

State of California

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2021



MALIA M. COHEN

California State Controller



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

Cover designed by Sacramento artist Matteo Borge



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

March 23, 2023

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

I am pleased to submit the State of California's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2021. This report meets the requirements of Government Code section 12460 for an annual report prepared in accordance with accounting principles generally accepted in the United States and contains information to help readers gain a reasonable understanding of California's financial condition. The ability of the State Controller's Office (SCO) to produce this report is dependent upon the timely receipt of accurate financial statements from every state department. While there is no statutory deadline for publication of the ACFR, its completion satisfies several compliance requirements for the state. The late timing of this year's report is addressed below in greater detail.

The 2020-21 fiscal year began during the height of the COVID-19 pandemic in California amid mandated economic shutdowns, a record high state unemployment rate, and murmurs of a deep economic recession. To accentuate the many challenges arising from the pandemic, the adopted 2020 Budget Act presented an estimated budget deficit of \$54.3 billion. The Governor and the Legislature responded swiftly and deliberately to eliminate the deficit through reduced spending, revised tax policy, debt management, and effective utilization of federal program funding. The state ended the year with General Fund revenues of \$197.0 billion, a \$41.1 billion (26.3%) increase over the previous fiscal year. Net position for the primary government increased by \$4.9 billion overall, while program expansion from COVID-19 grant funding resulted in revenues exceeding expenses by \$36.9 billion for governmental activities. Governmental activities include most expenses normally associated with state government such as health and human services, education, transportation, corrections and rehabilitation programs, and general government administration.

While the 2020-21 fiscal year may have begun in apparent economic crisis, it ended in tremendous economic recovery. The General Fund reported an increase in fund balance of \$45.6 billion, and ended the fiscal year with \$63.9 billion in cash, a \$60.8 billion increase from the prior year ending cash balance of \$3.1 billion. Finally, the 2021 Budget Act allocated an estimated \$47.0 billion General Fund surplus that included essential federal resources for statewide programs for the subsequent fiscal year.

The ACFR for the fiscal year ended June 30, 2021, will mark the fourth consecutive year that California has published its financial statements well beyond the regulatory deadline of nine months after the fiscal year end. The late publication of the ACFR started when the SCO and departments began transitioning to the Financial Information System for California (FI\$Cal). Multiple departments have struggled to submit financial reports to the SCO that are timely and accurate and to consistently reconcile their FI\$Cal accounting records to supporting information and to the accounts of the SCO. These conditions,

along with other adverse conditions pertaining to FISCAL financial reporting have been recounted in the *California State Auditor's Internal Control and Compliance Audit Report* for several years, culminating with modified audit opinions issued by the State Auditor on the ACFR for the fiscal year ended June 30, 2020, and again for the fiscal year ended June 30, 2021.

The SCO remains dedicated to supporting timely and accurate financial reporting, and is confident that the efforts currently underway which include moving the SCO Book of Record to FISCAL will lead to measurable advancements in improving timely financial reporting. The SCO has initiated discussions with partner agencies to collaborate on the path forward to lead in this effort. This partnership has been critical to understanding root causes and identifying important risks and issues, as well as mitigation strategies to address barriers to success. Along with our partners, the SCO continues its efforts to leverage the state's training and technical assistance resources and streamline statewide fiscal operations to meet our shared goal of overcoming challenges and improving financial reporting outcomes. While this work is ongoing, the SCO remains thankful for the urgency partner agencies have placed on addressing challenges in order to maintain the integrity and transparency of the state's finances.

I extend my sincere appreciation to all state government agencies for their efforts and cooperation in submitting the information required for the ACFR. Thank you to the California State Auditor's office for maintaining the highest standards of professionalism in ensuring the accountability of the state's finances. Finally, thank you to my team for their skill, dedication, and perseverance in completing this complex financial report and ensuring the proper accounting and reporting of the state's fiscal resources.

Sincerely,

Original signed by

MALIA M. COHEN

STATE OF CALIFORNIA

**ANNUAL
COMPREHENSIVE
FINANCIAL REPORT**

For the Fiscal Year Ended
June 30, 2021



Prepared by the office of

MALIA M. COHEN
California State Controller

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Introductory Section

Report Overview

General Overview

The State's management assumes responsibility for the accuracy, completeness, and fairness of information presented in the ACFR, including all disclosures, based on a comprehensive framework of internal controls established for this purpose. The internal control structure is designed to provide reasonable, but not absolute, assurance that the financial statements are free of material misstatements. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Legislature and Governor.

The California State Auditor has issued a modified opinion on several components of the State's basic financial statements for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States, which warrants additional description:

- An *unmodified opinion* has been issued for the aggregate discretely presented component units, the General Fund, Transportation Fund, Environmental and Natural Resources Fund, Health Care Related Programs Fund, Electric Power Fund, Water Resources Fund, State Lottery Fund, California State University Fund, and aggregate remaining fund information.
- A *modified opinion*, consisting of a disclaimer of opinion, has been issued for the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Fund Net Position; and the Statement of Cash Flows of the Unemployment Programs Fund.
- A *modified opinion*, consisting of a qualified opinion, has been issued for the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance of the Federal Fund, for governmental activities within the government-wide Statement of Net Position and Statement of Activities, and for business-type activities within the government-wide Statement of Net Position and Statement of Activities .

The modified opinions are the result of the State's inability to provide the California State Auditor with sufficient appropriate audit evidence to conclude that the aforementioned financial statements taken as a whole are free from material misstatement. A disclaimer of opinion suggests that the effects of known or potential misstatements on the respective financial statements are both material and pervasive, while a qualified opinion indicates that the effects of known or potential misstatements are material, but not pervasive. The modified opinions are the result of ongoing challenges experienced by one state department in administering California's unemployment insurance program and preparing its financial statements using the Financial Information System for California (FISCal) accounting system. The State Controller's Office is aware that other significant accounting issues involving FISCal exist but have not impacted the State's reporting to this magnitude.

The State of California also is required to undergo an annual Single Audit in conformity with the provisions of the United States Code of Federal Regulations, Title 2, Part 200, Subpart F, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. This report is issued separately.

The Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and contains an introduction, overview, and analysis of the financial statements. The MD&A also contains information regarding California's economy for the year ended June 30, 2021, and its economic performance as of and for the year ended June 30, 2022, and beyond. The MD&A complements this report overview and should be read in conjunction with it.

