Amount ($000) as of January 1, 2021	Current Variable Rate Interest Mode	Liquidity Support[(a)]	Other Information as of January 1, 2021
General Obligation	$1,753,290	Daily/Weekly VRDO	Letters of Credit	
General Obligation	725,000	Indexed Floating Rate to Respective Mandatory Tender Dates	None	Mandatory Tenders on December 1, 2021, April 1, 2022, December 1, 2022 and December 1, 2023
General Obligation	250,000	Fixed Term Rate to Respective Mandatory Tender Dates	None	Mandatory Tender on December 1, 2021
TOTAL	$2,728,290			

(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 bid process related thereto, as applicable, 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, 2021, a total of $2.3 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 facilities through the issuance of lease-revenue obligations (also referred to as lease-purchase 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 pay for the acquisition or construction of facilities such as office buildings, university buildings, courthouses or correctional institutions. These facilities are leased to a state agency, the CSU or the Judicial Council 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 facilities 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, 2021, is set forth in the following table.

Lease-Revenue Obligations
(as of January 1, 2021)

Outstanding General Fund Supported Issues	**Authorized but Unissued**
\$8.2 billion	\$7.6 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, 2020.

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, 2021, the state has redeemed approximately $1.45 billion of BAB general obligation bonds and $204 million of BAB lease-revenue bonds. As of January 1, 2021, the aggregate amount of the subsidy payments expected to be received for the remaining part of fiscal year 2020-21 through the maturity of the outstanding BABs (mostly 20 to 30 years from issuance) based on the 35 percent subsidy rate, without giving effect to any reduction in the subsidy rate due to sequestration as described in the following paragraph, is approximately $5.15 billion for the general obligation BABs and $123.2 million for the SPWB lease-revenue BABs.

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% in 2013 to a low of 5.7% 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. 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 so far this fiscal year, the State Treasurer's Office estimates approximately $3.1 billion of new money general obligation bonds (some of which may initially be in the form of commercial paper notes) and approximately $695 million of lease-revenue bonds will be issued through the end of fiscal year 2020-21. In fiscal year 2021-22, the Department of Finance estimates issuance of approximately $4.5 billion of new money general obligation bonds (some of which may initially be in the form of commercial paper notes) and approximately $2.0 billion in lease revenue bonds. The estimates for fiscal year 2021-22 will be updated by the Department of Finance based on updated information provided by departments. The actual amount of bonds sold will depend on 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 transfers to and from the BSA contained in the 2021-22 Governor's Budget and the bond issuance estimates referred to in the preceding paragraph, the General Fund Debt Ratio is projected to equal approximately 4.88 percent in fiscal year 2020-21 and 5.05 percent in fiscal year 2021-22.

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 $2.0 billion for fiscal year 2020-21 and $1.7 billion for fiscal year 2021-22. Including the projected offsets reduces the General Fund Debt Ratio to 3.64 percent in fiscal year 2020-21 and 3.95 percent in fiscal year 2021-22. 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 2015-16 THROUGH 2019-20" 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.

The credit enhancement mechanism only applies to certain tobacco settlement bonds that were issued in 2005, 2013, 2015 and 2018 with an outstanding principal amount of approximately $1.94 billion (the "enhanced bonds"). The 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 enhanced bonds, and in the event that certain other available amounts, including the reserve fund for the enhanced bonds, are depleted. Every enacted budget since 2003 has included this appropriation, but use of the appropriated moneys has never been required.

Draws on the reserve fund for the enhanced bonds in the amount of approximately $7.94 million were used to make required debt service payments on the 2005 bonds in 2011 and 2012. In April 2013, the reserve fund was replenished in full from tobacco settlement revenues. As of January 1, 2021, the balance of the reserve fund for the enhanced bonds is approximately $150.46 million. 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 the reserve fund will be required and at some point in the future the reserve fund may become fully depleted. The state is not obligated to replenish the reserve fund from the General Fund, or to request an appropriation to replenish the reserve fund.

Office of Statewide Health Planning and Development Guarantees

The Office of Statewide Health Planning and Development ("OSHPD") 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.

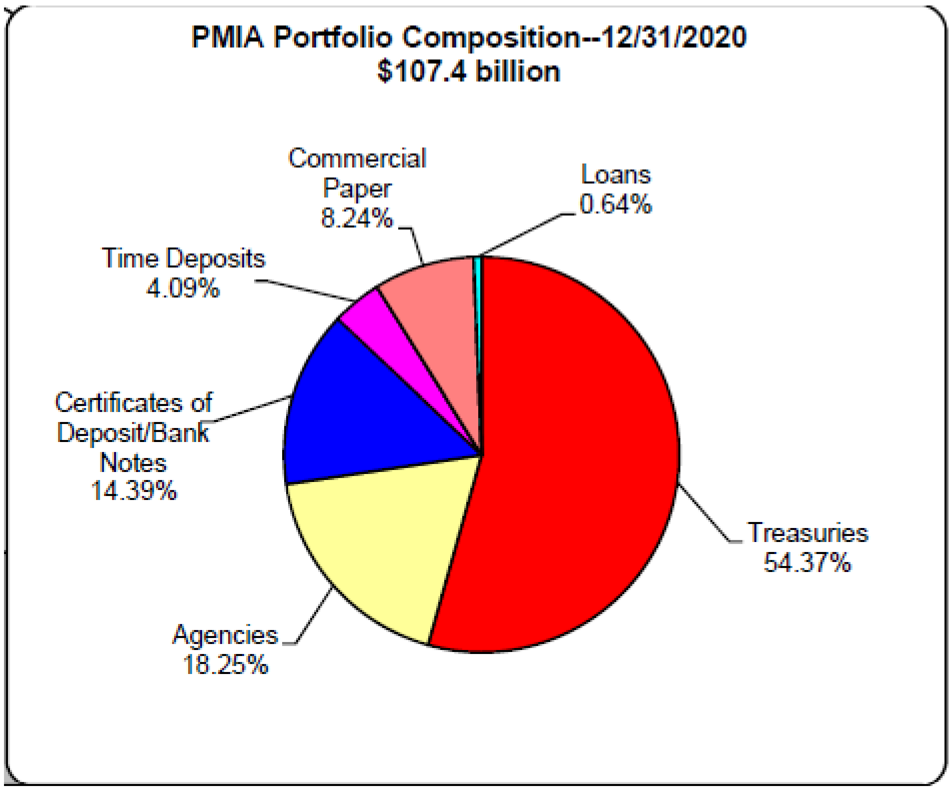
As of December 31, 2020, OSHPD insured 75 loans to nonprofit or publicly owned health facilities throughout California with a current outstanding aggregate par amount of approximately $1.711 billion, and a cash balance of approximately $154 million. The actuarial study of the Fund as of June 30, 2018, was completed in January 2020 (the "2018 actuarial study"). Based upon a number of assumptions, the 2018 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 2047-48. Even under the "most pessimistic scenario," the 2018 actuarial study found that there was a 70 percent likelihood that the Fund's reserves as of June 30, 2018 would protect against any General Fund losses until at least fiscal year 2028-29, and a 90 percent likelihood that the Fund's reserves as of June 30, 2018 would protect against any General Fund losses until at least fiscal year 2023-24. There can be no assurances that the financial condition of the Fund has not materially declined since the 2018 actuarial study.

In December 2016, OSHPD, 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 State Centralized Treasury System are invested by the State Treasurer in the PMIA. As of December 31, 2020, the PMIA held approximately $73.4 billion of state moneys, and $34.0 billion invested for about 2,380 local governmental entities through the Local Agency Investment Fund ("LAIF"). The assets of the PMIA as of December 31, 2020 are shown in the following chart. Amounts owing on the internal cash loan from the Surplus Money Investment Fund (a state fund managed by the State Treasurer's Office as part of the PMIA) to fund the supplemental pension payment to CalPERS as described in "DEBTS AND LIABILITIES UNDER PROPOSITION 2" and the $2.0 billion transfer to the Wildfire Fund on

August 15, 2019, as required by AB 1054 are not reflected as an asset of the PMIA in the table 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, 2020 was 165 days. Over the prior 12 months, the average life has ranged from 216 days to 157 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 only to 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. The Governor presents the annual budget and traditionally presents an annual package of bills constituting a legislative program. 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:

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Office	Name	Party Affiliation	First Elected
Governor	Gavin Newsom	Democrat	2018
Lieutenant Governor	Eleni Kounalakis	Democrat	2018
Controller	Betty T. Yee	Democrat	2014
Treasurer	Fiona Ma	Democrat	2018
Attorney General	*Matthew Rodriquez (Acting)*	Democrat	----*
Secretary of State	Shirley Weber	Democrat	----**
Superintendent of Public Instruction	Tony Thurmond	Democrat	2018
Insurance Commissioner	Ricardo Lara	Democrat	2018

* *Mr. Rodriquez became Acting Attorney General by operation of law on March 18, 2021, after Xavier Becerra resigned to be sworn in as Secretary of the U.S. Department of Health and Human Services.*

**Dr. Weber was sworn in as Secretary of State on January 29, 2021, after Alex Padilla resigned to replace Vice President Kamala Harris in the U.S. Senate.

The executive branch is principally organized through eleven agency areas.

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

Employee Relations

At the 2021-22 Governor's Budget, the state work force for fiscal year 2021-22 was estimated at approximately 389,000 positions. Approximately 167,000 of those positions represent state employees of the legislative and judicial branches of government, and institutions of higher education. Of the remaining 222,000 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 ($91.9 billion as of the latest actuarial valuation on June 30, 2019) through shared prefunding of program costs along with other cost containment strategies. See "STATE FINANCES—OTHER ELEMENTS—Retiree Health Care Costs."

As a result of the recession resulting from the COVID-19 pandemic, and absent the receipt of additional federal funds, reductions in state employee compensation costs were necessary to balance the 2020 Budget Act. To achieve these savings, collective bargaining negotiations commenced with all of the state's 21 bargaining units to reduce pay by approximately 10 percent, relative to June 2020 pay levels. The Administration reached either successor agreements or addenda to existing agreements that included the necessary cost savings measures with all 21 bargaining units, which were ratified by the Legislature.

Although fiscal risk remains high, given the updated revenue projections and the scope of the 2021-22 Governor's Budget, employee compensation reductions may not be necessary during the 2021-22 fiscal year. The Administration anticipates inviting bargaining units, through collective bargaining, to modify the side letter agreements that extended the Personal Leave Program 2020 through the 2021-22 fiscal year immediately following the 2021-22 May Revision. Additionally, collective bargaining negotiations will continue with three bargaining units representing attorneys and administrative law judges, scientists, and health and social services employees, whose contracts expired in July 2020. Bargaining will also commence in spring 2021 with two bargaining units representing firefighters and craft and maintenance employees, whose contracts expire in summer 2021.

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 "Development of Revenue Estimates."

In July 2020, California's total population reached 39.78 million residents, an increase of 0.05 percent since July 2019. Since the national census on April 1, 2010, the state has grown by 2.5 million persons. Births and net migrants to California have seen substantial declines recently, resulting in downward revisions to current population estimates. Provisional births for fiscal year 2019-20 totaled 437,000, a decline of 3.2% from 451,000 births during fiscal year 2018-19. Net migration (in-migration minus out-migration), which averaged 64,000 persons per year during fiscal years 2010-11 through 2017-18, declined to -135,000 in fiscal year 2019-20, marking the second year since 2010 that the state experienced negative net migration (net migration was also negative during 1993-96 and 2005-10).

Natural increase (births minus deaths) will account for most of the growth in the next few years, with net migration into the state also expected to contribute to population growth. The 2019 total fertility rate in California, at 1.62 children per woman, is lower than the U.S. average (1.71); 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 2018—among the highest of any U.S. state and well above the national average of 78.6 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.

In fiscal year 2019-20 there were 9.1 million Californians under age 18. California has a younger population than the remainder of the U.S., with a slightly higher percentage under 18 (22.7 percent for California compared to 22.2 percent for the U.S.), a lower percentage over the age of 65 (15.1 percent compared to 16.5 percent), and a younger median age (37.1 compared to 38.4). Population growth rates will vary by age group. The state's overall projected five-year growth of 2.1 percent (reaching 40.8 million in 2025) is higher than the anticipated 0.2 percent growth in the 25-64 year old working-age population (from 20.47 million in 2019 to 20.50 million in 2025). Among younger ages, the 5-17 year old school-age group is expected to decline by 2.9 percent (to 6.5 million in 2025) and the college-age group (18-24 years old) is expected to decrease by 0.1 percent, to just under 4.3 million in 2025. Related to lower births in recent years, the preschool-age group (0-4 years old) is expected to decrease by 5.6 percent, to 2.2 million in 2025. The population of the 65 and older retirement-age group is expected to expand rapidly (by 22.3 percent, to 7.3 million in 2025).

In long term projections, last updated in January 2020 using data from 2019, California's population continues to increase, and is projected to reach 44 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 and predate, and therefore do not reflect the impact of, the COVID-19 pandemic. COVID-19 and the current recession create conditions that will have significant impacts on population growth. International migration, which accounts for a significant proportion of California's annual net migration and its growth, was largely suspended for eight months in 2020 by executive order. Deaths are above 3-year averages in 2020 at this point beyond accounting for COVID-19 fatalities. Births were down 20,000 from 2019, and are expected to be even lower in 2021 as fertility postponement decisions made during the pandemic begin to appear in the data. Data on these effects will begin to be available in the spring, but will not be fully complete until winter 2021. Growth rates will likely be negative in the immediate future, and forecasted trends may take years to recover.

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The following table shows population totals for California and the U.S. as of July 1, 2020.

TABLE 22
Population

Year	California	Annual Percent Change	United States	Annual Percent Change	California as % of United States
2011	37,721,468	1.0%	311,583,481	0.7%	12.1%
2012	38,088,009	1.0	313,877,662	0.7	12.1
2013	38,389,174	0.8	316,059,947	0.7	12.2
2014	38,705,642	0.8	318,386,329	0.7	12.2
2015	39,007,121	0.8	320,738,994	0.7	12.2
2016	39,254,339	0.6	323,071,755	0.7	12.2
2017	39,488,430	0.6	325,122,128	0.6	12.1
2018	39,670,349	0.5	326,838,199	0.5	12.1
2019	39,761,195	0.2	328,329,953	0.5	12.1
2020	39,782,419	0.1	329,484,123	0.4	12.1

Source: U.S. figures from U.S. Department of Commerce, Bureau of the Census; California figures from State of California, Department of Finance.

Labor Force, Employment, Income, Construction and Export Growth

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

TABLE 23
Labor Force
(Thousands)

			Unemployment Rate	
Year	Labor Force	Employment	California	United States
2010	18,371	16,079	12.5%	9.6%
2011	18,407	16,221	11.9	8.9
2012	18,485	16,541	10.5	8.1
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	19,174	18,247	4.8	4.4
2018	19,264	18,442	4.3	3.9
2019	19,354	18,551	4.2	3.7
2020	18,821	16,913	10.1	8.1

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

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The following table shows California's nonfarm payroll employment distribution and growth for 2010 and 2020.

TABLE 24
Nonfarm Payroll Employment by Major Sector
2010 and 2020
(Thousands)

	Employment		**Distribution of Employment**	
Industry Sector	**2010**	**2020**	**2010**	**2020**
Mining and Logging	22.8	17.9	0.20%	0.10%
Construction	560	855.1	3.9	5.3
Manufacturing	--	--	--	--
Nondurable Goods	468.4	444	3.3	2.8
Durable Goods	--	--	--	--
High Technology	349.7	358.7	2.4	2.2
Other Durable Goods	429.7	459.0	3.0	2.8
Trade, Transportation & Utilities	2,612.50	2,894.90	18.3	17.9
Information	428.5	529.0	3.0	3.3
Financial Activities	760.9	815.3	5.3	5.1
Professional & Business Services	2,084.30	2,595.20	14.6	16.1
Educational & Health Services	2,131.90	2,731.60	14.9	16.9
Leisure & Hospitality	1,500.80	1,477.60	10.5	9.2
Other Services	483.6	473.2	3.4	2.9
Government	--	--	--	--
Federal Government	268.4	260.7	1.9	1.6
State & Local Government	2,180.00	2,226.40	15.3	13.8
TOTAL	**14,283.30**	**16,140.50**	**100.0%**	**100.0%**

Figures may not add due to rounding.

Source: State of California, Employment Development Department.

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

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

Year	Total Personal Income	Annual % Change	California % of U.S.
2010	$1,628,458	4.8%	13.0%
2011	1,737,940	6.7	13.1
2012	1,852,398	6.6	13.2
2013	1,886,377	1.8	13.3
2014	2,021,036	7.1	13.5
2015	2,172,930	7.5	13.8
2016	2,273,558	4.6	14.1
2017	2,383,131	4.8	14.1
2018	2,514,503	5.5	14.1
2019	2,632,280	4.7	14.2
2020 p/	2,814,011	6.9	14.3

p/ Preliminary.