Profile of the State of California

The State of California was admitted to the Union on September 9, 1850. The State's population, as of 2021, is estimated to be approximately 39 million residents. The State's government is divided into three branches: Executive, Legislative, and Judicial. Executive power is vested in the Governor. Other members of the Executive branch include the Lieutenant Governor, Attorney General, Secretary of State, State Treasurer, State Controller, Insurance Commissioner, and the State Superintendent of Public Instruction. All officers of the Executive branch are elected to a four-year term. The Legislative branch of government is the State's law-making authority and is made up of two houses: the Senate and the Assembly. The Judicial branch is charged with interpreting the laws of the State. It provides settlement of disputes between parties in controversy, determines the guilt or innocence of those accused of violating laws, and protects the rights of Californians.

California's government includes control agencies that help to regulate internal governmental operations. The State Controller's Office, the State's independent fiscal watchdog, ensures that the State's budget is spent properly, offers fiscal guidance to local governments, reports on the State's financial position, and uncovers fraud and abuse of taxpayer dollars. The Department of Finance, part of the Executive branch of government, establishes fiscal policies to carry out the State's programs and serves as the Governor's chief fiscal policy advisor. The California State Auditor promotes the efficient and effective management of public funds through independent evaluations of state and local governments.

The State of California provides a wide range of services to its citizens, including social, health, and human services; kindergarten through 12th grade (K-12) and higher education; transportation; business, consumer services, and housing; corrections and rehabilitation programs; and other general government services. The State is also financially accountable for legally separate entities (component units) that provide and support post-secondary education programs; provide financing for low and moderate income housing and other public needs; promote agricultural activities; and provide financial assistance to public agencies and small businesses. The State, through its related organizations (organizations for which the primary government is not financially accountable), provides services such as the operation of the statewide energy transmission grid; earthquake insurance for homeowners and renters; workers' compensation insurance; health insurance for individuals, families, and employees of small businesses; financing for pollution control facilities, and for acquiring, constructing, and equipping health facilities; and loans to students attending public and private nonprofit colleges and universities. The financial information of these institutions is not included in the State's financial statements.

The State Legislature approves an annual budget that contains estimates of revenues and expenditures for the ensuing fiscal year. This budget is the result of negotiations between the Governor and the Legislature. The State Controller's Office is statutorily responsible for controlling revenues due the primary government and for expenditures of each appropriation contained in the budget. The State's annual budget is submitted by the Governor no later than January 10 preceding the beginning of the fiscal year on July 1, and must be approved by the Legislature by June 15 each year. This annual budget serves as the foundation for the State's financial planning and control. Additional information on the budgetary basis of accounting can be found in Note 2, Budgetary and Legal Compliance, in the Budgetary Comparison Schedule at the end of the nonmajor governmental funds combining statements, and in the Required Supplementary Information section of the ACFR that follows the Notes to the Financial Statements.

Overview of the State's Economy

California's economy, the largest among the 50 states, accounted for 14.6% of the U.S. Gross Domestic Product (GDP) in 2021 and was ranked fifth largest in the world (in terms of GDP) at the end of the year. The sectors of California's diverse economy include high technology, trade, entertainment, manufacturing, government, tourism, construction, and services. California's GDP totaled \$3.3 trillion at

fiscal year-end, and, as the nation's leader in agricultural production, the State's farming operations generated over \$49.1 billion in cash receipts for the 2020 crop year. In 2021, California exported \$174.9 billion in products; its three largest export markets are Mexico (\$27.2 billion), Canada (\$18.0 billion), and China (\$16.6 billion). California's six largest exports are computer and electronic products, machinery (except electrical), chemicals, transportation equipment, agricultural products, and miscellaneous manufactured commodities. California also enjoys one of the finest and most diverse collections of natural, cultural, and recreational resources in the nation. In 2021, California's travel and tourism industry generated revenues of \$100.2 billion—a 46.3% increase over the previous year; and travel-generated state and local tax revenues of \$15.0 billion—a 23.1% increase over the previous year. The increase was primarily due to renewed interest in travel following the COVID-19 pandemic, as well as increased commodity prices. Compared to the peak of 2019 before the pandemic, travel spending in 2021 was still down 30.9% and travel-generated tax revenue was down 25.4%.

Budget Outlook

Fiscal Year 2021-22

The Governor's enacted 2021-22 Budget prepared for an uncertain economic environment after a rapid recovery from the COVID-19 pandemic resulted in inconsistent outcomes of higher than expected revenue collection and an unbalanced economy, primarily with regard to the labor force and industry impacts. The enacted Budget emphasized one-time spending and addressed suspended expenditures, projecting General Fund revenues of \$175.3 billion after a \$3.4 billion transfer to the Budget Stabilization Account (BSA), the State's "rainy day" fund. The Budget also provided immediate pandemic relief to families and businesses, and made investments to tackle California's long-standing challenges while continuing to build reserves.

Fiscal Year 2022-23

After two years committed to COVID-19 pandemic response, California faced new challenges heading into fiscal year 2022-23. Persistent supply-chain impairment caused by the pandemic coupled with Russia's invasion of Ukraine has led to global inflation marked by soaring prices. Additionally, extreme weather due to climate change has resulted in drought conditions, wildfires, and storms that threaten California's vast infrastructure. Despite these circumstances, the State continues to move forward successfully in an uncertain economy due to continued fiscal responsibility. On June 27, 2022, the State enacted the 2022-23 Budget Act. The Budget prioritizes continued building of reserves, elimination of budgetary debt, and reduction of liabilities. The Budget advances specific measures to provide immediate economic relief for families and small businesses, address the impacts of climate change, improve K-12 and higher education programs and facilities, expand access to health care, strengthen California's infrastructure, modernize the state's transportation system, increase broadband internet access, confront homelessness and behavioral health challenges, and build and restore safer communities. By the end of fiscal year 2022-23, the Budget estimates an increase in total reserves to \$37.2 billion—\$23.3 billion in the BSA, \$9.5 billion in the Public School System Stabilization Account, \$3.5 billion in the Special Fund for Economic Uncertainties, and \$900 million in the Safety Net Reserve.

The 2022-23 Budget projects General Fund revenue of \$219.7 billion (\$242.2 billion after transfers) and expenditures of \$234.4 billion. The Budget anticipates increased revenue from personal income taxes and sales and use taxes, and decreased revenue from corporation taxes. As usual, personal income taxes contribute the majority of General Fund revenue at 61.8% (\$137.5 billion), while corporation taxes contribute 17.3% (\$38.5 billion), and sales and use taxes contribute 15.3% (\$34.0 billion).