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

TABLE 26
Personal Income Per Capita
(Dollars)

Year	California	Annual % Change	United States	Annual % Change	California % of U.S.
2010	$43,636	3.8%	$40,546	3.2%	107.6%
2011	46,177	5.8	42,735	5.4	108.1
2012	48,819	5.7	44,598	4.4	109.5
2013	49,312	1.0	44,851	0.6	109.9
2014	52,376	6.2	47,058	4.9	111.3
2015	55,853	6.6	49,003	4.1	114.0
2016	58,074	4.0	49,995	2.0	116.2
2017	60,581	4.3	52,096	4.2	116.3
2018	63,759	5.2	54,581	4.8	116.8
2019	66,745	4.7	56,474	3.5	118.2
2020	71,480	7.1	59,729	5.8	119.7

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

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The following tables show certain information with respect to residential and non-residential construction in California.

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

	Units			
Year	**Total Number**	**Single-Family**	**Multi-Family**	**Valuation**
2011	47,336	21,631	25,705	$14,415
2012	59,225	27,560	31,665	17,731
2013	85,472	36,991	48,481	23,027
2014	85,846	37,091	48,755	24,376
2015	98,073	44,896	53,177	29,116
2016	100,961	49,208	51,753	31,199
2017	115,670	55,827	59,843	35,267
2018	117,892	59,049	58,843	37,547
2019	111,284	58,052	53,232	34,349
2020 p/	100,386	56,782	43,604	30,041

Note: Valuation includes additions and alterations.

p/Preliminary.

Source: Construction Industry Research Board; California Homebuilding Foundation.

TABLE 28
Value of Non-residential Construction Authorized
(Dollars in Millions)

Year	Commercial	Industrial	Other	Additions and Alterations	Total
2011	$2,213	$479	$2,153	$8,146	$12,991
2012	3,216	1,410	2,383	7,627	14,679
2013	5,294	1,072	6,340	8,975	22,401
2014	7,208	1,116	4,327	11,056	23,706
2015	8,292	1,253	4,590	12,128	26,263
2016	9,337	1,037	4,482	12,533	27,389
2017	9,758	1,820	4,668	12,626	28,873
2018	12,872	1,931	4,908	13,860	33,571
2019	11,327	1,408	4,768	14,743	32,246
2020 p/	7,498	1,747	3,577	9,313	22,136

p/Preliminary.

Source: Construction Industry Research Board; California Homebuilding Foundation.

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

TABLE 29
California's Exports of Goods
(Dollars in Millions)

Year	Exports[(a)]	Annual % Change
2011	$159,421.39	11.3%
2012	161,757.31	1.5
2013	168,191.55	4.0
2014	173,868.59	3.4
2015	165,360.38	(4.9)
2016	163,260.62	(1.3)
2017	171,920.43	5.3
2018	178,162.66	3.6
2019	174,026.01	(2.3)
2020 [p/]	156,112.25	(10.3)

[p/]Preliminary.

(a) Origin of Movement (OM) series.

Source: U.S. Department of Commerce, Bureau of the Census.

BANK ARRANGEMENTS TABLE

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

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BANK ARRANGEMENTS TABLE

(See "STATE INDEBTEDNESS AND OTHER OBLIGATIONS—Capital Facilities Financing—Bank Arrangements.") As of January 21, 2021

Program	Series	Outstanding Par Amount	Credit Provider**	Expiration Date	Type of Credit	Reset Mode
GO VRDOs	2003A 1	$ 40,500,000	Barclays Bank PLC	8/26/2022	LOC	Daily
GO VRDOs	2003A 2-3	162,800,000	Bank of Montreal	9/7/2021	LOC	Daily
GO VRDOs	2003C 1	81,400,000	TD Bank, N.A.	8/28/2023	LOC	Weekly
GO VRDOs	2003C 3-4	81,200,000	U.S. Bank National Association	3/25/2022	LOC	Weekly
GO VRDOs	2004A 1, 4 & 5	200,000,000	Citibank, N.A.	9/7/2021	LOC	Daily
GO VRDOs	2004A 2 & 3	128,500,000	State Street Bank & Trust Company	1/16/2024	LOC	Daily
GO VRDOs	2004A 6, 7, 8 & 10	200,000,000	Citibank, N.A.	9/7/2021	LOC	Weekly
GO VRDOs	2004 A 9	42,800,000	State Street Bank & Trust Company	1/16/2024	LOC	Weekly
GO VRDOs	2004B 1-3	165,000,000	Citibank, N.A.	9/7/2021	LOC	Daily
GO VRDOs	2004B 4	30,000,000	Citibank, N.A.	9/7/2021	LOC	Weekly
GO VRDOs	2004B 5-6	92,800,000	U.S. Bank National Association	10/1/2021	LOC	Daily
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.	4/22/2022	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	MUFG Union Bank, N.A.	1/12/2024	LOC	Daily
GO VRDOs	2020A	100,000,000	State Street Bank & Trust Company	11/18/2022	LOC	Weekly
Total GO VRDOs		$1,753,290,000				

** 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.

GO CP[a]	A1/B1	$500,000,000	Wells Fargo Bank, N.A.	9/24/2021	LOC	Up to 90 days
	A2/B2	500,000,000	Royal Bank of Canada	1/13/2023	LOC	Up to 90 days
	A3/B3	200,000,000	UBS AG, Stamford Branch	1/26/2024	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	US Bank National Association	7/15/2022	LOC	Up to 90 days
	A6/B6	350,000,000	Bank of America, N.A.	1/15/2021	LOC	Up to 90 days
	A7/B7	200,000,000	State Street Bank & Trust Company	4/22/2024	LOC	Up to 90 days
	A8/B8	125,000,000	Bank of the West	2/10/2023	LOC	Up to 90 days
	Total GO CP	**$2,300,000,000**				
Grand Total		**$4,053,290,000**				

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

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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 issues, (ii) principal or interest paid since the respective dates of such tables, (iii) commercial paper that has been issued since January 1, 2021; or (iv) any bond issues that have been issued or any principal paid since December 31, 2020 for the issuers listed on the State Agency Revenue Bonds and Conduit Financing debt table.

$502,615,000 of State Public Works Board Lease Revenue Refunding Bonds 2021 Series A (Various Capital Projects) were sold on October 28, 2020, and are expected to be issued on October 14, 2021. The proceeds of these bonds (together with premium paid by the purchasers of the bonds) are expected to refund the Board’s (i) $155,755,000 Lease Revenue Bonds 2011 Series A (Various Capital Projects); (ii) $94,165,000 Lease Revenue Bonds (Department of Corrections and Rehabilitation) 2011 Series C (California State Prison, Los Angeles: Various Buildings); and (iii) $353,960,000 Lease Revenue Bonds (Judicial Council) 2011 Series D (Various Judicial Council Projects).

$1,842,060,000 of State of California Various Purpose General Obligation Bonds were sold on March 11, 2021 were issued on March 23, 2021. This issuance included $964,340,000 of refunding bonds the proceeds of which (together with premium paid by the purchasers of the bonds) refunded $1,192,200,000 of Variable Rate General Obligation Bonds.

$585,545,000 of State Public Works Board Lease Revenue Refunding Bonds 2022 Series A (Various Capital Projects)(Forward Delivery) were sold on March 23, 2021, and are expected to be issued on March 17, 2022. The proceeds of these bonds (together with premium paid by the purchasers of the bonds) are expected to refund the Board’s $702,385,000 Lease Revenue Bonds 2012 Series A (Various Capital Projects).

$109,930,000 of State Public Works Board Lease Revenue Refunding Bonds (Department of Corrections and Rehabilitation) 2022 Series B (Kern Valley State Prison) were sold on March 23, 2021, and are expected to be issued on March 17, 2022. The proceeds of these bonds (together with premium paid by the purchasers of the bonds) are expected to refund the Board's $124,960,000 Lease Revenue Bonds (Department of Corrections and Rehabilitation) 2012 Series C (California State Prison – Kern County at Delano II).

OUTSTANDING STATE DEBT
FISCAL YEARS 2015-16 THROUGH 2019-20
(Dollars in Thousands Except for Per Capita Information)

	2015-16	2016-17	2017-18	2018-19	2019-20
Outstanding Debt (a)					
General Obligation Bonds					
General Fund (Non-Self Liquidating)..................	$ 74,941,755	$ 73,837,840	$ 74,160,490	$ 72,651,425	$ 71,968,035
Enterprise Fund (Self Liquidating)......................	$ 787,760	$ 701,740	$ 688,650	$ 841,255	$ 778,920
Total General Obligation Bonds............................	**$ 75,729,515**	**$ 74,539,580**	**$ 74,849,140**	**$ 73,492,680**	**$ 72,746,955**
Revenue Bonds					
Lease-Purchase Debt...	$ 9,808,190	$ 9,400,075	$ 9,103,975	$ 8,667,400	$ 8,477,095
Total Revenue Bonds…………..............................	**$ 9,808,190**	**$ 9,400,075**	**$ 9,103,975**	**$ 8,667,400**	**$ 8,477,095**
Total Outstanding General Obligation and Revenue Bonds...	**$ 85,537,705**	**$ 83,939,655**	**$ 83,953,115**	**$ 82,160,080**	**$ 81,224,050**
Bond Sales During Fiscal Year					
Non-Self Liquidating General Obligation Bonds...	$ 7,316,280	$ 9,046,715	$ 8,444,045	$ 7,017,660	$ 7,763,245
Self Liquidating General Obligation Bonds...........	$ 545,440	$ 0	$ 106,805	$ 193,410	$ 0
Lease-Purchase Debt...	$ 1,004,305	$ 1,304,420	$ 541,785	$ 121,825	$ 487,500
Debt Service (b)					
Non-Self Liquidating General Obligation Bonds...	$ 6,641,942	$ 6,775,916	$ 6,932,317	$ 7,027,289	$ 6,966,463
Lease-Purchase Debt...	$ 1,013,838	$ 1,012,291	$ 1,032,630	$ 1,008,868	$ 957,788
General Fund Receipts (c)......................................	$ 120,417,389	$ 122,608,066	$ 136,732,289	$ 145,612,779	$ 127,446,834
Non-Self Liquidating General Obligation Bonds Debt Service as a Percentage of General Fund Receipts..	**5.52%**	**5.53%**	**5.07%**	**4.83%**	**5.47%**
Lease-Purchase Debt Service as a Percentage of General Fund Receipts................	**0.84%**	**0.83%**	**0.76%**	**0.69%**	**0.75%**
Population (d)..	39,007,121	39,254,339	39,488,430	39,670,349	39,761,195
Non-Self Liquidating General Obligation Bonds Outstanding per Capita..	**$ 1,921.23**	**$ 1,881.01**	**$ 1,878.03**	**$ 1,831.38**	**$ 1,810.01**
Lease-Purchase Debt Outstanding per Capita........	**$ 251.45**	**$ 239.47**	**$ 230.55**	**$ 218.49**	**$ 213.20**
Personal Income (e)..	$ 2,172,930,000	$ 2,273,558,000	$ 2,383,131,000	$ 2,514,503,000	$ 2,632,280,000
Non-Self Liquidating General Obligation Bonds Outstanding as Percentage of Personal Income....	**3.45%**	**3.25%**	**3.11%**	**2.89%**	**2.73%**
Lease-Purchase Debt Outstanding as Percentage of Personal Income...........................	**0.45%**	**0.41%**	**0.38%**	**0.34%**	**0.32%**

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

(b) 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.

(c) 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).

(d) See Table 22 of Appendix A.

(e) See Table 25 of Appendix A.

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

AUTHORIZED AND OUTSTANDING GENERAL OBLIGATION BONDS
As of January 1, 2021
(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	19,420	0	0
1990 School Facilities Bond Act [b]	123	06/05/90	797,875	38,200	0	0
1992 School Facilities Bond Act [b]	155	11/03/92	898,211	84,740	0	0
California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002 [f]	40	03/05/02	2,596,643	1,694,715	23,180	145,133
California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Act of 2018	68	06/05/18	4,100,000	49,570	137,660	3,900,995
California Library Construction and Renovation Bond Act of 1988 [b]	85	11/08/88	72,405	4,645	0	0
* California Park and Recreational Facilities Act of 1984 [b]	18	06/05/84	368,900	4,995	0	0
* California Parklands Act of 1980	1	11/04/80	285,000	790	0	0
California Reading and Literacy Improvement and Public Library Construction and Renovation Bond Act of 2000	14	03/07/00	350,000	198,785	0	5,040
* California Safe Drinking Water Bond Law of 1976 [b]	3	06/08/76	172,500	1,580	0	0
* California Safe Drinking Water Bond Law of 1984	28	11/06/84	75,000	855	0	0
* California Safe Drinking Water Bond Law of 1986	55	11/04/86	100,000	10,600	0	0
California Safe Drinking Water Bond Law of 1988	81	11/08/88	75,000	14,790	0	0
California Stem Cell Research and Cures Bond Act of 2004	71	11/02/04	3,000,000	1,050,255	35,040	186,650
California Stem Cell Research, Treatments, and Cures Bond Act of 2020	14	11/03/20	5,500,000	0	0	5,500,000
* California Wildlife, Coastal, and Park Land Conservation Act [b]	70	06/07/88	768,670	52,645	0	0
Children's Hospital Bond Act of 2004	61	11/02/04	750,000	529,265	0	1,530
Children's Hospital Bond Act of 2008	3	11/04/08	980,000	763,590	44,880	60,890
Children's Hospital Bond Act of 2018	4	11/06/18	1,500,000	7,800	470	1,489,440
Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998 (Hi-Ed)	1A	11/03/98	2,500,000	1,304,165	0	0
Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998 (K-12)	1A	11/03/98	6,700,000	2,730,580	5	615
* Clean Air and Transportation Improvement Bond Act of 1990	116	06/05/90	1,990,000	395,615	0	4,985
* Clean Water Bond Law of 1984	25	11/06/84	325,000	3,820	0	0
* Clean Water and Water Conservation Bond Law of 1978	2	06/06/78	375,000	2,110	0	0
Clean Water and Water Reclamation Bond Law of 1988	83	11/08/88	65,000	8,305	0	0
* Community Parklands Act of 1986	43	06/03/86	100,000	755	0	0
* County Correctional Facility Capital Expenditure Bond Act of 1986	52	06/03/86	495,000	3,945	0	0
County Correctional Facility Capital Expenditure and Youth Facility Bond Act of 1988	86	11/08/88	500,000	23,355	0	0
Disaster Preparedness and Flood Prevention Bond Act of 2006 [e]	1E	11/07/06	3,990,000	2,795,370	25,280	691,467

AUTHORIZED AND OUTSTANDING GENERAL OBLIGATION BONDS
As of January 1, 2021
(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	18,100	0	0
* Fish and Wildlife Habitat Enhancement Act of 1984	19	06/05/84	85,000	3,065	0	0
Higher Education Facilities Bond Act of 1988	78	11/08/88	600,000	10,325	0	0
Higher Education Facilities Bond Act of June 1990	121	06/05/90	450,000	18,120	0	540
Higher Education Facilities Bond Act of June 1992	153	06/02/92	900,000	121,165	0	0
Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006	1B	11/07/06	19,925,000	14,816,115	86,460	893,705
Housing and Emergency Shelter Trust Fund Act of 2002	46	11/05/02	2,100,000	110,030	0	71,395
Housing and Emergency Shelter Trust Fund Act of 2006	1C	11/07/06	2,850,000	935,965	36,210	277,445
Housing and Homeless Bond Act of 1990	107	06/05/90	150,000	610	0	0
Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (CCC)	51	11/08/16	2,000,000	132,470	45,395	1,815,210
Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (K-12)	51	11/08/16	7,000,000	3,284,035	7,760	3,390,560
Kindergarten-University Public Education Facilities Bond Act of 2002 (Hi-Ed)	47	11/05/02	1,650,000	1,047,975	0	0
Kindergarten-University Public Education Facilities Bond Act of 2002 (K-12)	47	11/05/02	11,400,000	7,452,450	1,075	6,240
Kindergarten-University Public Education Facilities Bond Act of 2004 (Hi-Ed)	55	03/02/04	2,300,000	1,722,110	0	58,019
Kindergarten-University Public Education Facilities Bond Act of 2004 (K-12)	55	03/02/04	10,000,000	6,763,960	4,215	16,160
Kindergarten-University Public Education Facilities Bond Act of 2006 (Hi-Ed)	1D	11/07/06	3,087,000	2,647,455	0	38,775
Kindergarten-University Public Education Facilities Bond Act of 2006 (K-12)	1D	11/07/06	7,329,000	5,518,455	14,910	182,935
* New Prison Construction Bond Act of 1986	54	11/04/86	500,000	915	0	0
New Prison Construction Bond Act of 1988	80	11/08/88	817,000	2,265	35	1,245
New Prison Construction Bond Act of 1990	120	06/05/90	450,000	665	0	605
Passenger Rail and Clean Air Bond Act of 1990	108	06/05/90	1,000,000	1,825	0	0
Public Education Facilities Bond Act of 1996 (Higher Education)	203	03/26/96	975,000	329,970	0	4,650
Public Education Facilities Bond Act of 1996 (K-12) [(c)]	203	03/26/96	2,012,035	511,985	0	0
Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Act [(e)]	13	03/07/00	1,884,000	1,067,695	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	3,292,350	131,335	968,307
Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Act of 2000	12	03/07/00	2,100,000	1,089,420	8,095	29,725
Safe, Clean, Reliable Water Supply Act [(e)]	204	11/05/96	969,500	370,540	0	62,915
Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century	1A	11/04/08	9,950,000	3,095,280	88,220	5,492,685
* School Building and Earthquake Bond Act of 1974	1	11/05/74	150,000	7,980	0	0