Long-term Financial Planning

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

- California continues a strong financial recovery in the wake of the COVID-19 pandemic. Revenue projections remain optimistic in spite of economic uncertainty and threats of recession due to global inflation looming on the horizon. The 2022-23 Budget reflects a decline in expected General Fund revenues of 4.3% from the prior year. The Budget projects that personal income tax revenues will increase marginally from \$136.5 billion in the previous fiscal year to \$137.5 billion, and sales and use tax revenues will also increase from \$32.8 billion in the previous fiscal year to \$34.0 billion. These increases are predicted to be eclipsed by a decrease in corporation tax of \$7.9 billion, from \$46.4 billion in the previous year to \$38.5 billion. General Fund personal income tax and sales and use tax revenues are forecasted to rise to \$156.2 billion and \$37.3 billion, respectively, in fiscal year 2025-26. Corporation tax revenues are projected to increase 18.1% by fiscal year 2025-26, to \$38.6 billion.
- The Consumer Price Index increased 9.1% during the year ended June 30, 2022, the largest increase in 40 years. Most notably, prices for food increased 10.4% and energy prices increased 41.6%.
- The 2022 Budget Act reflects the State's commitment to addressing the unfunded pension liabilities over the long-term. The Budget includes \$2.9 billion in supplemental Proposition 2 debt repayment funding to further reduce the unfunded liabilities of the State's pension plans. The proposed supplemental payments will result in a minimum of \$5.8 billion in estimated savings for the State over the next three decades. Depending on the availability of Proposition 2 funding, an additional \$5.0 billion is expected to be paid to CalPERS over the next three fiscal years to fund the State's pension liabilities.
- The State's employee bargaining units and excluded and exempt employees prefund retiree health benefits. As of June 30, 2021, more than \$4.0 billion was set aside in a prefunding trust fund to pay future retiree health benefits. The trust fund is expected to approach \$7.9 billion in assets by the end of fiscal year 2022-23.
- The 2022 Budget Act includes several multi-year proposals utilizing one-time funding to reduce the State's long-term debt obligations, including shifting \$3.2 billion in capital projects currently authorized for lease revenue bond financing to the General Fund over three years, and redeeming another \$1.7 billion in callable general obligation bonds during the 2024-25 fiscal year. If fully implemented, these actions will result in total debt service savings of approximately \$2.5 billion over the life of the bonds.
- In recent years, California has faced lengthening fire seasons and catastrophic wildfires. The 2020 fire season was recorded as the largest wildfire season in California's modern history, with over 4.2 million acres burned. The 2021 fire season saw more than 2.6 million acres burned, and included five of the 20 largest California wildfires on record. The 2022 fire season was less severe, with just under 363,000 acres burned. The 2022-23 Budget prioritizes investments to advance wildfire prevention and all-hazard emergency preparedness and response.
- Since the turn of the century, California has experienced unprecedented periods of inadequate precipitation, pointing to an impending water crisis fueled by climate change. The water years ended September 30, 2020 and 2021 marked the second driest two-year period on record for California, and the third straight year of drought. The drought led to 395,000 acres of farmland idled in 2021, which equated to \$962 million in revenue lost from farming operations. The 2022-23 Budget allocates a total of \$5.2 billion over four years to contribute to long-term water resilience. Additionally, the Budget includes a one-time investment of \$2.8 billion to support immediate drought relief efforts, advance drinking water and clean water projects, support dam safety and flood management, and support agricultural water conservation.

Principal Officials of the State of California

Executive Branch

Gavin Newsom
Governor

Eleni Kounalakis
Lieutenant Governor

Malia M. Cohen
State Controller

Rob Bonta
Attorney General

Fiona Ma, CPA
State Treasurer

Dr. Shirley N. Weber
Secretary of State

Tony Thurmond
Superintendent of Public Instruction

Ricardo Lara
Insurance Commissioner

Board of Equalization
Ted Gaines, Member, First District
Sally J. Lieber, Member, Second District
Antonio Vazquez, Member, Third District
Mike Schaefer, Member, Fourth District

Legislative Branch

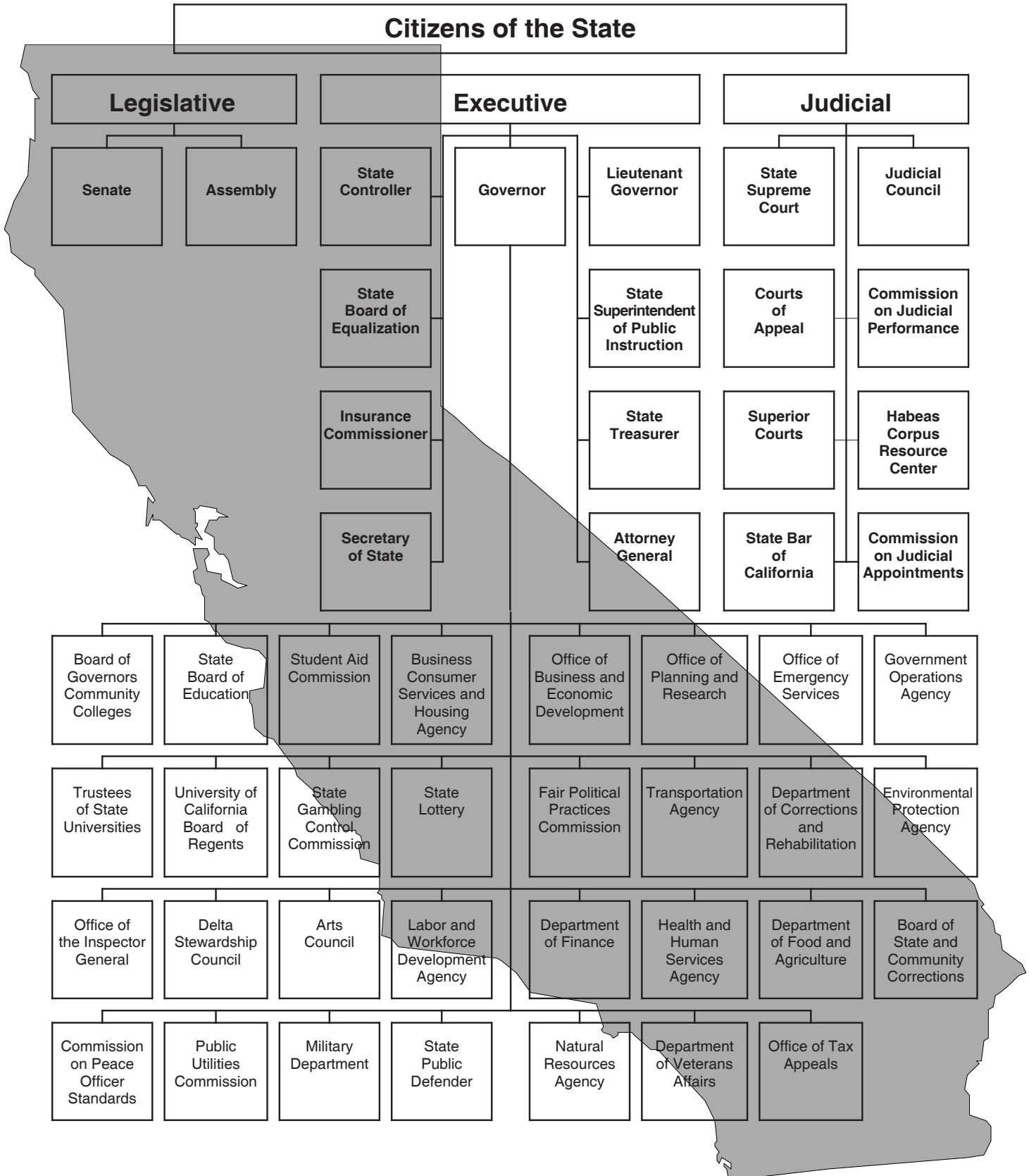
Toni G. Atkins
President pro Tempore, Senate