AUTHORIZED AND OUTSTANDING GENERAL OBLIGATION BONDS
As of January 1, 2021
(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	61,905	0	0
School Facilities Bond Act of 1992	152	06/02/92	1,900,000	178,655	0	10,280
Seismic Retrofit Bond Act of 1996	192	03/26/96	2,000,000	766,170	0	0
* State, Urban, and Coastal Park Bond Act of 1976	2	11/02/76	280,000	1,785	0	0
Veterans Homes Bond Act of 2000	16	03/07/00	50,000	30,635	0	975
Veterans Housing and Homeless Prevention Bond Act of 2014	41	06/03/14	600,000	92,385	72,345	432,170
Veterans and Affordable Housing Bond Act of 2018	1	11/06/18	3,000,000	149,000	10,830	2,839,200
Voting Modernization Bond Act of 2002	41	03/05/02	200,000	41,105	1,205	13,260
Water Conservation Bond Law of 1988 [g]	82	11/08/88	54,765	9,200	0	0
* Water Conservation and Water Quality Bond Law of 1986 [e]	44	06/03/86	136,500	12,190	0	230
Water Quality, Supply, and Infrastructure Improvement Act of 2014 [f]	1	11/04/14	7,465,000	1,459,080	87,990	5,778,520
Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 [e]	50	11/05/02	3,345,000	2,265,925	21,490	244,514
Total General Fund Bonds			**158,251,616**	**71,236,590**	**884,085**	**34,660,356**

AUTHORIZED AND OUTSTANDING GENERAL OBLIGATION BONDS
As of January 1, 2021
(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	10,600	0	167,600
Veterans Bond Act of 1986	42	06/03/86	850,000	6,080	0	0
Veterans Bond Act of 1988	76	06/07/88	510,000	22,555	0	0
Veterans Bond Act of 1990	142	11/06/90	400,000	24,115	0	0
Veterans Bond Act of 1996	206	11/05/96	400,000	42,105	0	0
Veterans Bond Act of 2000	32	11/07/00	500,000	130,250	0	0
Veterans Bond Act of 2008 [(d)]	12	11/04/08	300,000	242,690	0	0
Veterans and Affordable Housing Bond Act of 2018 (CalVet)	1	11/06/18	1,000,000	194,410	0	803,365
Total Enterprise Fund Bonds			**5,710,000**	**672,805**	**0**	**970,965**
TOTAL GENERAL OBLIGATION BONDS			**163,961,616**	**71,909,395**	**884,085**	**35,631,321**

(a) A total of not more than $2.3 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

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, 2021

Fiscal Year Ending June 30	Current Debt		
	Interest	Principal	Total (a)
2021 (b)	10,535,517.52	8,510,000.00	19,045,517.52
2022	20,480,431.29	20,780,000.00	41,260,431.29
2023	20,032,018.79	17,710,000.00	37,742,018.79
2024	19,750,057.54	10,295,000.00	30,045,057.54
2025	19,505,672.54	13,225,000.00	32,730,672.54
2026	19,309,920.04	6,410,000.00	25,719,920.04
2027	18,901,712.54	25,970,000.00	44,871,712.54
2028	18,237,995.66	23,210,000.00	41,447,995.66
2029	17,486,976.90	31,295,000.00	48,781,976.90
2030	16,294,572.52	46,670,000.00	62,964,572.52
2031	14,801,611.27	46,320,000.00	61,121,611.27
2032	13,486,066.27	33,815,000.00	47,301,066.27
2033	12,349,566.27	33,515,000.00	45,864,566.27
2034	11,048,571.27	42,590,000.00	53,638,571.27
2035	10,072,105.02	16,250,000.00	26,322,105.02
2036	9,587,426.27	16,895,000.00	26,482,426.27
2037	9,075,745.02	17,580,000.00	26,655,745.02
2038	8,535,763.14	18,290,000.00	26,825,763.14
2039	8,119,623.76	9,910,000.00	18,029,623.76
2040	7,835,350.01	10,300,000.00	18,135,350.01
2041	7,430,493.76	16,995,000.00	24,425,493.76
2042	6,815,236.26	22,125,000.00	28,940,236.26
2043	6,059,668.76	24,255,000.00	30,314,668.76
2044	5,188,791.26	27,245,000.00	32,433,791.26
2045	4,210,866.88	28,480,000.00	32,690,866.88
2046	3,175,795.00	29,620,000.00	32,795,795.00
2047	2,173,525.00	26,260,000.00	28,433,525.00
2048	1,282,315.00	23,125,000.00	24,407,315.00
2049	618,300.00	13,520,000.00	14,138,300.00
2050	252,900.00	7,170,000.00	7,422,900.00
2051	67,050.00	4,470,000.00	4,537,050.00
Total	**$ 322,721,645.56**	**$ 672,805,000.00**	**$ 995,526,645.56**

(a) Includes scheduled mandatory sinking fund payments.
(b) Represents the remaining debt service requirements from February 1, 2021 through June 30, 2021.

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, 2021

Fiscal Year Ending June 30	Current Debt		
	Interest (a)	Principal	Total (b)
2021 (c)	1,743,002,680.47	1,574,735,000.00	3,317,737,680.47
2022	3,340,980,301.92	3,472,120,000.00	6,813,100,301.92
2023	3,178,456,360.64	3,069,230,000.00	6,247,686,360.64
2024	3,044,456,844.41	2,988,505,000.00	6,032,961,844.41
2025	2,912,007,349.37	2,988,930,000.00	5,900,937,349.37
2026	2,772,727,372.45	3,031,710,000.00	5,804,437,372.45
2027	2,624,324,425.47	3,034,650,000.00	5,658,974,425.47
2028	2,492,056,127.90	2,759,090,000.00	5,251,146,127.90
2029	2,359,059,322.90	3,111,805,000.00	5,470,864,322.90
2030	2,210,942,490.40	3,068,545,000.00	5,279,487,490.40
2031	2,071,252,936.80	2,942,245,000.00	5,013,497,936.80
2032	1,944,263,654.45	2,979,520,000.00	4,923,783,654.45
2033	1,797,662,415.84	3,091,940,000.00	4,889,602,415.84
2034	1,671,029,719.70	3,496,345,000.00	5,167,374,719.70
2035	1,440,048,341.66	2,872,170,000.00	4,312,218,341.66
2036	1,289,002,843.65	2,912,360,000.00	4,201,362,843.65
2037	1,151,363,995.05	2,884,255,000.00	4,035,618,995.05
2038	995,739,425.18	2,953,565,000.00	3,949,304,425.18
2039	875,212,925.30	3,403,005,000.00	4,278,217,925.30
2040	592,047,913.85	1,975,040,000.00	2,567,087,913.85
2041	431,540,262.52	2,179,625,000.00	2,611,165,262.52
2042	328,780,262.52	1,394,000,000.00	1,722,780,262.52
2043	272,010,387.52	1,326,325,000.00	1,598,335,387.52
2044	197,995,228.14	914,660,000.00	1,112,655,228.14
2045	163,011,843.76	893,925,000.00	1,056,936,843.76
2046	119,255,968.76	850,000,000.00	969,255,968.76
2047	84,530,968.76	525,000,000.00	609,530,968.76
2048	57,995,221.88	650,000,000.00	707,995,221.88
2049	39,059,475.00	315,000,000.00	354,059,475.00
2050	24,934,475.00	600,000,000.00	624,934,475.00
2051	4,000,000.00	250,000,000.00	254,000,000.00
Total	**$ 42,228,751,541.27**	**$ 68,508,300,000.00**	**$ 110,737,051,541.27**

(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, 2021 through June 30, 2021.

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, 2021

Fiscal Year Ending June 30	Current Debt		
	Interest (a)	Principal	Total (b)
2021 (c)	7,547,998.85	54,400,000.00	61,947,998.85
2022	16,260,181.41	32,300,000.00	48,560,181.41
2023	16,241,692.04	47,600,000.00	63,841,692.04
2024	16,254,427.96	159,500,000.00	175,754,427.96
2025	16,102,656.21	101,700,000.00	117,802,656.21
2026	16,054,712.06	188,000,000.00	204,054,712.06
2027	14,973,596.13	198,700,000.00	213,673,596.13
2028	12,276,651.30	489,700,000.00	501,976,651.30
2029	9,081,810.28	290,100,000.00	299,181,810.28
2030	6,177,647.56	335,690,000.00	341,867,647.56
2031	3,040,715.39	293,800,000.00	296,840,715.39
2032	947,165.62	294,600,000.00	295,547,165.62
2033	155,886.46	139,200,000.00	139,355,886.46
2034	80,371.85	1,600,000.00	1,680,371.85
2035	79,594.01	-	79,594.01
2036	79,938.99	-	79,938.99
2037	79,249.03	-	79,249.03
2038	79,593.99	-	79,593.99
2039	79,594.01	-	79,594.01
2040	79,699.48	400,000.00	479,699.48
2041	79,641.59	-	79,641.59
2042	79,116.65	-	79,116.65
2043	79,116.65	-	79,116.65
2044	78,275.29	20,000,000.00	20,078,275.29
2045	64,040.28	20,000,000.00	20,064,040.28
2046	50,144.94	20,000,000.00	20,050,144.94
2047	34,661.73	21,000,000.00	21,034,661.73
2048	12,759.91	20,000,000.00	20,012,759.91
Total	**$ 136,150,939.67**	**$ 2,728,290,000.00**	**$ 2,864,440,939.67**

(a) The estimate of future interest payments is based on rates in effect as of January 1, 2021. The interest rates for the daily, weekly and monthly rate bonds range from 0.02-0.93%.
The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, Series 2016A currently bears interest at a fixed rate of 4.00% (the "Prop 1B Put Bonds"). The Prop 1B Put Bonds will bear interest at the fixed rate until their respective reset date, and are assumed to bear the fixed rate from their respective reset date until maturity.

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

(c) Represents the remaining estimated debt service requirements from February 1, 2021 through June 30, 2021.

SOURCE: State of California, Office of the Treasurer.

SCHEDULE OF DEBT SERVICE REQUIREMENTS
FOR LEASE-REVENUE DEBT
Fixed Rate
January 1, 2021

Fiscal Year Ending June 30	Current Debt (a)		
	Interest (b)	Principal	Total (c)
2021 (d)	204,450,536.68	199,070,000.00	403,520,536.68
2022	391,078,211.73	525,105,000.00	916,183,211.73
2023	366,688,049.17	483,860,000.00	850,548,049.17
2024	343,013,369.40	481,950,000.00	824,963,369.40
2025	318,899,984.89	501,570,000.00	820,469,984.89
2026	293,577,732.37	516,505,000.00	810,082,732.37
2027	267,400,797.62	542,605,000.00	810,005,797.62
2028	240,329,859.97	556,400,000.00	796,729,859.97
2029	212,623,789.10	523,680,000.00	736,303,789.10
2030	186,400,267.64	516,800,000.00	703,200,267.64
2031	161,005,101.84	511,310,000.00	672,315,101.84
2032	134,647,944.70	525,255,000.00	659,902,944.70
2033	109,188,693.14	458,460,000.00	567,648,693.14
2034	85,665,434.42	443,430,000.00	529,095,434.42
2035	62,400,009.06	406,265,000.00	468,665,009.06
2036	44,258,943.76	265,935,000.00	310,193,943.76
2037	31,835,343.76	258,365,000.00	290,200,343.76
2038	19,189,150.01	188,610,000.00	207,799,150.01
2039	10,476,987.51	133,490,000.00	143,966,987.51
2040	4,911,118.76	91,475,000.00	96,386,118.76
2041	2,383,640.63	10,060,000.00	12,443,640.63
2042	1,912,071.88	10,535,000.00	12,447,071.88
2043	1,417,918.76	11,025,000.00	12,442,918.76
2044	899,981.26	11,550,000.00	12,449,981.26
2045	357,118.76	12,085,000.00	12,442,118.76
2046	9,646.88	735,000.00	744,646.88
Total	**$ 3,495,021,703.70**	**$ 8,186,130,000.00**	**$ 11,681,151,703.70**

(a) Does not include debt service on $502,615,000 of State Public Works Board (SPWB) Lease Revenue Refunding Bonds 2021 Series A (Various Capital Projects) sold on October 28, 2020 (the "2021 Series A Bonds"), and expected to be issued on October 14, 2021; the proceeds from the SPWB 2021 Series A Bonds are expected to refund $603,880,000 of outstanding principal (plus accrued interest to the redemption date) of SPWB lease revenue debt.

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

(c) Includes scheduled mandatory sinking fund payments.

(d) Represents the remaining debt service requirements from February 1, 2021 through June 30, 2021.

SOURCE: State of California, Office of the Treasurer.

STATE PUBLIC WORKS BOARD AND
OTHER LEASE-REVENUE FINANCING
OUTSTANDING ISSUES
As of January 1, 2021

GENERAL FUND SUPPORTED ISSUES[a]:		**Outstanding[b]**
State Public Works Board Issues (by Facility Lessee)		
Board of State and Community Corrections	$	80,780,000
California Community Colleges		107,365,000
California Department of Corrections and Rehabilitation		3,808,125,000
California Department of Forestry and Fire Protection		188,520,000
California Department of Veterans Affairs		241,705,000
Department of Developmental Services		88,395,000
Department of Education		121,950,000
Department of General Services		801,035,000
Department of Public Health		76,995,000
Department of State Hospitals		289,915,000
Judicial Council		1,893,375,000
Other State Facilities		261,600,000
Trustees of the California State University		143,410,000
Total State Public Works Board Issues	**$**	**8,103,170,000**
Total Non-State Public Works Board State Facilities Issues[c]	**$**	**82,960,000**
Total General Fund Supported Issues	**$**	**8,186,130,000**
TOTAL	**$**	**8,186,130,000**

(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) Does not include $502,615,000 of State Public Works Board (SPWB) Lease Revenue Refunding Bonds 2021 Series A (Various Capital Projects) sold on October 28, 2020 (the “2021 Series A Bonds”), and expected to be issued on October 14, 2021; the proceeds from the SPWB 2021 Series A Bonds are expected to refund $603,880,000 of outstanding SPWB bonds.

(c) Includes $33,450,000 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, 2021

	Total Debt		
	Interest	**Principal**	**Total (a)**
GENERAL OBLIGATION BONDS			
GENERAL FUND NON-SELF LIQUIDATING (b)			
Fixed Rate	$ 42,228,751,541.27	$ 68,508,300,000.00	$ 110,737,051,541.27
Variable Rate (c)	136,150,939.67	2,728,290,000.00	2,864,440,939.67
ENTERPRISE FUND SELF LIQUIDATING			
Fixed Rate	322,721,645.56	672,805,000.00	995,526,645.56
REVENUE BONDS			
GENERAL FUND LEASE-REVENUE			
Lease-Revenue	3,495,021,703.70	8,186,130,000.00	11,681,151,703.70
General Fund and Lease-Revenue Total (d)	**$ 46,182,645,830.20**	**$ 80,095,525,000.00**	**$ 126,278,170,830.20**

(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, 2021. The interest rates for the daily, weekly and monthly rate bonds range from 0.02-0.93%. The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, Series 2016A currently bears interest at a fixed rate of 4.00% (the "Prop 1B Put Bonds"). The Prop 1B Put Bonds will bear interest at the fixed rate until their respective reset date, and are assumed to bear the fixed rate from their respective reset date until maturity.
(d) Estimated interest included.

SOURCE: State of California, Office of the Treasurer.

STATE AGENCY REVENUE BONDS
AND CONDUIT FINANCING
As of December 31, 2020

Issuing Agency	Outstanding[(a)(b)(c)(d)]
State Revenue Bond Financing Programs:	
California Alternative Energy and Advanced Transportation Financing Authority	1,278,400
California Earthquake Authority	300,000,000
California Health Facilities Financing Authority	989,035,000
California Housing Finance Agency	464,500,000
California Infrastructure and Economic Development Bank	1,783,250,000
California State University	7,911,080,000
Department of Water Resources - Central Valley Project	2,973,895,000
The Regents of the University of California	23,702,300,000
Veterans Revenue Debenture	445,185,000
TOTAL	**$ 38,570,523,400**
Conduit Financing:	
California Alternative Energy and Advanced Transportation Financing Authority	2,968,528
California Educational Facilities Authority	4,300,003,191
California Health Facilities Financing Authority	15,626,605,963
California Housing Finance Agency	2,296,184,928
California Infrastructure and Economic Development Bank	4,938,052,729
California Pollution Control Financing Authority	3,176,209,428
California School Financing Authority	1,654,626,698
TOTAL	**$ 31,994,651,465**

(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.

EXHIBIT 1 TO APPENDIX A

PENSION SYSTEMS

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PENSION SYSTEMS

General

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

The University of California ("UC") maintains a separate retirement system. The 2021-22 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 comprehensive annual financial reports of CalPERS and CalSTRS are available on their websites at www.calpers.ca.gov and www.calstrs.com, respectively. The CalPERS and CalSTRS websites also contain the most recent actuarial valuation reports, as well as other information concerning benefits and other matters. Such information is not incorporated by reference herein. The state cannot guarantee the accuracy of such information. Actuarial valuations are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial valuations will change with the future experience of the pension plans. As used in this Exhibit 1, an active member refers to a participant currently employed by a CalPERS or CalSTRS covered employer, an inactive member refers to a participant with member contributions on account who is not receiving a benefit or currently employed by a CalPERS or CalSTRS covered employer, and a retiree, survivor, or beneficiary refers to a participant currently receiving a benefit from CalPERS or CalSTRS.

CalPERS

1. General

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

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

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

2. Members and Employers

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

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

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The following table reflects the number of state employee members of CalPERS as of June 30, 2019 and June 30, 2020.

TABLE 30
CalPERS State Employee Membership as of June 30

Category	2019	2020
Retirees	214,279	220,202
Survivors and Beneficiaries	38,164	39,142
Active Members	270,162	275,194
Inactive Members	101,258	103,671
Total	623,863	638,209

Source: CalPERS Comprehensive Annual Financial Report for Fiscal Years ended June 30, 2019 and June 30, 2020.

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 his or her 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 (generally ranging 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 42 percent of the state active member population consists of PEPRA members as of June 30, 2020.

The following table shows the amount of pension benefits paid from CalPERS for fiscal years 2015-16 through 2018-19.

TABLE 31
CalPERS (State Only)
Schedule of Pension Benefits Paid
(Dollars in Millions)

Fiscal Year	Benefits Paid
2014-15	$7,859
2015-16	8,307
2016-17	8,717
2017-18	9,213
2018-19	9,779

Source: CalPERS State Actuarial Valuation for Fiscal Years Ended June 30, 2018 through June 30, 2019.

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 units within the same employee classification. The required contribution rates of active CalPERS state members are based on a percentage of their salary ranging from 3.75 to 13 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.

The 2021-22 Governor's Budget includes the following employer contribution rates for fiscal year 2021-22:

	Contribution Rates
State Miscellaneous Tier 1	29.50%
California State University, Miscellaneous Tier 1	29.50
State Miscellaneous Tier 2	29.50
State Industrial	17.48
State Safety	19.38
State Peace Officers & Firefighters	32.55
California State University, Peace Officers and Firefighters	32.55
California Highway Patrol	62.62

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The table below shows the state's actual and estimated contributions to PERF for fiscal years 2017-18 through 2021-22.

TABLE 32
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	Total General Fund
2017-18[(a)]	$5,188	$2,727	$661	$661	$5,849	$3,388
2018-19[(b)]	5,506	2,890	683	683	6,190	3,574
2019-20[(c)]	5,946	3,112	716	716	6,663	3,828
2020-21[(c)(d)(e)]	4,925	2,432	680	680	5,604	3,112
2021-22[(c)(d)(f)]	4,808	2,304	682	682	5,490	2,986

(a) Does not include the one-time $6 billion supplemental pension payment to CalPERS in fiscal year 2017-18 per Chapter 50, Statutes of 2017 (SB 84), as described below.

(b) Does not include the $2.5 billion General Fund supplemental pension payment to CalPERS in fiscal year 2018-19 pursuant to Chapter 33, Statutes of 2019 (SB 90), as described below.

(c) 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 below.

(d) Estimated contributions.

(e) 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.

(f) Does not include the $1.5 billion supplemental pension payment using Proposition 2 debt repayment funding in fiscal year 2021-22 proposed by the 2021-22 Governor's Budget, as described in this section.

Note: Totals may not add due to rounding effects.

Source: State of California, Department of Finance.

The 2019-20 Budget included a $3 billion General Fund allocation for supplemental pension payments to CalPERS to be paid over 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 was redirected to achieve 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 supplemental payment to CalPERS that benefits all funding sources for state contributions to CalPERS, AB 84 requires 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 (an estimated $1.0 billion). 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. Payment of the installments in fiscal years 2021-22 and 2022-23 are 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 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. The impact of this change is not reflected in the estimated 2020-21 contributions to CalPERS.

The 2019-20 Budget also included a $904 million General Fund payment to the CalPERS Schools Pool in fiscal year 2018-19. The CalPERS Schools Pool provides pension benefits to classified school employees. (School employers of these employees are solely responsible for the unfunded liabilities of the pool.) Through this payment, the state assisted school employers with their pension costs for the CalPERS Schools Pool. Of the entire amount, $144 million was used to offset the fiscal year 2019-20 employer contribution rate by 1.012 percent, and $100 million will be used to offset the fiscal year 2020-21 employer contribution rate by 0.67 percent. The remaining $660 million was initially directed to be paid towards the school employers' share of the unfunded liability for the CalPERS Schools Pool, which was estimated to reduce the long-term employer contribution rate by 0.1 percent to 0.3 percent starting in fiscal year 2020-21. AB 84 amended the statute to redirect the $660 million to offset fiscal year 2020-21 and 2021-22 employer contributions in equal amounts. This change further offsets the fiscal year 2020-21 employer contribution rate by 2.22 percent, and offsets the fiscal year 2021-22 employer contribution rate by 2.16 percent. As a result of the change enacted by AB 84, the $904 million payment is estimated to result in a gross savings ratio for school employers of 1:1 (i.e., no net savings are expected).

The 2021-22 Governor's Budget proposes $1.5 billion in Proposition 2 debt repayment funding in fiscal year 2021-22 to reduce the state's unfunded liabilities. This payment is in addition to the statutorily required state pension contributions captured in the above table. The proposed Proposition 2 payment is estimated to result in up to $3.5 billion in estimated savings for the state over the next three decades. Based on revenue projections, an additional $4.1 billion in Proposition 2 funding would be paid to CalPERS over the remaining forecast period (fiscal year 2022-23 to 2024-25), depending on the availability of Proposition 2 debt funding.

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 repayment over the expected term (approximately $3.2 billion estimated as of the 2021-22 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 2021-22 Governor's Budget, the Department of Finance projected 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 December 2016, the CalPERS Board voted to lower its assumed rate of return from 7.5 to 7 percent over three years, which will result in contribution increases for employers and some employees. The increase in contributions the state will incur, as a result of the discount rate change, is being implemented over a five-year ramp-up period, with full implementation in fiscal year 2023-24. It was estimated at the 2017 Budget Act that by fiscal year 2023-24, state contributions would increase by $931 million ($552 million from the General Fund), reaching $8.6 billion ($4.9 billion from the General Fund) in total, due to changes in the discount rate, scheduled contribution increases under existing funding policies, and payroll growth. 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 aggregate $2.8 billion in supplemental pension payments to CalPERS over fiscal years 2018-19 through 2022-23 included in the 2019-20 Budget and the 2020-21 Budget is projected to result in further reductions to the state's contributions starting in fiscal year 2019-20. The $1.5 billion supplemental pension payment proposed by the 2021-22 Governor's Budget is projected to reduce the state's contributions starting in fiscal year 2022-23.

The projected state contribution rates for fiscal years 2021-22 through 2025-26 as published in the actuarial valuation for the fiscal year ended June 30, 2019 are included in the table below. These projected rates serve as the basis for the sensitivity analysis included in the June 30, 2019 valuation, also set forth below. The June 30, 2019 valuation also includes the additional state contribution rates required by statute to offset increased member contributions under PEPRA for fiscal year 2020-21. The table below shows the projected state contribution rates for fiscal years 2021-22 through 2025-26, and assumes the additional statutorily required state contribution rates for 2020-21 remain constant through fiscal year 2025-26. Beginning with the actuarial valuation for the fiscal year ended June 30, 2016, CalPERS combined the Tier 1 and Tier 2 of the State Miscellaneous employer contribution rates as a single State Miscellaneous rate for administrative efficacy. The projected state contribution rates reflect the impact of the $8.8 billion in supplemental pension payments paid in fiscal years 2017-18 and 2019-20, the fiscal year 2019-20 investment return of 4.7 percent and projected additional contributions required to offset increased member contributions under PEPRA; they do not reflect the estimated impact of the supplemental pension payment proposed by the 2021-22 Governor's Budget. See "Member and State Contributions."

Projected Contribution Rates

	Fiscal Year				
Plan:	2021-22	2022-23	2023-24	2024-25	2025-26
State Miscellaneous	29.50%	33.50%	34.20%	33.60%	33.70%
State Industrial	17.48	23.68	23.88	22.38	22.38
State Safety	19.38	23.58	23.18	23.18	23.08
State Peace Officers & Firefighters	32.55	53.25	54.35	53.45	53.65
California Highway Patrol	62.62	63.62	62.82	62.22	62.62

Source: CalPERS State Actuarial Valuation for Fiscal Year Ended June 30, 2019.

In accordance with state law, the actuarial valuation for the fiscal year ended June 30, 2019 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, 2019 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 2022-23 through 2024-25 for the employee categories under five different investment return scenarios, based on an 4.7 percent investment return for fiscal year 2019-20. 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 five different investment return scenarios are as follows:

- The first scenario assumes a 1.00 percent return for each of the fiscal years 2020-21, 2021-22, and 2022-23.
- The second scenario assumes a 4.00 percent return for each of the fiscal years 2020-21, 2021-22, and 2022-23.
- The third scenario assumes a 7.00 percent return for each of the fiscal years 2020-21, 2021-22, and 2022-23.

- The fourth scenario assumes a 9.00 percent return for each of the fiscal years 2020-21, 2021-22, and 2022-23.
- The fifth scenario assumes a 12.00 percent return for each of the fiscal years 2020-21, 2021-22, and 2022-23.

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

Estimated: Fiscal Year 2022-23

Assumed return	1.00%	4.00%	7.00%	9.00%	12.00%
	Projected Contribution Rates				
State Miscellaneous	34.2%	33.8%	33.4%	33.4%	33.0%
State Industrial	23.5	23.1	22.8	22.9	22.5
State Safety	23.0	22.7	22.4	22.5	22.2
State Peace Officers & Firefighters	52.8	52.2	51.6	51.7	51.0
California Highway Patrol	63.7	63.0	62.3	62.4	61.8

Source: CalPERS State Actuarial Valuation for Fiscal Year Ended June 30, 2019.

Estimated: Fiscal Year 2023-24

Assumed return	1.00%	4.00%	7.00%	9.00%	12.00%
	Projected Contribution Rates				
State Miscellaneous	36.5%	35.3%	34.1%	33.9%	32.7%
State Industrial	25.0	24.0	23.0	23.0	22.0
State Safety	23.8	22.9	22.0	22.1	21.2
State Peace Officers & Firefighters	56.5	54.6	52.7	52.7	50.8
California Highway Patrol	65.4	63.5	61.5	61.5	59.4

Source: CalPERS State Actuarial Valuation for Fiscal Year Ended June 30, 2019.

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Estimated: Fiscal Year 2024-25

Assumed return	1.00%	4.00%	7.00%	9.00%	12.00%
	Projected Contribution Rates				
State Miscellaneous	38.2%	35.9%	33.5%	33.0%	30.5%
State Industrial	25.5	23.5	21.5	21.4	19.3
State Safety	25.6	23.8	22.0	22.0	20.1
State Peace Officers & Firefighters	59.1	55.5	51.8	51.4	47.5
California Highway Patrol	68.6	64.8	60.9	60.6	56.4

Source: CalPERS State Actuarial Valuation, for Fiscal Year Ended June 30, 2019.

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 an external investment consultant.

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 recently adopted revisions to its Total Fund Investment Policy that included the following changes to the Opportunistic Program: (1) the maximum total fund net asset value of the program increased from 3 percent to 5 percent, and (2) the program diversification parameter percentages were replaced with allocation percentages and staff authority dollar limits. These revisions took effect June 17, 2020.

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The following tables set forth the total return on all assets for PERF for fiscal years 2010-11 through 2019-20, as well as time-weighted average returns.

TABLE 33
CalPERS Investment Results Based On Market Value

Fiscal Year	Annualized Rate of Return
2010-11	21.7%
2011-12	0.1
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

Source: CalPERS Comprehensive Annual Financial Report for Fiscal Years ended June 30, 2009 through June 30, 2019. CalPERS State Actuarial Valuation for Fiscal Year Ended June 30, 2019.

TABLE 34
PERF Time-Weighted Average Returns as of June 30, 2020

Period	Time Weighted Average Rate of Return
3 years	6.6%
5 years	6.3
10 years	8.5
20 years	5.5

Source: CalPERS September 14, 2020, Board Meeting Agenda Item. July 15, 2020 CalPERS Newsletter for the 20-year time period.

The 3-year, 5-year, and 20-year rates fall below 7 percent, CalPERS' actuarially assumed rate of return. In 2019, CalPERS publicly indicated that it expected actual investment returns in the following ten year period would be less than the 7 percent rate of return. CalPERS has currently noted that it is unknown how significantly the recession triggered by the COVID-19 pandemic will impact investment returns beyond fiscal year 2019-20. 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 in order 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 2017 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 2023-24.

TABLE 35
Actuarial Assumptions—State Plans

	Fiscal Year			
Assumption	**2020-21**	**2021-22**	**2022-23**	**2023-24**
Investment Returns	7.00%	7.00%	7.00%	7.00%
Inflation	2.50	2.50	2.50	2.50
Salary Increase (Total Payroll)	2.75	2.75	2.75	2.75

On November 18, 2015, the CalPERS Board adopted a 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 Funding Risk Mitigation Policy. The revisions include suspension of the policy until fiscal year 2020-21, and a decrease of the required first excess investment return threshold from 4 to 2 percent.

On February 14, 2018, the CalPERS Board of Administration adopted revisions to its actuarial amortization policy. Major revisions that affect state plans were made to the amortization of investment gains and losses, as well as to actuarial surplus. For the amortization of investment gains and losses, the amortization period was reduced from 30 years to 20 years, and the 5-year direct smoothing process was removed from the end of the amortization period.

Amortization of actuarial surplus was eliminated. These policy revisions will be applied to the amortization of investment gains and losses, and actuarial surplus, experienced on or after June 30, 2019. These revisions will affect contributions starting in fiscal year 2020-21.

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 audited each year by an independent actuarial firm. The actuarial valuations specific to state employees are audited every three years. The most recent audit was for the June 30, 2018 actuarial valuation and was completed in December 2019.

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.

The unfunded liability allocable to state employees (excluding judges and elected officials) is estimated to be $61.4 billion as of June 30, 2019, which is an increase of $1.7 billion from the June 30, 2018 valuation. The funded ratio increased to 70.0 percent as of June 30, 2019, from 69.5 percent as of June 30, 2018.

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TABLE 36
PERF Schedule of Funding Status
State Employees Only
(Dollars in Millions)

	Year Date (June 30)				
	2015	**2016**	**2017**	**2018**	**2019**
Market Value of Assets (MVA)	$112,532	$111,121	$121,587	$136,231	$143,466
Actuarial Accrued Liabilities	162,091	170,657	180,311	195,906	204,836
Excess of Market Value of Assets over AAL or Surplus (Unfunded) Actuarial Accrued Liabilities (UAAL) MVA Basis	(49,559)	(59,536)	(58,724)	(59,675)	(61,370)
Covered Payroll	17,453	18,092	18,799	19,662	20,581
Funded Ratio (MVA)	69.4%	65.1%	67.4%	69.5%	70.0%

Source: CalPERS State Actuarial Valuation for Fiscal Years Ended June 30, 2013 through June 30, 2019.

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, 2020, CalPERS reported that JRF and JRF II had an unfunded actuarial liability of approximately $3.1 billion and $27.7 million, respectively. For the same year, the LRF reported a funding surplus of $19.2 million. In the 1959 Survivor Benefit Program actuarial report for the year ended June 30, 2019, CalPERS reported that the program had an unfunded actuarial liability of approximately $39 million.

The state's fiscal year 2021-22 retirement contributions from the General Fund are estimated to be $193 million for JRF, $86 million for JRF II and $84 thousand for LRF. The state's fiscal year 2020-21 General Fund retirement contribution to the 1959 Survivor Benefit Program is approximately $5.6 million.