Anthony Rendon
Speaker of the Assembly

Judicial Branch

Patricia Guerrero
Chief Justice, State Supreme Court

Organization Chart of the State of California



Financial Section



Independent Auditor's Report

THE GOVERNOR AND THE LEGISLATURE OF THE
STATE OF CALIFORNIA

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of California, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the State of California's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. Because of the matters described in the *Basis for Disclaimer of Opinion on the Unemployment Programs Fund* paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Unemployment Programs Fund.

Furthermore, we did not audit the financial statements of the following:

Government-wide Financial Statements

- Certain governmental funds that, in the aggregate, represent 1 percent of the assets and deferred outflows, and less than 1 percent of the revenues of the governmental activities.
- Certain enterprise funds that, in the aggregate, represent 86 percent of the assets and deferred outflows, and 45 percent of the revenues of the business-type activities.
- The University of California and the California Housing Finance Agency that represent 93 percent of the assets and deferred outflows, and 95 percent of the revenues of the discretely presented component units.

Fund Financial Statements

- The following major enterprise funds: Electric Power, Water Resources, State Lottery, and California State University.
- The Golden State Tobacco Securitization Corporation, the Public Building Construction, the Public Employees' Retirement, the State Teachers' Retirement, the State Water Pollution Control Revolving,

the Safe Drinking Water State Revolving, and the 1943 Veterans Farm and Home Building funds, that represent 88 percent of the assets and deferred outflows, and 67 percent of the additions, revenues, and other financing sources of the aggregate remaining fund information.

- The discretely presented component units noted above.

The related financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those funds and entities, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Golden State Tobacco Securitization Corporation, the Public Building Construction fund, the State Lottery fund, and the Campus Foundations of the University of California, which represent 14 percent of the university's total assets and deferred outflows, and 3 percent of its revenues, were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Except for the matters described in the *Basis for Disclaimer of Opinion on the Unemployment Programs Fund* paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

<u>OPINION UNIT</u>	<u>TYPE OF OPINION</u>
Governmental Activities.....	.....Qualified
Business-Type Activities.....	.....Qualified
Aggregate Discretely Presented Component Units.....	.....Unmodified
General Fund.....	.....Unmodified
Federal Fund.....	.....Qualified
Transportation Fund.....	.....Unmodified
Environmental and Natural Resources Fund.....	.....Unmodified
Health Care Related Programs Fund.....	.....Unmodified
Electric Power Fund.....	.....Unmodified
Water Resources Fund.....	.....Unmodified
State Lottery Fund.....	.....Unmodified
Unemployment Programs Fund.....	.....Disclaimer
California State University Fund.....	.....Unmodified
Aggregate Remaining Fund Information.....	.....Unmodified

Basis for Disclaimer of Opinion on the Unemployment Programs Fund

The Employment Development Department had inadequate internal control over its financial reporting for unemployment benefits. In addition, the department was unable to estimate potentially fraudulent claims. As a result, the department was unable to provide complete and accurate accounting information supporting the financial activity of the State's unemployment program. The condition of the department's records did not permit us, nor was it practicable to extend other auditing procedures, to obtain sufficient appropriate audit evidence to conclude that Noncurrent Receivables, Benefits Payable, Unemployment and Disability Insurance, and Distributions to Beneficiaries within the Unemployment Programs Fund are free of material misstatement. As a result of this matter, we were unable to determine whether further audit adjustments to these accounts were necessary. The issues described above also caused the \$19.8 billion material misstatement of the Loans Payable account balance.

Disclaimer of Opinion on the Unemployment Programs Fund

Because of the significance of the matters described in the *Basis for Disclaimer of Opinion on the Unemployment Programs Fund* paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements for the Unemployment Programs Fund. Accordingly, we do not express an opinion on these financial statements.

Basis for Qualified Opinions on Business-Type Activities, the Federal Fund, and Governmental Activities

The issues we discuss in the *Basis for Disclaimer of Opinion on the Unemployment Programs Fund* paragraph also affect the Business-Type Activities. Therefore, we were unable to obtain sufficient appropriate audit evidence about the Unemployment Programs Fund balances that represent 72 percent of Noncurrent Receivables, 100 percent of Benefits Payable, 100 percent of Unemployment Programs Expenses, and 100 percent of Unemployment Programs Revenues within Business-Type Activities. Similarly, there is a material misstatement of \$19.8 billion in the Loans Payable account balance.

The Employment Development Department's inadequate internal control over its financial reporting also affected the financial statements of the Federal Fund, which the department uses to report activities related to federally-funded unemployment programs. For this reason, the department was unable to provide complete and accurate accounting information supporting revenues and benefit payments. In addition, the Employment Development Department was unable to estimate potentially fraudulent claims. We were therefore unable to obtain sufficient appropriate audit evidence about these adjustments. Together, these issues affected department balances representing 14 percent of Due From Other Governments, 100 percent of Benefits Payable, 100 percent of Other Liabilities, 48 percent of Intergovernmental Revenues, and 57 percent of Health and Human Services Expenditures within the Federal Fund. As a result of these matters, we were unable to determine whether any adjustments to these accounts were necessary.

Finally, the issues we discuss above pertaining to the Federal Fund also affect the Governmental Activities. Therefore, we were unable to obtain sufficient appropriate audit evidence about the Federal Fund balances that represent 13 percent of Due From Other Governments, 100 percent of Benefits Payable, 90 percent of Other Current Liabilities, 54 percent of Health and Human Services Revenues, and 43 percent of Health and Human Services Expenses within Governmental Activities.

Qualified Opinions on Business-Type Activities, the Federal Fund, and Governmental Activities

In our opinion, based on our audit and the reports of other auditors, except for the possible effects of the matters described in the *Basis for Qualified Opinions on Business-Type Activities, the Federal Fund, and Governmental Activities* paragraphs, the financial statements of Business-Type Activities, the Federal Fund, and Governmental Activities of the State present fairly, in all material respects, their respective financial position, as of June 30, 2021, and their respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component units, each major fund except for the Federal Fund and Unemployment Programs Fund, and the aggregate remaining fund information of the State of California, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in fiscal year 2020-21, the State adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, and other required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of California's basic financial statements. The introductory section, combining financial statements and schedules of nonmajor and other funds, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements and schedules of nonmajor and other funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used

to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the combining financial statements and schedules of nonmajor and other funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2023 on our consideration of the State of California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of California's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of California's internal control over financial reporting and compliance.

CALIFORNIA STATE AUDITOR

A handwritten signature in cursive script that reads "Linus Li".

LINUS LI, CPA
Acting Deputy State Auditor
Sacramento, California

March 23, 2023

Management's Discussion and Analysis

The following Management's Discussion and Analysis is required supplementary information to the State of California's financial statements. It describes and analyzes the financial position of the State, providing an overview of the State's activities for the fiscal year ended June 30, 2021. We encourage readers to consider the information that we present here in conjunction with the information presented in the Controller's transmittal letter at the front of this report and in the State's financial statements and notes, which follow this section.

Financial Highlights – Primary Government

Government-wide Highlights

California began the fiscal year ended June 30, 2021, in dire uncertainty regarding the magnitude of the public health crisis caused by the COVID-19 pandemic, the duration of the resulting economic shutdowns in the state, the condition of the state budget, and the ultimate impact of the pandemic on the state economy. Due in large part to substantial federal investments through the CARES Act and the American Rescue Plan Act, California persevered through the pandemic to record its twelfth straight year of revenue growth for fiscal year 2020-21. General revenues, comprised primarily of taxes, showed surprisingly significant growth, increasing by \$48.7 billion (27.2%) for fiscal year 2020-21, compared to an increase of \$5.2 billion (3.0%) in fiscal year 2019-20. The increase in general revenues is attributed to higher than expected tax collections from high-income Californians who experienced good economic outcomes through the pandemic, and from whom a large share of state tax payments are derived. Expenses and transfers for the State's governmental activities increased by \$147.0 billion (42.0%) and were less than total revenues received, resulting in a \$36.9 billion increase in the governmental activities' net position, as restated. On the contrary, expenses for the State's business-type activities exceeded total revenues and transfers, resulting in a \$32.0 billion decrease in the business-type activities' net position, as restated, for fiscal year 2020-21.

Net Position – Although current year activity reflects a combined \$4.9 billion increase in the primary government's net position, net position at the beginning of the year was restated as a result of reclassification of funds previously reported as fiduciary funds to special revenue funds, resulting from the implementation of GASB Statement No. 84, *Fiduciary Activities* (see Note 1 for further detail). The impact on the primary government's beginning net position as a result of this implementation was an increase of \$923 million.

The primary government ended fiscal year 2020-21 with a deficit net position of \$49.7 billion, an increase of \$4.9 billion (9.0%) from the previous year, as restated. The total deficit net position is reduced by \$123.4 billion for net investment in capital assets and by \$54.0 billion for restricted net position, yielding a negative unrestricted net position of \$227.1 billion. Restricted net position is dedicated for specified uses and is not available to fund current activities. More than 85.4%, or \$194.0 billion, of the negative \$227.1 billion unrestricted net position consists of unfunded, employee-related, long-term liabilities (net pension liability, net OPEB liability, and compensated absences) that are recognized as soon as an obligation occurs, even though payment will occur over many future periods. In addition, the State's outstanding bonded debt consists of \$64.8 billion to build capital assets of school districts and other local governmental entities. Bonded debt reduces the State's unrestricted net position; however, local governments, not the State, own the capital assets that would normally offset this reduction.

Fund Highlights

Governmental Funds – As of June 30, 2021, the primary government’s governmental funds reported a combined ending fund balance of \$108.8 billion, which was an increase of \$41.9 billion over the prior fiscal year fund balance, as restated. The unrestricted fund balance, comprised of committed, assigned, and unassigned balances, was \$59.7 billion, an increase of \$42.4 billion from the prior fiscal year unrestricted fund balance of \$17.3 billion. The nonspendable and restricted fund balances were \$2.9 billion and \$46.2 billion, respectively.

Proprietary Funds – As of June 30, 2021, the primary government’s proprietary funds reported a combined ending deficit net position of \$44.2 billion, a decrease of \$31.8 billion from the prior fiscal year, as restated. The total net position is reduced by \$3.2 billion for net investment in capital assets, expendable restrictions of \$7.8 billion, and nonexpendable restrictions of \$2 million, yielding a negative unrestricted net position of \$55.2 billion.

Noncurrent Assets and Liabilities

As of June 30, 2021, the primary government’s noncurrent assets totaled \$180.6 billion, of which \$157.9 billion is related to capital assets. State highway infrastructure assets of \$81.0 billion represent the largest portion of the State’s capital assets.