Further information concerning JRF, JRF II, and LRF can be found in CalPERS' financial reports and actuarial reports and is set forth in Note 10 (and the "Net Pension Liability and Related Rates" included in the Required Supplementary Information) to the Audited Basic Financial Statements of the State of California for the Year Ended June 30, 2019 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.

The largest CalSTRS fund, the State Teachers' Retirement Plan (the "STRP"), is a multiple employer, cost-sharing, defined benefit plan comprised of four programs: the Defined Benefit Program (referred to in the state's fiscal year 2017-18 financial statements and 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 DB Program 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, 2020, the DB Program included 1,788 employers. The following table reflects the total number of members in the DB Program as of June 30, 2019 and 2020.

TABLE 37
DB Program Membership

Membership	June 30, 2019	June 30, 2020
Active Members	451,343	448,513
Inactive Members	204,707	213,127
Retirees and Beneficiaries	308,522	314,405
Total	964,572	976,045

Source: CalSTRS Comprehensive Annual Financial Report for Fiscal Years ended June 30, 2019 and June 30, 2020 – Notes to Basic Financial Statements, Note 1.

CalSTRS reported in its Comprehensive Annual Financial Report for fiscal year ended June 30, 2020 that over the past six years, the number of active members had grown by 4 percent, while the number of retirees and beneficiaries had grown by 11 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 (increased to 2.4 percent of final compensation for members retiring after age 60), 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 (increased to 2.4 percent of final compensation for members retiring after age 62). The PEPRA member population in CalSTRS has been increasing steadily over the last few years. As of June 30, 2019, there were about 117,000 active PEPRA members. According to CalSTRS, there were about 129,000 active PEPRA members as of June 30, 2020, representing roughly 29 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 2014-15 through 2018-19:

TABLE 38
DB Program
Schedule of Benefits Paid and Administrative Expenses
(Dollars in Millions)

Fiscal Year	Amount of Benefits Paid	Administrative Expenses
2014-15	$11,972	$146
2015-16	12,546	183
2016-17	13,226	180
2017-18	13,855	204
2018-19	14,528	244

Source: CalSTRS Actuarial Valuations for Fiscal Years ended June 30, 2015 through 2019.

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, approximately 61 percent of total inflows to the STRP were derived from investment earnings, according to CalSTRS. As described below, historically the contribution rates of the members, employers, and the state are determined by statute in the Education Code instead of actuarially determined amounts as is done for the CalPERS system. Over time, this has contributed to an underfunding of the DB Program.

On June 24, 2014, Governor Brown signed AB 1469, a comprehensive long-term funding solution intended to eliminate the current CalSTRS unfunded liability 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 Budget and the 2020-21 Budget, and proposed as part of the 2021-22 Governor's Budget, 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 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 remaining unfunded obligation that existed on July 1, 2014. CalSTRS currently anticipates that the CalSTRS Board would be asked to lower the employer rate the first time the CalSTRS Board will exercise this authority.

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.

The 2019-20 Budget included a $2.2 billion General Fund payment to CalSTRS in fiscal year 2018-19 on behalf of CalSTRS school employers. Of this amount, an estimated $356 million was used to offset the fiscal year 2019-20 employer contribution rate by 1.03 percent, and an estimated $250 million was used to offset the fiscal year 2020-21 employer contribution rate by 0.7 percent. The remaining $1.6 billion was initially directed to be allocated in fiscal year 2018-19 towards the CalSTRS employers' share of the unfunded liability for the DB Program, which was estimated to reduce the long-term employer contribution rate by 0.3 percent starting in fiscal year 2021-22. AB 84 amended the statute to redirect the $1.6 billion to offset fiscal year 2020-21 and 2021-22 employer contributions in equal amounts. This change further offsets the fiscal year 2020-21 employer contribution rate by 2.26 percent, and offsets the fiscal year 2021-22 employer contribution rate by 2.18 percent. As a result of the change enacted by AB 84, the $2.2 billion payment is estimated to result in a gross savings ratio for school employers of 1:1 (i.e., no net savings are expected). It is also expected to impact the funded ratio of the DB Program prospectively, but that impact has not been projected by CalSTRS.

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 2011-12, the state's contribution was based on creditable compensation from fiscal year 2009-10. 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 the current rate of 5.311 percent. 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, and 2019-20, 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, as further described below.

The 2021-22 Governor's Budget reflects a 8.828 percent total (base and supplemental) state contribution rate to the DB Program in fiscal year 2021-22. This contribution rate reflects both the CalSTRS Board's decision to increase the state contribution rate by 0.5 percent in fiscal year 2021-22 and the state's decision to provide an additional 0.5 percent in supplemental General Fund contributions in fiscal year 2021-22.

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.

In addition to the statutorily required state contribution, the 2021-22 Governor's Budget includes a $410 million supplemental pension payment in fiscal year 2021-22 towards the state's share of the unfunded liability for the DB Program. This payment will be paid to CalSTRS for the DB Program using available Proposition 2 debt repayment funding. This payment is expected to result in a long-term reduction of 0.1 percent to the state contribution rate, and generate savings of $723 million to the state in reduced contributions through 2046.

5. <u>Accounting Standards</u>

The Basic Financial Statements contained in the CalSTRS Comprehensive Annual Financial Report For Fiscal Year Ended June 30, 2020 (the "CalSTRS 2020 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 Comprehensive Annual Financial Report For Fiscal Year Ended June 30, 2020, 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 2020 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, 2020 (which is available on the CalSTRS website at www.calstrs.com, however, such information is not incorporated by reference herein), 34.015 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 36.41 percent or $33.5 billion as of the June 30, 2018 measurement date pursuant to the state's financial statements for the fiscal year ended June 30, 2019.

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.

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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 2017-18 through 2021-22.

TABLE 39
Schedule of General Fund Contributions from the State
(Dollars in Millions)

Fiscal Year	DB Program	SBMA	Pre-1990 DB	Total
2017-18	$619	$695	$1,476	$2,790
2018-19[(a)]	647	730	1,705	3,082
2019-20[(a)]	663	750	1,910	3,323
2020-21[(a)]	683	775	1,969	3,427
2021-22[(a)]	700	795	2,362	3,857

(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.

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 "2019 CalSTRS Valuation") that was adopted on May 7, 2020. The 2019 CalSTRS Valuation provides an annual update of the fund's assets and liabilities for the Defined Benefit Program as of June 30, 2019.

In preparing the 2019 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 40
Actuarial Methods and Assumptions—DB Program

	Fiscal Year			
Methods	**2016-17**	**2017-18**	**2018-19**	**2019-20**
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	7.50%	7.25%	7.00%	7.00%
Interest on Accounts	4.50	3.00	3.00	3.00
Wage Growth	3.75	3.50	3.50	3.50
Consumer Price Inflation	3.00	2.75	2.75	2.75
Post-retirement Benefit Increases	2.00 (simple)	2.00 (simple)	2.00 (simple)	2.00 (simple)

Source: CalSTRS Comprehensive Annual Financial Reports for Fiscal Years ended June 30, 2017 through June 30, 2020.

The table above refers to the actuarial methods and assumptions used in the CalSTRS Comprehensive Annual 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 2019 CalSTRS Valuation, due to the asset smoothing method, approximately one-third of the approximately $3.1 billion investment gain has not been recognized (the difference 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.

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TABLE 41
DB Program Schedule of Funding Status
(Dollars in Millions)

	Fiscal Year as of June 30				
	2014-15[a]	**2015-16[a]**	**2016-17[a]**	**2017-18[a]**	**2018-19[a]**
Market Value of Assets (MVA)	$169,127	$165,118	$183,482	$195,611	$208,083
Actuarial Value of Assets (AVA)	165,553	169,976	179,689	190,451	205,016
Actuarial Accrued Liabilities (AAL)-entry age	241,753	266,704	286,950	297,603	310,719
Excess of Market Value of Assets over AAL or Surplus (Unfunded) Actuarial Accrued Liabilities (UAAL) MVA Basis[a]	(72,626)	(101,586)	(103,468)	(101,992)	(102,636)
Excess of Actuarial Value of Assets over AAL or Surplus (Unfunded) Actuarial Accrued Liabilities (UAAL) AVA Basis	(76,200)	(96,728)	(107,261)	(107,152)	(105,703)
Covered Payroll	28,013	29,826	31,136	31,884	32,897
Funded Ratio (MVA)	70%	62%	64%	66%	67%
Funded Ratio (AVA)	69%	64%	63%	64%	66%

(a) The AAL is referred to as the Actuarial Obligation and the UAAL is referred to as the Unfunded Actuarial Obligation (UAO) in the2015, 2016, 2017, 2018, and 2019 CalSTRS Valuation.

Source: CalSTRS Actuarial Valuations for Fiscal Years ended June 30, 2015 through June 30, 2019.

The market value of the entire DB Program investment portfolio (including the SBMA assets) was $225.5 billion as of June 30, 2019, a 6.7 percent increase from $211.4 billion on June 30, 2018.

10. <u>Prospective Funding Status; Future Contributions</u>

The 2021-22 Governor's Budget includes $3.9 billion from the General Fund for fiscal year 2021-22 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 increase by 0.5 percent for fiscal years 2021-22 through 2027-28 and remain roughly the same through 2045-46. The state contribution rate will increase by an additional 0.5 percent in fiscal year 2021-22 as a result of the temporary suspension of the CalSTRS Board's authority to increase the state contribution rate in fiscal year 2020-21.

According to the 2019 CalSTRS Valuation, future revenues from contributions and appropriations for the DB Program are projected to be sufficient to finance its obligation by 2046, except for a small portion of the UAAL attributable to new benefits attributable to post-2014 service that is not actuarially funded. This amount is estimated to be $109 million as of June 30, 2019.

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.

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The following tables sets forth the total return on all CalSTRS' assets (including the DB Program assets) for the fiscal years ended June 30, 2011 through June 30, 2020, as well as time-weighted average returns.

TABLE 42
CalSTRS Investment Results Based On Market Value

Fiscal Year	Time-Weighted Annual Return
2010-11	22.83%
2011-12	1.59
2012-13	13.55
2013-14	18.30
2014-15	4.52
2015-16	1.35
2016-17	13.44
2017-18	8.99
2018-19	6.82
2019-20	3.90

Source: CalSTRS Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2020.

TABLE 43
CalSTRS Time-Weighted Gross Returns as of June 30, 2020

Period	Time-Weighted Rate of Return
3 years	6.50%
5 years	6.80
10 years	9.30
20 years	5.80

Source: CalSTRS Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2020.

The 3-year, 5-year and 20-year rates of return are below the 7.00 percent rate of return, CalSTRS' actuarially assumed rate of return for fiscal year 2019-20.

June 2020

STATEMENT of GENERAL FUND CASH RECEIPTS and DISBURSEMENTS

BETTY T. YEE
California State Controller

BETTY T. YEE
California State Controller

July 10, 2020

Enclosed is the Statement of General Fund Cash Receipts and Disbursements for the period of July 1, 2019, through June 30, 2020. This statement reflects the State of California's General Fund cash position, and compares actual receipts and disbursements for the 2019-20 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. Prior-year actual amounts also are displayed for comparative purposes.

Attachment A compares actual receipts and disbursements for the 2019-20 fiscal year to cash flow estimates published in the 2020-21 May Revision. These cash flow estimates are predicated on projections and assumptions made by DOF in preparation of the 2020-21 May Revision.

Attachment B compares actual receipts and disbursements for the 2019-20 fiscal year to cash flow estimates prepared by DOF based upon the 2019-20 Budget Act.

In April 2020, a portion of State Operations and Local Assistance payments were made by the General Cash Revolving Fund (GCRF) pursuant to Government Code section 16381. Opening the GCRF provides the state with cash management flexibility in the event it becomes necessary to issue Registered Reimbursement Warrants (commonly known as RAWs). The establishment of the GCRF does not signal a need or intention to issue a RAW. GCRF amounts have been combined with the General Fund for reporting purposes because they represent General Fund type activities (see Attachment C for details).

These statements also are available online at www.sco.ca.gov on the Financial Reports, Taxes, and Economy page, under Monthly Financial Reports.

Please direct any questions relating to this report to Liz Cornell, Acting Division Chief of the State Accounting and Reporting Division, by telephone at (916) 322-7407.

Sincerely,

Original signed by

BETTY T. YEE

STATEMENT OF GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS
A Comparison of Actual to 2020-21 May Revision Estimates
(Amounts in thousands)

	July 1 through June 30				
	2020				2019
			Actual Over or (Under) Estimate		
	Actual	Estimate (a)	Amount	%	Actual
GENERAL FUND BEGINNING CASH BALANCE	**$ 5,398,069**	**$ 5,398,069**	**$ -**	**-**	**$ 5,540,527**
Add Receipts:					
Revenues	125,266,837	122,065,375	3,201,462 (g)(h)	2.6	141,652,851
Nonrevenues	2,179,997	1,944,701	235,296	12.1	3,959,928
Total Receipts	127,446,834	124,010,076	3,436,758	2.8	145,612,779
Less Disbursements (c):					
State Operations	45,391,810 (i)	49,697,780	(4,305,970)	(8.7)	35,481,234
Local Assistance	99,002,278 (i)	106,459,382	(7,457,104)	(7.0)	98,217,752
Capital Outlay	231,354	445,460	(214,106)	(48.1)	872,073
Nongovernmental	8,268,151	8,137,458	130,693	1.6	11,184,178
Total Disbursements	152,893,593	164,740,080	(11,846,487)	(7.2)	145,755,237
Receipts Over / (Under) Disbursements	(25,446,759)	(40,730,004)	15,283,245	(37.5)	(142,458)
Net Increase / (Decrease) in Temporary Loans	20,048,690	35,331,935	(15,283,245)	(43.3)	-
GENERAL FUND ENDING CASH BALANCE	-	-	-		5,398,069
Special Fund for Economic Uncertainties	-	-	-	-	2,063,135
TOTAL CASH	**$ -**	**$ -**	**$ -**		**$ 7,461,204**
BORROWABLE RESOURCES					
Special Fund for Economic Uncertainties	$ 253	$ -	$ 253	-	$ 2,063,135
Budget Stabilization Account	16,516,422	16,516,422	-	-	11,157,422
Other Internal Sources (f)	48,414,437	52,285,290	(3,870,853) (j)	(7.4)	44,413,749
Cash Balance from Borrowable Resources	64,931,112	68,801,712	(3,870,600)	(5.6)	57,634,306
Less:					
PMIA Loans (AB 55, GC 16312 and 16313)	575,596	800,000	(224,404)	(28.1)	778,773
SMIF Loans (SB 84, GC 20825)	5,041,501	5,041,000	501	-	5,747,295
SMIF Loans (AB 1054, PUC 3285)	2,000,000	2,000,000	-	-	-
Total Available Borrowable Resources (e)	57,314,015	60,960,712	(3,646,697)	(6.0)	51,108,238
Outstanding Loans to General Fund (b)	20,048,690 (i)	35,331,935	(15,283,245)	(43.3)	-
Outstanding Loans to the SFEU Fund	-	-	-	-	-
Unused Borrowable Resources	$ 37,265,325	$ 25,628,777	$ 11,636,548	45.4	$ 51,108,238

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 2019-20 fiscal year was prepared by the Department of Finance for the 2020-21 May Revision. Any projections or estimates are set forth as such and not as representation of facts.

(b) Outstanding loan balance of $20.05 billion is comprised of $20.05 billion of internal borrowing. Current balance is comprised of $0.00 carried forward from June 30, 2019, plus current year Net Increase/(Decrease) in Temporary Loans of $20.05 billion.

(c) If shown, negative amounts are the result of repayments received that are greater than disbursements made.

(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.

(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).

(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).

(g) The variance between actual revenues and 2020-21 May Revision estimates are higher due to COVID-19 pandemic related actions. Pursuant to Executive Order (EO) N-25-20, the Franchise Tax Board extended the filing and payment due dates for Personal Income and Corporation Tax from April 15th to July 15th. EO N-40-20 extended a portion of Retail Sales and Use Tax filing and payment due date up to three months. May Revision estimates include these revenue deferrals.

(h) The General Fund received $9.53 billion in Federal reimbursement in April 2020 pursuant to the Coronavirus Aid, Relief and Economic Security (CARES) Act and was transferred from General Fund to Coronavirus Relief Fund in June 2020.

(i) The General Cash Revolving Fund disbursements have been combined with the General Fund for reporting purposes because they represent major General Fund type activities (see Attachment C for details).

(j) May Revision estimates include $9.50 billion for Coronavirus Relief Fund which has been determined to be not borrowable for GC 16310 purposes.