The primary government’s noncurrent liabilities totaled \$329.5 billion, which consists of \$194.0 billion in unfunded employee-related future obligations, \$74.6 billion in general obligation bonds, \$28.6 billion in revenue bonds, and \$32.3 billion in other noncurrent liabilities. During fiscal year 2020-21, the primary government’s noncurrent liabilities increased by \$24.8 billion (8.2%) over the previously reported noncurrent liabilities. The net increase in noncurrent liabilities includes an increase of \$17.4 billion in loans payable, an increase of \$3.5 billion in net OPEB liability, and an increase of \$2.2 billion in net pension liability.

Overview of the Financial Statements

This discussion and analysis is an introduction to the section presenting the State’s basic financial statements, which includes four components: (1) government-wide financial statements, (2) fund financial statements, (3) discretely presented component units financial statements, and (4) notes to the financial statements. This report also contains required supplementary information, and combining financial statements and schedules intended to furnish additional detail that supports the basic financial statements.

Government-wide Financial Statements

Government-wide financial statements are designed to provide readers with a broad overview of the State’s finances. The government-wide financial statements do not include fiduciary programs and activities of the primary government and component units because fiduciary resources are not available to support state programs.

The statements provide both short-term and long-term information about the State’s financial position to help readers assess the State’s economic condition at the end of the fiscal year. These statements are prepared using the economic resources measurement focus and the accrual basis of accounting, similar to methods used by most businesses. These statements take into account all revenues and expenses

connected with the fiscal year, regardless of when the State received or paid the cash. The government-wide financial statements include two statements: the Statement of Net Position and the Statement of Activities.

- The *Statement of Net Position* presents all of the State's financial and capital resources in a format in which assets and deferred outflows of resources equal liabilities and deferred inflows of resources, plus net position. Over time, increases or decreases in net position indicate whether the financial position of the State is improving or deteriorating.
- The *Statement of Activities* presents information showing how the State's net position changed during the most recent fiscal year. The State reports changes in net position as soon as the event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, this statement reports revenues and expenses for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the State.

The government-wide financial statements separate into different columns the three types of state programs and activities—governmental activities, business-type activities, and component units.

- *Governmental activities* are mostly supported by taxes, such as personal income and sales and use taxes, and intergovernmental revenues, primarily federal grants. Most services and expenses normally associated with state government fall into this activity category, including general government; education (public K–12 schools and institutions of higher education); health and human services; natural resources and environmental protection; business, consumer services, and housing; transportation; corrections and rehabilitation; and interest on long-term debt.
- *Business-type activities* typically recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The business-type activities of the State of California include providing unemployment insurance programs, providing housing loans to California veterans, providing water to local water districts, providing services to California State University students, selling California State Lottery tickets, and selling electric power. These activities are conducted with minimal financial assistance from the governmental activities or general revenues of the State.
- *Component units* are organizations that are legally separate from the State, but for which the State is financially accountable, or whose relationship with the State is so significant that their exclusion would cause the State's financial statements to be misleading or incomplete. Various types of component units are presented; all are legally separate. However, blended component units function as part of the State's operations. Fiduciary component units are primarily the resources and operations of the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System. Discretely presented component units contain some form of accountability either from or to the State.

Most component units prepare their own separately issued financial statements. For information regarding obtaining the financial statements of the individual component units, refer to Note 1A, Reporting Entity.

Fund Financial Statements

The State of California, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal and contractual requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the State may be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- *Governmental funds* are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's short-term financing requirements. This approach is known as the *flow of current financial resources measurement focus* and the *modified accrual basis of accounting*. These governmental fund statements provide a detailed short-term view of the State's finances, enabling readers to determine whether adequate financial resources exist to meet the State's current needs.

Because governmental fund financial statements provide a narrower focus than do government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate comparison between governmental funds and governmental activities. Primary differences between the government-wide and fund-based statements relate to noncurrent assets, such as land and buildings, and noncurrent liabilities, such as bonded debt and amounts owed for net pension liability, compensated absences, and capital lease obligations. These amounts are reported in the government-wide statements but not in the fund-based statements.

- *Proprietary funds* show activities that operate more like those found in the private sector. The State of California has two proprietary fund types—enterprise funds and internal service funds.
 - *Enterprise funds* record activities for which a fee is charged to external users; they are presented as business-type activities in the government-wide financial statements.
 - *Internal service funds* accumulate and allocate costs internally among the State's various functions. For example, internal service funds provide public buildings construction, information technology, printing, fleet management, and architectural services primarily for state departments. As a result, their activity is considered governmental.

- *Fiduciary funds* account for resources held for the benefit of parties outside the State. Fiduciary funds and the activities of fiduciary component units are not reflected in the government-wide financial statements because the resources of these funds are not available to support state programs. The accounting used for fiduciary funds and similar component units is similar to that used for trusts.

Discretely Presented Component Units Financial Statements

The State has financial accountability for discretely presented component units, which have certain independent qualities and operate in a similar manner to private sector businesses. The activities of the discretely presented component units are classified as enterprise activities.

Notes to the Financial Statements

The notes to the financial statements in this publication provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements, which describe particular accounts in more detail, immediately follow the discretely presented component units' financial statements.

Required Supplementary Information

A section of required supplementary information follows the notes to the basic financial statements in this publication. This section includes several schedules of information for the State's pension and OPEB plans and the State's contributions to those plans; information on infrastructure assets based on the modified approach; a budgetary comparison schedule; and a reconciliation of the budgetary basis and the GAAP basis fund balances for the major governmental funds presented in the governmental fund financial statements.

Combining Financial Statements and Schedules

The Combining Financial Statements and Schedules – Nonmajor and Other Funds section presents combining statements that provide separate financial statements for nonmajor governmental funds, nonmajor proprietary funds, fiduciary funds, and nonmajor component units as supplementary information. The basic financial statements present only summary information for these activities.

Government-wide Financial Analysis

Net Position

The primary government's combined deficit net position (governmental and business-type activities) improved by \$4.9 billion (9.0%), from a negative \$54.6 billion, as restated, to a negative \$49.7 billion at June 30, 2021. As previously mentioned, the net position at the beginning of fiscal year 2020-21 was restated as a result of the reclassification of funds previously reported as fiduciary funds, as required by GASB Statement No. 84.

The primary government's \$123.4 billion net investment in capital assets, such as land, buildings, equipment, and infrastructure (roads, bridges, and other immovable assets) comprise a significant portion of its net position. This amount of capital assets is net of any outstanding debt used to acquire those assets. The State uses capital assets when providing services to citizens; consequently, these assets are not available for future spending. Although the State's investment in capital assets is reported net of related debt, the resources needed to repay this debt must come from other sources because the State cannot use the capital assets to pay off the liabilities.

The primary government's deficit net position includes another \$54.0 billion, which represents resources that are externally restricted as to how they may be used, such as resources pledged to debt service. The internally-imposed earmarking of resources is not presented in this publication as restricted net position. As of June 30, 2021, the primary government's combined unrestricted deficit net position was \$227.1 billion—\$174.4 billion for governmental activities and \$52.7 billion for business-type activities.

A significant factor contributing to the unrestricted net deficit is that governments recognize a liability on the government-wide Statement of Net Position as soon as an obligation occurs, while financing and budgeting functions focus on when a liability will be paid. As of June 30, 2021, the primary government recognized \$194.0 billion (85.4% of the \$227.1 billion unrestricted net deficit) in unfunded employee-related obligations—net pension liability, net OPEB liability, and compensated absences. In addition, the primary government recognized \$64.8 billion in outstanding bonded debt issued to build capital assets for school districts and other local governmental entities, a common state practice nationwide. As the State does not own these capital assets, neither the assets nor the related bonded debt is included in the portion of net position reported as net investment in capital assets. Instead, the bonded debt is reported as a noncurrent liability that increases the State's unrestricted deficit net position. The State can expect continued deficits in the unrestricted net position of governmental activities as long as it has significant unfunded employee-related obligations and outstanding obligations for school districts and other local governmental entities.

Table 1 presents condensed financial information derived from the Statement of Net Position for the primary government.

Table 1

Net Position – Primary Government – Two-year Comparison

June 30, 2021 and 2020

(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
ASSETS						
Current and other assets	\$ 232,590	\$ 160,907	\$ 28,979	\$ 26,712	\$ 261,569	\$ 187,619
Capital assets	142,535	138,808	15,358	14,407	157,893	153,215
Total assets	375,125	299,715	44,337	41,119	419,462	340,834
DEFERRED OUTFLOWS OF RESOURCES						
Total assets and deferred outflows of resources	26,921	30,222	3,598	3,543	30,519	33,765
LIABILITIES						
Noncurrent liabilities	\$ 267,265	\$ 260,464	\$ 62,207	\$ 44,192	\$ 329,472	\$ 304,656
Other liabilities	127,774	97,103	23,565	6,546	151,339	103,649
Total liabilities	395,039	357,567	85,772	50,738	480,811	408,305
DEFERRED INFLOWS OF RESOURCES						
Total liabilities and deferred inflows of resources	14,327	16,895	4,500	4,242	18,827	21,137
NET POSITION						
Net investment in capital assets	120,745	116,773	2,678	2,907	123,423	119,680
Restricted	46,363	46,671	7,653	7,724	54,016	54,395
Unrestricted	(174,428)	(207,969)	(52,668)	(20,949)	(227,096)	(228,918)
Total net position (deficit)	(7,320)	(44,525)	(42,337)	(10,318)	(49,657)	(54,843)
Total liabilities, deferred inflows of resources, and net position	\$ 402,046	\$ 329,937	\$ 47,935	\$ 44,662	\$ 449,981	\$ 374,599

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

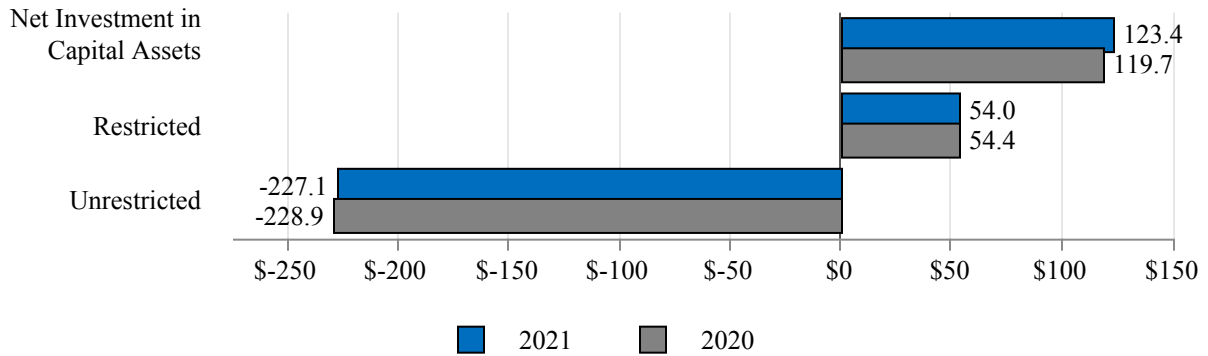
Chart 1 presents a two-year comparison of the State’s net position.

Chart 1

Net Position – Primary Government – Two-year Comparison

June 30, 2021 and 2020

(amounts in billions)



Changes in Net Position

The expenses of the primary government totaled \$569.0 billion for the fiscal year ended June 30, 2021. Of this amount, \$345.8 billion (60.8%) was funded with program revenues (charges for services or program-specific grants and contributions), leaving \$223.2 billion to be funded with general revenues (mainly taxes). The primary government’s general revenues of \$228.1 billion were greater than the unfunded expenses. As a result, the total net position, as restated, increased by \$4.9 billion, or 9.0%.

Table 2 presents condensed financial information derived from the Statement of Activities for the primary government.