SCHEDULE OF CASH RECEIPTS
(Amounts in thousands)

	Month of June		July 1 through June 30					
			2020					2019
	2020	2019	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%		Actual
REVENUES								
Alcoholic Beverage Excise Tax	$ 26,299	$ 24,027	$ 407,884	$ 419,998	$ (12,114)		(2.9)	$ 353,296
Corporation Tax	1,216,721	3,487,867	9,817,957	9,786,611	31,346	(g)	0.3	13,792,520
Cigarette Tax	6,546	8,592	64,145	60,731	3,414		5.6	59,099
Estate, Inheritance, and Gift Tax	30	-	283	227	56		24.7	344
Insurance Companies Tax	490,303	473,324	3,131,835	3,052,114	79,721		2.6	2,720,717
Personal Income Tax	6,332,444	12,558,559	82,918,934	81,422,482	1,496,452	(g)	1.8	98,313,017
Retail Sales and Use Taxes	2,160,568	1,016,938	26,423,288	24,483,477	1,939,811	(g)	7.9	24,673,845
Vehicle License Fees	-	1	3	-	3		-	4
Pooled Money Investment Interest	48,509	50,896	598,779	587,106	11,673		2.0	543,985
Not Otherwise Classified	(9,160,794)	634,026	1,903,729	2,252,629	(348,900)	(h)	(15.5)	1,196,024
Total Revenues	**1,120,626**	**18,254,230**	**125,266,837**	**122,065,375**	**3,201,462**		**2.6**	**141,652,851**
NONREVENUES								
Transfers from Special Fund for Economic Uncertainties	221,397	(101,125)	1,284,851	1,063,454	221,397		20.8	3,050,207
Transfers from Other Funds	124,675	200,949	462,538	449,235	13,303		3.0	537,906
Miscellaneous	26,156	23,512	432,608	432,012	596		0.1	371,815
Total Nonrevenues	**372,228**	**123,336**	**2,179,997**	**1,944,701**	**235,296**		**12.1**	**3,959,928**
Total Receipts	**$ 1,492,854**	**$ 18,377,566**	**$ 127,446,834**	**$ 124,010,076**	**$ 3,436,758**		**2.8**	**$ 145,612,779**

See notes on page A1.

SCHEDULE OF CASH DISBURSEMENTS
(Amounts in thousands)

	Month of June		July 1 through June 30				
			2020				2019
	2020	2019	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
STATE OPERATIONS (c)							
Legislative/Judicial/Executive	$ 300,491	$ 147,661	$ 2,705,894	$ 3,258,293	$ (552,399)	(17.0)	$ 1,620,463
Business, Consumer Services and Housing	4,504	(456)	47,581	54,011	(6,430)	(11.9)	28,994
Transportation	(79)	8,837	11,209	83,676	(72,467)	(86.6)	12,251
Resources	106,324	80,768	2,030,870	2,349,215	(318,345)	(13.6)	2,462,113
Environmental Protection Agency	26,917	91,634	1,249,289	1,655,836	(406,547)	(24.6)	496,535
Health and Human Services:							
Health Care Services and Public Health	48,219	(11,316)	465,910	434,659	31,251	7.2	314,564
Department of State Hospitals	156,937	149,217	1,804,845	1,843,960	(39,115)	(2.1)	1,639,179
Other Health and Human Services	78,805	47,252	659,721	825,173	(165,452)	(20.1)	654,814
Education:							
University of California	42,349	27,250	3,886,441	3,867,419	19,022	0.5	3,699,807
State Universities and Colleges	4,565	(49)	4,363,219	4,357,455	5,764	0.1	3,788,970
Other Education	8,457	18,158	3,604,817	3,659,669	(54,852)	(1.5)	247,609
Dept. of Corrections and Rehabilitation	1,112,663	938,348	12,524,609	12,639,368	(114,759)	(0.9)	12,107,231
Governmental Operations	43,448	91,380	4,585,090	5,704,596	(1,119,506)	(19.6)	1,227,716
General Government	285,897	234,436	2,558,388	3,770,825	(1,212,437)	(32.2)	2,373,528
Public Employees' Retirement System	(303,466)	(276,558)	(84,950)	822,089	(907,039)	(110.3)	(57,911)
Debt Service (d)	(42,518)	(67,432)	4,865,018	4,257,677	607,341	14.3	4,828,615
Interest on Loans	1	3,234	113,859	113,859	-	-	36,756
Total State Operations	**1,873,513**	**1,482,364**	**45,391,810**	**49,697,780**	**(4,305,970)**	**(8.7)**	**35,481,234**
LOCAL ASSISTANCE (c)							
Public Schools - K-12	243,396	5,239,884	44,553,553	50,168,316	(5,614,763)	(11.2)	49,464,015
Community Colleges	409,427	665,939	6,037,229	6,324,279	(287,050)	(4.5)	6,328,059
Debt Service-School Building Bonds	-	-	-	-	-	-	-
State Teachers' Retirement System	-	-	3,323,222	3,323,222	-	-	3,082,316
Other Education	(384,770)	50,588	3,288,931	4,111,547	(822,616)	(20.0)	2,776,374
School Facilities Aid	-	-	-	-	-	-	-
Dept. of Corrections and Rehabilitation	6,917	6,293	347,431	360,598	(13,167)	(3.7)	286,410
Dept. of Alcohol and Drug Program	-	-	-	-	-	-	-
Health Care Services and Public Health:							
Medical Assistance Program	2,415,843	1,635,926	22,682,368	22,655,981	26,387	0.1	19,470,805
Other Health Care Services/Public Health	(9,822)	(3,376)	528,033	564,470	(36,437)	(6.5)	361,103
Developmental Services - Regional Centers	66,915	215,643	4,736,132	4,687,455	48,677	1.0	4,188,233
Department of State Hospitals	-	-	-	-	-	-	-
Dept. of Social Services:							
SSI/SSP/IHSS	61,687	492,582	6,813,519	6,505,135	308,384	4.7	6,766,836
CalWORKs	58,572	19,976	832,303	954,796	(122,493)	(12.8)	797,182
Other Social Services	183,322	151,172	1,419,243	1,391,345	27,898	2.0	1,072,699
Tax Relief	(1)	(1)	404,270	415,001	(10,731)	(2.6)	411,326
Other Local Assistance	450,383	125,424	4,036,045	4,997,237	(961,192)	(19.2)	3,212,394
Total Local Assistance	**3,501,868**	**8,600,050**	**99,002,278**	**106,459,382**	**(7,457,104)**	**(7.0)**	**98,217,752**

See notes on page A1.

(Continued)

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

	Month of June		July 1 through June 30				
			2020				2019
	2020	2019	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
CAPITAL OUTLAY (c)	**30,413**	**14,048**	**231,354**	**445,460**	**(214,106)**	**(48.1)**	**872,073**
NONGOVERNMENTAL (c)							
Transfer to Special Fund for Economic Uncertainties	227,298	-	227,298	-	227,298	-	3,823,968
Transfer to Budget Stabilization Account	-	-	2,748,000	2,748,000	-	-	2,676,000
Transfer to Other Funds	851	147,925	5,238,691	5,197,840	40,851	0.8	4,789,312
Transfer to Revolving Fund	(6,869)	(3,717)	11,517	20,097	(8,580)	(42.7)	19,388
Advance:							
MediCal Provider Interim Payment	-	-	-	-	-	-	-
State-County Property Tax Administration Program	(13,472)	(18,113)	5,404	50,010	(44,606)	(89.2)	4,926
Social Welfare Federal Fund	(17,206)	-	11,894	29,100	(17,206)	(59.1)	(38,200)
Local Governmental Entities	-	295	(1,043)	(1,043)	-	-	(235)
Tax Relief and Refund Account	-	-	-	-	-	-	-
Counties for Social Welfare	302,866	276,476	26,390	93,454	(67,064)	(71.8)	(90,981)
Total Nongovernmental	**493,468**	**402,866**	**8,268,151**	**8,137,458**	**130,693**	**1.6**	**11,184,178**
Total Disbursements	**$ 5,899,262**	**$ 10,499,328**	**$ 152,893,593**	**$ 164,740,080**	**$ (11,846,487)**	**(7.2)**	**$ 145,755,237**
TEMPORARY LOANS							
Special Fund for Economic Uncertainties	$ 252	$ (1,962,010)	$ 252	$ -	$ 252	-	$ -
Budget Stabilization Account	874,138	(518,159)	16,516,422	16,516,422	-	-	-
Outstanding Registered Warrants Account	-	-	-	-	-	-	-
Other Internal Sources	3,532,016	-	3,532,016	18,815,513	(15,283,497)	(81.2)	-
Revenue Anticipation Notes	-	-	-	-	-	-	-
Net Increase / (Decrease) Loans	**$ 4,406,406**	**$ (2,480,169)**	**$ 20,048,690**	**$ 35,331,935**	**$ (15,283,245)**	**(43.3)**	**$ -**

See notes on page A1.

(Concluded)

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

	July 1 through June 30			
	General Fund		Special Funds	
	2020	2019	2020	2019
MAJOR TAXES, LICENSES, AND INVESTMENT INCOME:				
Alcoholic Beverage Excise Taxes	$ 407,884	$ 353,296	$ -	$ -
Corporation Tax	9,817,957	13,792,520	-	(1)
Cigarette Tax	64,145	59,099	2,058,528	1,920,050
Cannabis Excise Taxes	-	-	375,281	256,536
Estate, Inheritance, and Gift Tax	283	344	(1)	-
Insurance Companies Tax	3,131,835	2,720,717	7,613	8,406
Motor Vehicle Fuel Tax:				
Gasoline Tax	-	-	6,545,303	6,432,831
Diesel & Liquid Petroleum Gas	-	-	1,239,420	1,146,597
Jet Fuel Tax	-	-	3,196	3,372
Vehicle License Fees	3	4	2,964,362	2,967,438
Personal Income Tax	82,918,934	98,313,017	1,493,309	1,766,904
Retail Sales and Use Taxes	26,423,288	24,673,845	15,843,950	14,669,721
Pooled Money Investment Interest	598,779	543,985	(895)	1,213
Total Major Taxes, Licenses, and Investment Income	**123,363,108**	**140,456,827**	**30,530,066**	**29,173,067**
NOT OTHERWISE CLASSIFIED:				
Alcoholic Beverage License Fees	2,140	1,892	76,509	64,856
Motor Vehicle Registration and Other Fees	-	(1)	7,020,325	6,970,530
Cannabis Licensing Fees	-	-	83,826	23,006
Electrical Energy Tax	-	-	702,579	712,691
Private Rail Car Tax	10,569	9,905	-	-
Penalties on Traffic Violations	-	-	157	174
Health Care Receipts	8,457	2,986	-	-
Revenues from State Lands	114,070	95,266	-	-
Abandoned Property	284,631	440,001	-	-
Trial Court Revenues	31,237	33,668	1,470,350	1,518,039
Horse Racing Fees	1,427	669	13,853	12,766
Cap and Trade	-	-	2,105,810	3,207,446
Miscellaneous Tax Revenue	-	-	640,547	2,455,615
Miscellaneous	1,451,198	611,638	14,000,754	15,174,926
Not Otherwise Classified	**1,903,729**	**1,196,024**	**26,114,710**	**30,140,049**
Total Revenues, All Governmental Cost Funds	**$ 125,266,837**	**$ 141,652,851**	**$ 56,644,776**	**$ 59,313,116**

STATEMENT OF GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS
A Comparison of Actual to 2019-20 Budget Act
(Amounts in thousands)

	July 1 through June 30					
	2020					2019
	Actual		Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
GENERAL FUND BEGINNING CASH BALANCE	**$ 5,398,069**		**$ 5,398,069**	**$ -**	**-**	**$ 5,540,527**
Add Receipts:						
Revenues	125,266,837		149,302,559	(24,035,722) (g)(h)	(16.1)	141,652,851
Nonrevenues	2,179,997		1,633,938	546,059	33.4	3,959,928
Total Receipts	127,446,834		150,936,497	(23,489,663)	(15.6)	145,612,779
Less Disbursements (c):						
State Operations	45,391,810	(i)	45,204,905	186,905	0.4	35,481,234
Local Assistance	99,002,278	(i)	107,158,539	(8,156,261)	(7.6)	98,217,752
Capital Outlay	231,354		353,845	(122,491)	(34.6)	872,073
Nongovernmental	8,268,151		8,497,530	(229,379)	(2.7)	11,184,178
Total Disbursements	152,893,593		161,214,819	(8,321,226)	(5.2)	145,755,237
Receipts Over / (Under) Disbursements	(25,446,759)		(10,278,322)	(15,168,437)	147.6	(142,458)
Net Increase / (Decrease) in Temporary Loans	20,048,690		4,880,253	15,168,437	310.8	-
GENERAL FUND ENDING CASH BALANCE	-		-	-		5,398,069
Special Fund for Economic Uncertainties	-		-	-	-	2,063,135
TOTAL CASH	**$ -**		**$ -**	**$ -**		**$ 7,461,204**
BORROWABLE RESOURCES						
Special Fund for Economic Uncertainties	$ 253		$ 1,411,515	$ (1,411,262)	(100.0)	$ 2,063,135
Budget Stabilization Account	16,516,422		16,516,422	-	-	11,157,422
Other Internal Sources (f)	48,414,437		41,290,063	7,124,374	17.3	44,413,749
Cash Balance from Borrowable Resources	64,931,112		59,218,000	5,713,112	9.6	57,634,306
Less:						
PMIA Loans (AB 55, GC 16312 and 16313)	575,596		800,000	(224,404)	(28.1)	778,773
SMIF Loans (SB 84, GC 20825)	5,041,501		5,029,000	12,501	0.2	5,747,295
SMIF Loans (AB 1054, PUC 3285)	2,000,000		-	2,000,000	-	-
Total Available Borrowable Resources (e)	57,314,015		53,389,000	3,925,015	7.4	51,108,238
Outstanding Loans to General Fund (b)	20,048,690	(i)	4,880,253	15,168,437	310.8	-
Outstanding Loans to the SFEU Fund	-		-	-	-	-
Unused Borrowable Resources	$ 37,265,325		$ 48,508,747	$ (11,243,422)	(23.2)	$ 51,108,238

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 2019-20 fiscal year was prepared by the Department of Finance for the 2019-20 Budget Act. Any projections or estimates are set forth as such and not as representation of facts.

(b) Outstanding loan balance of $20.05 billion is comprised of $20.05 billion of internal borrowing. Current balance is comprised of $0.00 carried forward from June 30, 2019, plus current year Net Increase/(Decrease) in Temporary Loans of $20.05 billion.

(c) If shown, negative amounts are the result of repayments received that are greater than disbursements made.

(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.

(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).

(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).

(g) The variance between actual revenues and 2019-20 Budget Act estimates are lower due to COVID-19 pandemic related actions. Pursuant to Executive Order (EO) N-25-20, the Franchise Tax Board extended the filing and payment due dates for Personal Income and Corporation Tax to July 15th. EO N-40-20 extended a portion of Retail Sales and Use Tax filing and payment due date up to three months.

(h) The General Fund received $9.53 billion in Federal reimbursement in April 2020 pursuant to the Coronavirus Aid, Relief and Economic Security (CARES) Act and was transferred from General Fund to Coronavirus Relief Fund in June 2020.

(i) 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 (see Attachment C for details).

SCHEDULE OF CASH RECEIPTS

(Amounts in thousands)

	Month of June		July 1 through June 30					
			2020				2019	
	2020	2019	Actual	Estimate (a)	Actual Over or (Under) Estimate: Amount	Actual Over or (Under) Estimate: %	Actual	
REVENUES								
Alcoholic Beverage Excise Tax	$ 26,299	$ 24,027	$ 407,884	$ 386,254	$ 21,630		5.6	$ 353,296
Corporation Tax	1,216,721	3,487,867	9,817,957	13,294,368	(3,476,411)	(g)	(26.1)	13,792,520
Cigarette Tax	6,546	8,592	64,145	61,531	2,614		4.2	59,099
Estate, Inheritance, and Gift Tax	30	-	283	-	283		-	344
Insurance Companies Tax	490,303	473,324	3,131,835	2,868,320	263,515		9.2	2,720,717
Personal Income Tax	6,332,444	12,558,559	82,918,934	102,793,368	(19,874,434)	(g)	(19.3)	98,313,017
Retail Sales and Use Taxes	2,160,568	1,016,938	26,423,288	28,142,256	(1,718,968)	(g)	(6.1)	24,673,845
Vehicle License Fees	-	1	3	-	3		-	4
Pooled Money Investment Interest	48,509	50,896	598,779	585,120	13,659		2.3	543,985
Not Otherwise Classified	(9,160,794)	634,026	1,903,729	1,171,342	732,387	(h)	62.5	1,196,024
Total Revenues	**1,120,626**	**18,254,230**	**125,266,837**	**149,302,559**	**(24,035,722)**		**(16.1)**	**141,652,851**
NONREVENUES								
Transfers from Special Fund for Economic Uncertainties	221,397	(101,125)	1,284,851	550,495	734,356		133.4	3,050,207
Transfers from Other Funds	124,675	200,949	462,538	855,586	(393,048)		(45.9)	537,906
Miscellaneous	26,156	23,512	432,608	227,857	204,751		89.9	371,815
Total Nonrevenues	**372,228**	**123,336**	**2,179,997**	**1,633,938**	**546,059**		**33.4**	**3,959,928**
Total Receipts	**$ 1,492,854**	**$ 18,377,566**	**$ 127,446,834**	**$ 150,936,497**	**$ (23,489,663)**		**(15.6)**	**$ 145,612,779**

See notes on page B1.

SCHEDULE OF CASH DISBURSEMENTS
(Amounts in thousands)

	Month of June		July 1 through June 30				
			2020				2019
	2020	2019	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
STATE OPERATIONS (c)							
Legislative/Judicial/Executive	$ 300,491	$ 147,661	$ 2,705,894	$ 1,972,563	$ 733,331	37.2	$ 1,620,463
Business, Consumer Services and Housing	4,504	(456)	47,581	43,862	3,719	8.5	28,994
Transportation	(79)	8,837	11,209	81,444	(70,235)	(86.2)	12,251
Resources	106,324	80,768	2,030,870	2,355,657	(324,787)	(13.8)	2,462,113
Environmental Protection Agency	26,917	91,634	1,249,289	127,330	1,121,959	881.1	496,535
Health and Human Services:							
Health Care Services and Public Health	48,219	(11,316)	465,910	390,099	75,811	19.4	314,564
Department of State Hospitals	156,937	149,217	1,804,845	1,767,999	36,846	2.1	1,639,179
Other Health and Human Services	78,805	47,252	659,721	686,278	(26,557)	(3.9)	654,814
Education:							
University of California	42,349	27,250	3,886,441	3,938,044	(51,603)	(1.3)	3,699,807
State Universities and Colleges	4,565	(49)	4,363,219	4,301,945	61,274	1.4	3,788,970
Other Education	8,457	18,158	3,604,817	3,667,586	(62,769)	(1.7)	247,609
Dept. of Corrections and Rehabilitation	1,112,663	938,348	12,524,609	12,189,111	335,498	2.8	12,107,231
Governmental Operations	43,448	91,380	4,585,090	4,659,629	(74,539)	(1.6)	1,227,716
General Government	285,897	234,436	2,558,388	3,315,602	(757,214)	(22.8)	2,373,528
Public Employees' Retirement System	(303,466)	(276,558)	(84,950)	821,889	(906,839)	(110.3)	(57,911)
Debt Service (d)	(42,518)	(67,432)	4,865,018	4,748,914	116,104	2.4	4,828,615
Interest on Loans	1	3,234	113,859	136,953	(23,094)	(16.9)	36,756
Total State Operations	**1,873,513**	**1,482,364**	**45,391,810**	**45,204,905**	**186,905**	**0.4**	**35,481,234**
LOCAL ASSISTANCE (c)							
Public Schools - K-12	243,396	5,239,884	44,553,553	50,352,641	(5,799,088)	(11.5)	49,464,015
Community Colleges	409,427	665,939	6,037,229	6,229,254	(192,025)	(3.1)	6,328,059
Debt Service-School Building Bonds	-	-	-	-	-	-	-
State Teachers' Retirement System	-	-	3,323,222	3,323,224	(2)	-	3,082,316
Other Education	(384,770)	50,588	3,288,931	3,851,795	(562,864)	(14.6)	2,776,374
School Facilities Aid	-	-	-	-	-	-	-
Dept. of Corrections and Rehabilitation	6,917	6,293	347,431	379,083	(31,652)	(8.3)	286,410
Dept. of Alcohol and Drug Program	-	-	-	-	-	-	-
Health Care Services and Public Health:							
Medical Assistance Program	2,415,843	1,635,926	22,682,368	23,051,004	(368,636)	(1.6)	19,470,805
Other Health Care Services/Public Health	(9,822)	(3,376)	528,033	539,391	(11,358)	(2.1)	361,103
Developmental Services - Regional Centers	66,915	215,643	4,736,132	4,780,210	(44,078)	(0.9)	4,188,233
Department of State Hospitals	-	-	-	-	-	-	-
Dept. of Social Services:							
SSI/SSP/IHSS	61,687	492,582	6,813,519	6,868,250	(54,731)	(0.8)	6,766,836
CalWORKs	58,572	19,976	832,303	768,087	64,216	8.4	797,182
Other Social Services	183,322	151,172	1,419,243	1,232,164	187,079	15.2	1,072,699
Tax Relief	(1)	(1)	404,270	415,001	(10,731)	(2.6)	411,326
Other Local Assistance	450,383	125,424	4,036,045	5,368,435	(1,332,390)	(24.8)	3,212,394
Total Local Assistance	**3,501,868**	**8,600,050**	**99,002,278**	**107,158,539**	**(8,156,261)**	**(7.6)**	**98,217,752**

See notes on page B1.

(Continued)

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

	Month of June		July 1 through June 30				
			2020				2019
	2020	2019	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
CAPITAL OUTLAY (c)	**30,413**	**14,048**	**231,354**	**353,845**	**(122,491)**	**(34.6)**	**872,073**
NONGOVERNMENTAL (c)							
Transfer to Special Fund for Economic Uncertainties	227,298	-	227,298	-	227,298	-	3,823,968
Transfer to Budget Stabilization Account	-	-	2,748,000	2,748,000	-	-	2,676,000
Transfer to Other Funds	851	147,925	5,238,691	5,747,666	(508,975)	(8.9)	4,789,312
Transfer to Revolving Fund	(6,869)	(3,717)	11,517	-	11,517	-	19,388
Advance:							
MediCal Provider Interim Payment	-	-	-	-	-	-	-
State-County Property Tax Administration Program	(13,472)	(18,113)	5,404	-	5,404	-	4,926
Social Welfare Federal Fund	(17,206)	-	11,894	-	11,894	-	(38,200)
Local Governmental Entities	-	295	(1,043)	-	(1,043)	-	(235)
Tax Relief and Refund Account	-	-	-	-	-	-	-
Counties for Social Welfare	302,866	276,476	26,390	1,864	24,526	1,315.8	(90,981)
Total Nongovernmental	**493,468**	**402,866**	**8,268,151**	**8,497,530**	**(229,379)**	(2.7)	**11,184,178**
Total Disbursements	**$ 5,899,262**	**$ 10,499,328**	**$ 152,893,593**	**$ 161,214,819**	**$ (8,321,226)**	**(5.2)**	**$ 145,755,237**
TEMPORARY LOANS							
Special Fund for Economic Uncertainties	$ 252	$ (1,962,010)	$ 252	$ 1,411,515	$ (1,411,263)	(100.0)	$ -
Budget Stabilization Account	874,138	(518,159)	16,516,422	3,468,738	13,047,684	376.2	-
Outstanding Registered Warrants Account	-	-	-	-	-	-	-
Other Internal Sources	3,532,016	-	3,532,016	-	3,532,016	-	-
Revenue Anticipation Notes	-	-	-	-	-	-	-
Net Increase / (Decrease) Loans	**$ 4,406,406**	**$ (2,480,169)**	**$ 20,048,690**	**$ 4,880,253**	**$ 15,168,437**	**310.8**	**$ -**

See notes on page B1.

(Concluded)

GENERAL CASH REVOLVING FUND
STATEMENT OF GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS
(Amounts in thousands)
Attachment C

	April 1 through June 30, 2020
GENERAL CASH REVOLVING FUND BEGINNING CASH BALANCE	-
Borrowable Resources:	
Special Funds	$ 15,642,284
Total Borrowable Resources	**15,642,284**
Less Disbursements:	
State Operations	
Education - University of California	865,728
Corrections and Rehabilitation	1,328,349
General Government	224,827
Public Employees' Retirement System	596,597
Debt Service	360,378
Total State Operations	3,375,879
Local Assistance	
Public Schools	6,649,762
Community Colleges	678,602
Dept of Health Services:	
Medi-Cal	2,732,723
Dept of Social Services:	
SSI/SSP/IHSS	1,987,176
CalWORKs	47,030
Other Social Services	171,112
Total Local Assistance	12,266,405
Capital Outlay	-
Total Capital Outlay	-
Total Disbursements	**15,642,284**
GENERAL CASH REVOLVING FUND ENDING CASH BALANCE	$ -

February 2021

STATEMENT of GENERAL FUND CASH RECEIPTS and DISBURSEMENTS

BETTY T. YEE
California State Controller

March 10, 2021

Enclosed is the Statement of General Fund Cash Receipts and Disbursements for the period of July 1, 2020, through February 28, 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 prepared in compliance with Provision 5 of Budget Act item 0840-001-0001, using records compiled by the State Controller. 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 Governor's Budget. These cash flow estimates are predicated on projections and assumptions made by the DOF in preparation of the 2021-22 Governor's Budget. 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 Governor's Budget Estimates

(Amounts in thousands)

	July 1 through February 28				
	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	125,881,633	110,684,774	15,196,859	13.7	90,855,466
Nonrevenues	17,185,468	16,564,009	621,459	3.8	1,114,901
Total Receipts	143,067,101	127,248,783	15,818,318	12.4	91,970,367
Less Disbursements (c):					
State Operations	26,311,765	28,135,686	(1,823,921)	(6.5)	33,365,441
Local Assistance	75,507,952	72,512,903	2,995,049	4.1	70,514,172
Capital Outlay	(34,609)	65,810	(100,419)	(152.6)	161,457
Nongovernmental	9,712,550	8,693,107	1,019,443	11.7	7,789,164
Total Disbursements	111,497,658	109,407,506	2,090,152	1.9	111,830,234
Receipts Over / (Under) Disbursements	31,569,443	17,841,277	13,728,166	76.9	(19,859,867)
Net Increase / (Decrease) in Temporary Loans	(20,048,690)	(17,841,277)	(2,207,413)	12.4	14,461,798
GENERAL FUND ENDING CASH BALANCE	11,520,753	-	11,520,753		-
Special Fund for Economic Uncertainties	-	-	-	-	-
TOTAL CASH	**$ 11,520,753**	**$ -**	**$ 11,520,753**		**$ -**
BORROWABLE RESOURCES					
Special Fund for Economic Uncertainties	$ 2,461,351	$ 2,615,885	$ (154,534) (i)	(5.9)	$ 1,411,515
Budget Stabilization Account	8,310,422	8,310,422	-	-	16,516,422
Other Internal Sources (f)	48,310,764	49,462,000	(1,151,236)	(2.3)	46,965,939
Cash Balance from Borrowable Resources	59,082,537	60,388,307	(1,305,770)	(2.2)	64,893,876
Less:					
PMIA Loans (AB 55, GC 16312 and 16313)	693,695	800,000	(106,305)	(13.3)	623,150
SMIF Loans (SB 84, GC 20825)	4,452,508	5,041,000	(588,492)	(11.7)	5,041,501
SMIF Loans (AB 1054, PUC 3285)	1,790,000	1,790,000	-	-	2,000,000
Total Available Borrowable Resources (e)	52,146,334	52,757,307	(610,973)	(1.2)	57,229,225
Outstanding Loans to General Fund (b)/(g)	-	2,207,413	(2,207,413)	(100.0)	14,461,798
Outstanding Loans to the SFEU Fund	-	-	-	-	-
UNUSED BORROWABLE RESOURCES	$ 52,146,334	$ 50,549,894	$ 1,596,440	3.2	$ 42,767,427

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 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 $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 February		July 1 through February 28				
			2021				2020
	2021	2020	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
REVENUES							
Alcoholic Beverage Excise Tax	$ 23,950	$ 37,525	$ 273,909	$ 267,697	$ 6,212	2.3	$ 296,859
Corporation Tax	365,480	273,763	12,395,430	11,711,809	683,621	5.8	6,184,000
Cigarette Tax	1,596	3,684	38,369	38,613	(244)	(0.6)	43,599
Estate, Inheritance, and Gift Tax	-	(1)	74	-	74	-	220
Insurance Companies Tax	36,074	21,448	1,653,272	1,799,858	(146,586)	(8.1)	1,525,800
Personal Income Tax	5,783,287	3,158,669	92,456,399	78,079,672	14,376,727	18.4	62,429,417
Retail Sales and Use Taxes	3,082,827	3,570,596	17,966,733	17,673,947	292,786	1.7	19,312,527
Vehicle License Fees	1	1	2	-	2	-	3
Pooled Money Investment Interest	7,619	20,749	131,485	124,023	7,462	6.0	438,880
Not Otherwise Classified	64,171	34,876	965,960	989,155	(23,195)	(2.3)	624,161
Total Revenues	**9,365,005**	**7,121,310**	**125,881,633**	**110,684,774**	**15,196,859**	**13.7**	**90,855,466**
NONREVENUES							
Transfers from Special Fund for Economic Uncertainties	155,459	-	4,148,263	2,494,143	1,654,120 (h)	66.3	651,939
Transfers from Other Funds	77,195	71,595	12,651,458	13,720,254	(1,068,796)	(7.8)	236,146
Miscellaneous	44,260	29,490	385,747	349,612	36,135	10.3	226,816
Total Nonrevenues	**276,914**	**101,085**	**17,185,468**	**16,564,009**	**621,459**	**3.8**	**1,114,901**
Total Receipts	**$ 9,641,919**	**$ 7,222,395**	**$ 143,067,101**	**$ 127,248,783**	**$ 15,818,318**	**12.4**	**$ 91,970,367**

(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) The 2021-22 Governor's Budget estimated $2.62 billion in Transfers to Special Fund for Economic Uncertainties in January 2021, which did not occur until February 2021. (Footnote ties to page A1; Borrowable Resources - Special Fund for Economic Uncertainties and A4; Transfer to Special Fund for Economic Uncertainties)

(Concluded)

SCHEDULE OF CASH DISBURSEMENTS
(Amounts in thousands)

	Month of February		July 1 through February 28				
			2021				2020
	2021	2020	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
STATE OPERATIONS (c)							
Legislative/Judicial/Executive	$ 133,747	$ 163,917	$ 1,879,019	$ 2,240,287	$ (361,268)	(16.1)	$ 1,785,008
Business, Consumer Services and Housing	30,889	5,310	61,839	67,161	(5,322)	(7.9)	31,167
Transportation	19,756	386	47,506	13,278	34,228	257.8	5,851
Resources	328,632	183,935	2,063,689	1,699,594	364,095	21.4	1,661,317
Environmental Protection Agency	45,167	8,440	204,389	891,807	(687,418)	(77.1)	1,098,632
Health and Human Services:							
Health Care Services and Public Health	273,195	(14,859)	1,117,733	744,142	373,591	50.2	317,977
Department of State Hospitals	151,186	140,341	1,213,264	1,243,183	(29,919)	(2.4)	1,174,383
Other Health and Human Services	47,201	42,450	509,598	623,264	(113,666)	(18.2)	485,175
Education:							
University of California	303,372	293,722	2,387,689	2,433,056	(45,367)	(1.9)	2,543,113
State Universities and Colleges	294,404	344,122	2,506,624	2,505,703	921	0.0	2,870,665
Other Education	34,760	16,372	209,887	197,747	12,140	6.1	3,545,221
Dept. of Corrections and Rehabilitation	1,053,758	981,049	8,265,950	8,241,349	24,601	0.3	8,345,400
Governmental Operations	96,068	22,402	1,142,712	1,395,564	(252,852)	(18.1)	4,281,208
General Government	219,215	323,737	1,687,596	2,639,071	(951,475)	(36.1)	1,811,464
Public Employees' Retirement System	(226,678)	(299,045)	445,303	425,123	20,180	4.7	225,491
Debt Service (d)	350,332	408,114	2,568,961	2,775,356	(206,395)	(7.4)	3,090,076
Interest on Loans	-	1	6	1	5	500.0	93,293
Total State Operations	**3,155,004**	**2,620,394**	**26,311,765**	**28,135,686**	**(1,823,921)**	**(6.5)**	**33,365,441**
LOCAL ASSISTANCE (c)							
Public Schools - K-12	1,867,587	3,500,781	33,211,039	31,449,724	1,761,315	5.6	31,409,616
Community Colleges	200,211	572,958	4,363,676	4,268,122	95,554	2.2	4,328,724
Debt Service-School Building Bonds	-	-	-	-	-	-	-
State Teachers' Retirement System	-	-	2,673,659	2,673,659	-	-	2,304,955
Other Education	(188,061)	322,885	3,721,504	3,622,166	99,338	2.7	2,783,122
School Facilities Aid	-	-	-	-	-	-	-
Dept. of Corrections and Rehabilitation	1,973	9,904	374,048	346,798	27,250	7.9	314,383
Dept. of Alcohol and Drug Program	-	-	-	-	-	-	-
Health Care Services and Public Health:							
Medical Assistance Program	(40,674)	1,671,888	14,298,402	14,827,675	(529,273)	(3.6)	14,488,530
Other Health Care Services/Public Health	(38,123)	42,674	379,828	483,530	(103,702)	(21.4)	251,548
Developmental Services - Regional Centers	407,358	503,008	4,183,540	4,399,057	(215,517)	(4.9)	3,548,240
Department of State Hospitals	-	-	-	-	-	-	-
Dept. of Social Services:							
SSI/SSP/IHSS	(133,430)	456,458	5,208,535	4,882,017	326,518	6.7	6,750,406
CalWORKs	48,375	69,013	732,437	975,657	(243,220)	(24.9)	567,414
Other Social Services	141,030	51,158	944,129	970,195	(26,066)	(2.7)	873,140
Tax Relief	-	-	198,433	204,772	(6,339)	(3.1)	202,135
Other Local Assistance	2,173,164	104,628	5,218,722	3,409,531	1,809,191	53.1	2,691,959
Total Local Assistance	**4,439,410**	**7,305,355**	**75,507,952**	**72,512,903**	**2,995,049**	**4.1**	**70,514,172**

See notes on page A1 and A2.

(Continued)

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

	Month of February		July 1 through February 28				
			2021				2020
	2021	2020	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
CAPITAL OUTLAY (c)	**20,373**	**5,001**	**(34,609)**	**65,810**	**(100,419)**	**(152.6)**	**161,457**
NONGOVERNMENTAL (c)							
Transfer to Special Fund for Economic Uncertainties	2,620,633	-	7,893,437	6,390,028	1,503,409 (i)	23.5	-
Transfer to Budget Stabilization Account	-	-	-	-	-	-	2,748,000
Transfer to Other Funds	339,791	625,045	1,945,817	2,498,704	(552,887)	(22.1)	5,197,833
Transfer to Revolving Fund	(549)	5,000	16,052	6,601	9,451	143.2	20,052
Advance:							
MediCal Provider Interim Payment	-	-	-	-	-	-	-
State-County Property Tax Administration Program	-	-	144,194	95,547	48,647	50.9	71,698
Social Welfare Federal Fund	(6,535)	-	17,217	6,394	10,823	169.3	29,100
Local Governmental Entities	-	-	(1,301)	(1,301)	-	-	(1,043)
Tax Relief and Refund Account	-	-	-	-	-	-	-
Counties for Social Welfare	-	-	(302,866)	(302,866)	-	-	(276,476)
Total Nongovernmental	**2,953,340**	**630,045**	**9,712,550**	**8,693,107**	**1,019,443**	11.7	**7,789,164**
Total Disbursements	**$ 10,568,127**	**$ 10,560,795**	**$ 111,497,658**	**$ 109,407,506**	**$ 2,090,152**	**1.9**	**$ 111,830,234**
TEMPORARY LOANS							
Special Fund for Economic Uncertainties	$ -	$ -	$ (252)	$ 2,207,412	$ (2,207,664)	(100.0)	$ 1,411,515
Budget Stabilization Account	-	3,338,400	(16,516,422)	(16,516,673)	251	(0.0)	13,050,283
Outstanding Registered Warrants Account	-	-	-	-	-	-	-
Other Internal Sources	-	-	(3,532,016)	(3,532,016)	-	-	-
Revenue Anticipation Notes	-	-	-	-	-	-	-
Net Increase / (Decrease) Loans	**$ -**	**$ 3,338,400**	**$ (20,048,690)**	**$ (17,841,277)**	**$ (2,207,413)**	**12.4**	**$ 14,461,798**

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	
	2021	2020	2021	2020
MAJOR TAXES, LICENSES, AND INVESTMENT INCOME:				
Alcoholic Beverage Excise Taxes	$ 273,909	$ 296,859	$ -	$ -
Corporation Tax	12,395,430	6,184,000	(186)	-
Cigarette Tax	38,369	43,599	1,231,490	1,432,262
Cannabis Excise Taxes	-	-	526,482	281,981
Estate, Inheritance, and Gift Tax	74	220	-	-
Insurance Companies Tax	1,653,272	1,525,800	1,275	8,887
Motor Vehicle Fuel Tax:				
Gasoline Tax	-	-	4,316,891	4,775,557
Diesel & Liquid Petroleum Gas	-	-	835,573	860,847
Jet Fuel Tax	-	-	2,054	2,478
Vehicle License Fees	2	3	2,073,935	2,040,425
Personal Income Tax	92,456,399	62,429,417	1,642,757	1,073,540
Retail Sales and Use Taxes	17,966,733	19,312,527	10,155,609	11,167,080
Pooled Money Investment Interest	131,485	438,880	538	1,318
Total Major Taxes, Licenses, and Investment Income	**124,915,673**	**90,231,305**	**20,786,418**	**21,644,375**
NOT OTHERWISE CLASSIFIED:				
Alcoholic Beverage License Fees	888	1,610	46,700	49,054
Motor Vehicle Registration and Other Fees	(3)	-	4,942,724	4,798,542
Cannabis Licensing Fees	-	-	57,058	54,955
Electrical Energy Tax	-	-	424,483	473,737
Private Rail Car Tax	10,277	10,514	-	-
Penalties on Traffic Violations	-	-	10	152
Health Care Receipts	(3,631)	2,851	-	-
Revenues from State Lands	44,742	55,393	-	-
Abandoned Property	362,455	47,244	-	-
Trial Court Revenues	13,506	21,998	786,500	919,665
Horse Racing Fees	675	1,082	11,605	8,979
Cap and Trade	-	-	1,060,933	1,468,428
Miscellaneous Tax Revenue	-	-	2,190,224	640,547
Miscellaneous	537,051	483,469	10,571,666	9,084,303
Not Otherwise Classified	**965,960**	**624,161**	**20,091,903**	**17,498,362**
Total Revenues, All Governmental Cost Funds	**$ 125,881,633**	**$ 90,855,466**	**$ 40,878,321**	**$ 39,142,737**

STATEMENT OF GENERAL FUND CASH RECEIPTS AND DISBURSEMENTS

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

	July 1 through February 28				
	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	125,881,633	95,849,812	30,031,821	31.3	90,855,466
Nonrevenues	17,185,468	12,710,226	4,475,242	35.2	1,114,901
Total Receipts	143,067,101	108,560,038	34,507,063	31.8	91,970,367
Less Disbursements (c):					
State Operations	26,311,765	27,890,299	(1,578,534)	(5.7)	33,365,441
Local Assistance	75,507,952	71,841,584	3,666,368	5.1	70,514,172
Capital Outlay	(34,609)	108,216	(142,825)	(132.0)	161,457
Nongovernmental	9,712,550	4,897,608	4,814,942	98.3	7,789,164
Total Disbursements	111,497,658	104,737,707	6,759,951	6.5	111,830,234
Receipts Over / (Under) Disbursements	31,569,443	3,822,331	27,747,112	725.9	(19,859,867)
Net Increase / (Decrease) in Temporary Loans	(20,048,690)	(3,822,331)	(16,226,359)	424.5	14,461,798
GENERAL FUND ENDING CASH BALANCE	11,520,753	-	11,520,753		-
Special Fund for Economic Uncertainties	-	-	-	-	-
TOTAL CASH	$ **11,520,753**	$ -	$ **11,520,753**		$ -
BORROWABLE RESOURCES					
Special Fund for Economic Uncertainties	$ 2,461,351	$ 2,615,885	$ (154,534) (j)	(5.9)	$ 1,411,515
Budget Stabilization Account	8,310,422	8,310,422	-	-	16,516,422
Other Internal Sources (f)	48,310,764	38,434,000	9,876,764	25.7	46,965,939
Cash Balance from Borrowable Resources	59,082,537	49,360,307	9,722,230	19.7	64,893,876
Less:					
PMIA Loans (AB 55, GC 16312 and 16313)	693,695	800,000	(106,305)	(13.3)	623,150
SMIF Loans (SB 84, GC 20825)	4,452,508	5,041,000	(588,492)	(11.7)	5,041,501
SMIF Loans (AB 1054, PUC 3285)	1,790,000	-	1,790,000 (h)	-	2,000,000
Total Available Borrowable Resources (e)	52,146,334	43,519,307	8,627,027	19.8	57,229,225
Outstanding Loans to General Fund (b)/(g)	-	16,226,359	(16,226,359)	(100.0)	14,461,798
Outstanding Loans to the SFEU Fund	-	-	-	-	-
UNUSED BORROWABLE RESOURCES	$ 52,146,334	$ 27,292,948	$ 24,853,386	91.1	$ 42,767,427

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 February		July 1 through February 28			
			2021				2020
	2021	2020	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
REVENUES							
Alcoholic Beverage Excise Tax	$ 23,950	$ 37,525	$ 273,909	$ 265,129	$ 8,780	3.3	$ 296,859
Corporation Tax	365,480	273,763	12,395,430	10,442,453	1,952,977	18.7	6,184,000
Cigarette Tax	1,596	3,684	38,369	39,212	(843)	(2.1)	43,599
Estate, Inheritance, and Gift Tax	-	(1)	74	-	74	-	220
Insurance Companies Tax	36,074	21,448	1,653,272	1,492,650	160,622	10.8	1,525,800
Personal Income Tax	5,783,287	3,158,669	92,456,399	66,247,021	26,209,378	39.6	62,429,417
Retail Sales and Use Taxes	3,082,827	3,570,596	17,966,733	15,572,397	2,394,336	15.4	19,312,527
Vehicle License Fees	1	1	2	-	2	-	3
Pooled Money Investment Interest	7,619	20,749	131,485	190,398	(58,913)	(30.9)	438,880
Not Otherwise Classified	64,171	34,876	965,960	1,600,552	(634,592)	(39.6)	624,161
Total Revenues	**9,365,005**	**7,121,310**	**125,881,633**	**95,849,812**	**30,031,821**	**31.3**	**90,855,466**
NONREVENUES							
Transfers from Special Fund for Economic Uncertainties	155,459	-	4,148,263	-	4,148,263 (i)	-	651,939
Transfers from Other Funds	77,195	71,595	12,651,458	12,584,841	66,617	0.5	236,146
Miscellaneous	44,260	29,490	385,747	125,385	260,362	207.7	226,816
Total Nonrevenues	**276,914**	**101,085**	**17,185,468**	**12,710,226**	**4,475,242**	**35.2**	**1,114,901**
Total Receipts	**$ 9,641,919**	**$ 7,222,395**	**$ 143,067,101**	**$ 108,560,038**	**$ 34,507,063**	**31.8**	**$ 91,970,367**

(Continued from B1)

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(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. (Footnote ties to page B1; Borrowable Resources - Special Fund for Economic Uncertainties and B4; Transfer to Special Fund for Economic Uncertainties)

(Concluded)

SCHEDULE OF CASH DISBURSEMENTS
(Amounts in thousands)

	Month of February		July 1 through February 28				
			2021				2020
	2021	2020	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
STATE OPERATIONS (c)							
Legislative/Judicial/Executive	$ 133,747	$ 163,917	$ 1,879,019	$ 1,329,308	$ 549,711	41.4	$ 1,785,008
Business, Consumer Services and Housing	30,889	5,310	61,839	36,447	25,392	69.7	31,167
Transportation	19,756	386	47,506	10,864	36,642	337.3	5,851
Resources	328,632	183,935	2,063,689	1,651,088	412,601	25.0	1,661,317
Environmental Protection Agency	45,167	8,440	204,389	973,415	(769,026)	(79.0)	1,098,632
Health and Human Services:							
Health Care Services and Public Health	273,195	(14,859)	1,117,733	324,431	793,302	244.5	317,977
Department of State Hospitals	151,186	140,341	1,213,264	1,219,143	(5,879)	(0.5)	1,174,383
Other Health and Human Services	47,201	42,450	509,598	570,678	(61,080)	(10.7)	485,175
Education:							
University of California	303,372	293,722	2,387,689	2,510,046	(122,357)	(4.9)	2,543,113
State Universities and Colleges	294,404	344,122	2,506,624	2,539,137	(32,513)	(1.3)	2,870,665
Other Education	34,760	16,372	209,887	191,380	18,507	9.7	3,545,221
Dept. of Corrections and Rehabilitation	1,053,758	981,049	8,265,950	7,832,240	433,710	5.5	8,345,400
Governmental Operations	96,068	22,402	1,142,712	1,108,906	33,806	3.0	4,281,208
General Government	219,215	323,737	1,687,596	4,173,523	(2,485,927)	(59.6)	1,811,464
Public Employees' Retirement System	(226,678)	(299,045)	445,303	390,037	55,266	14.2	225,491
Debt Service (d)	350,332	408,114	2,568,961	3,028,656	(459,695)	(15.2)	3,090,076
Interest on Loans	-	1	6	1,000	(994)	(99.4)	93,293
Total State Operations	**3,155,004**	**2,620,394**	**26,311,765**	**27,890,299**	**(1,578,534)**	**(5.7)**	**33,365,441**
LOCAL ASSISTANCE (c)							
Public Schools - K-12	1,867,587	3,500,781	33,211,039	33,749,896	(538,857)	(1.6)	31,409,616
Community Colleges	200,211	572,958	4,363,676	3,503,910	859,766	24.5	4,328,724
Debt Service-School Building Bonds	-	-	-	-	-	-	-
State Teachers' Retirement System	-	-	2,673,659	2,673,658	1	-	2,304,955
Other Education	(188,061)	322,885	3,721,504	3,184,883	536,621	16.8	2,783,122
School Facilities Aid	-	-	-	-	-	-	-
Dept. of Corrections and Rehabilitation	1,973	9,904	374,048	317,234	56,814	17.9	314,383
Dept. of Alcohol and Drug Program	-	-	-	-	-	-	-
Health Care Services and Public Health:							
Medical Assistance Program	(40,674)	1,671,888	14,298,402	15,804,194	(1,505,792)	(9.5)	14,488,530
Other Health Care Services/Public Health	(38,123)	42,674	379,828	610,715	(230,887)	(37.8)	251,548
Developmental Services - Regional Centers	407,358	503,008	4,183,540	3,666,640	516,900	14.1	3,548,240
Department of State Hospitals	-	-	-	-	-	-	-
Dept. of Social Services:							
SSI/SSP/IHSS	(133,430)	456,458	5,208,535	4,198,165	1,010,370	24.1	6,750,406
CalWORKs	48,375	69,013	732,437	2,057,095	(1,324,658)	(64.4)	567,414
Other Social Services	141,030	51,158	944,129	1,061,117	(116,988)	(11.0)	873,140
Tax Relief	-	-	198,433	208,640	(10,207)	(4.9)	202,135
Other Local Assistance	2,173,164	104,628	5,218,722	805,437	4,413,285	547.9	2,691,959
Total Local Assistance	**4,439,410**	**7,305,355**	**75,507,952**	**71,841,584**	**3,666,368**	**5.1**	**70,514,172**

See notes on page B1 and B2.

(Continued)

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

	Month of February		July 1 through February 28				
			2021				2020
	2021	2020	Actual	Estimate (a)	Actual Over or (Under) Estimate Amount	%	Actual
CAPITAL OUTLAY (c)	**20,373**	**5,001**	**(34,609)**	**108,216**	**(142,825)**	**(132.0)**	**161,457**
NONGOVERNMENTAL (c)							
Transfer to Special Fund for Economic Uncertainties	2,620,633	-	7,893,437	2,615,885	5,277,552 (j)	201.8	-
Transfer to Budget Stabilization Account	-	-	-	-	-	-	2,748,000
Transfer to Other Funds	339,791	625,045	1,945,817	2,584,589	(638,772)	(24.7)	5,197,833
Transfer to Revolving Fund	(549)	5,000	16,052	-	16,052	-	20,052
Advance:							
MediCal Provider Interim Payment	-	-	-	-	-	-	-
State-County Property Tax Administration Program	-	-	144,194	-	144,194	-	71,698
Social Welfare Federal Fund	(6,535)	-	17,217	-	17,217	-	29,100
Local Governmental Entities	-	-	(1,301)	-	(1,301)	-	(1,043)
Tax Relief and Refund Account	-	-	-	-	-	-	-
Counties for Social Welfare	-	-	(302,866)	(302,866)	-	-	(276,476)
Total Nongovernmental	**2,953,340**	**630,045**	**9,712,550**	**4,897,608**	**4,814,942**	98.3	**7,789,164**
Total Disbursements	**$ 10,568,127**	**$ 10,560,795**	**$ 111,497,658**	**$ 104,737,707**	**$ 6,759,951**	**6.5**	**$ 111,830,234**
TEMPORARY LOANS							
Special Fund for Economic Uncertainties	$ -	$ -	$ (252)	$ 2,615,885	$ (2,616,137)	(100.0)	$ 1,411,515
Budget Stabilization Account	-	3,338,400	(16,516,422)	(8,206,000)	(8,310,422)	101.3	13,050,283
Outstanding Registered Warrants Account	-	-	-	-	-	-	-
Other Internal Sources	-	-	(3,532,016)	1,767,784	(5,299,800)	(299.8)	-
Revenue Anticipation Notes	-	-	-	-	-	-	-
Net Increase / (Decrease) Loans	**$ -**	**$ 3,338,400**	**$ (20,048,690)**	**$ (3,822,331)**	**$ (16,226,359)**	**424.5**	**$ 14,461,798**

See notes on page B1 and B2.