Table 2

Changes in Net Position – Primary Government – Two-year Comparison

Years ended June 30, 2021 and 2020

(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
REVENUES						
Program Revenues:						
Charges for services.....	\$ 35,355	\$ 33,922	\$ 37,327	\$ 24,966	\$ 72,682	\$ 58,888
Operating grants and contributions.....	268,258	143,671	3,103	2,593	271,361	146,264
Capital grants and contributions.....	1,847	2,108	—	—	1,847	2,108
General Revenues:						
Taxes.....	227,301	178,051	—	—	227,301	178,051
Investment and interest.....	140	690	—	—	140	690
Miscellaneous.....	640	614	—	—	640	614
Total revenues.....	533,541	359,056	40,430	27,559	573,971	386,615
EXPENSES						
Program Expenses:						
General government.....	30,605	23,489	—	—	30,605	23,489
Education.....	101,570	75,804	—	—	101,570	75,804
Health and human services.....	311,926	192,576	—	—	311,926	192,576
Natural resources and environmental protection.....	9,923	10,111	—	—	9,923	10,111
Business, consumer services, and housing.....	2,947	2,604	—	—	2,947	2,604
Transportation.....	18,120	18,425	—	—	18,120	18,425
Corrections and rehabilitation.....	14,185	16,862	—	—	14,185	16,862
Interest on long-term debt.....	3,504	3,841	—	—	3,504	3,841
Electric Power.....	—	—	290	905	290	905
Water Resources.....	—	—	1,157	1,184	1,157	1,184
State Lottery.....	—	—	8,453	6,665	8,453	6,665
Unemployment Programs.....	—	—	55,737	23,622	55,737	23,622
California State University.....	—	—	10,391	10,593	10,391	10,593
Other enterprise programs.....	—	—	209	272	209	272
Total expenses.....	492,780	343,712	76,237	43,241	569,017	386,953
Excess (deficiency) before transfers.....	40,761	15,344	(35,807)	(15,682)	4,954	(338)
Gain on early extinguishment of debt.....	—	—	—	—	—	—
Transfers.....	(3,852)	(5,963)	3,852	5,963	—	—
Change in net position.....	36,909	9,381	(31,955)	(9,719)	4,954	(338)
Net position (deficit), beginning.....	(44,230) *	(53,906) *	(10,381) *	(598) *	(54,611)	(54,504)
Net position (deficit), ending.....	\$ (7,321)	\$ (44,525)	\$ (42,336)	\$ (10,317)	\$ (49,657)	\$ (54,842)

*Restated

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

Governmental Activities

During fiscal year 2020-21, governmental activities' expenses and transfers totaled \$496.7 billion. Program revenues totaling \$305.5 billion, including \$270.1 billion in federal grants and contributions, funded 61.5% of expenses and transfers, leaving \$191.2 billion to be funded with general revenues (mainly taxes). General revenues for governmental activities (\$228.1 billion) exceeded net unfunded expenses and transfers, resulting in the governmental activities' deficit net position of \$7.3 billion, after restatement, as of June 30, 2021, an improvement of \$36.9 billion (83.5%) over the prior year's restated deficit net position of \$44.2 billion.

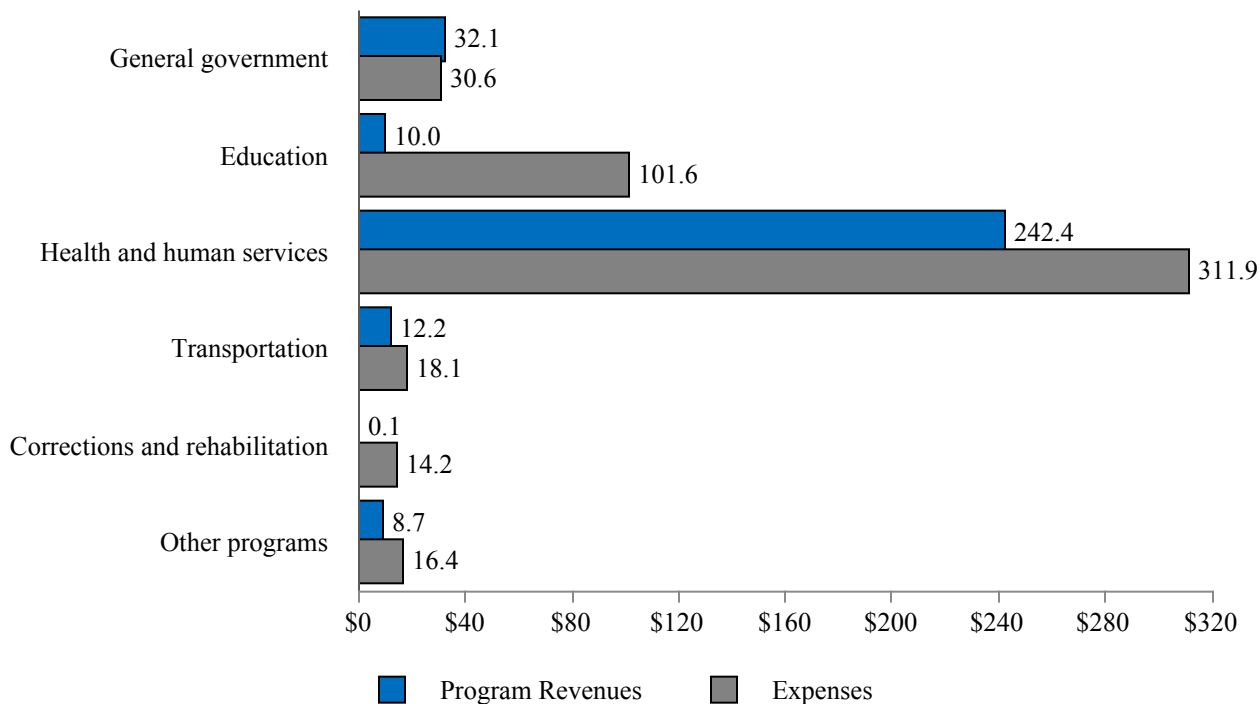
Chart 2 presents a comparison of governmental activities' expenses to related revenue by program.

Chart 2

Program Revenues and Expenses – Governmental Activities

Year ended June 30, 2021

(amounts in billions)



For the fiscal year ended June 30, 2021, total governmental activities' revenue was \$533.5 billion, an increase of 48.6% over the prior year. General revenues increased by \$48.7 billion (27.2%), to \$228.1 billion, and program revenues increased by \$125.8 billion (70.0%), to \$305.5 billion. The rise in program revenues is due to an increase in federal grants and contributions for health and human services. The largest component of general revenues is personal income taxes, which increased by \$23.7 billion (21.9%) over the prior year, compared to an increase of \$7.7 billion (7.6%) for fiscal year 2019-20. Amid the low unemployment rates of fiscal year 2020-21, a rebound in the value of investments held by wealthy Californians as well as stable employment of the state's high-income earners led to continued growth in personal tax revenues. Sales and use taxes increased by \$5.2 billion (12.8%) from the prior

year due to the collection of deferred payments granted during the last quarter of fiscal year 2019-20 for relief from the COVID-19 pandemic. Corporation taxes increased by \$18.9 billion (143.6%) from the prior year due to explosive growth in retail sales and investments to boost corporate earnings.

Overall expenses for governmental activities increased by \$149.1 billion (43.4%) over the prior year. The largest increase in expenditures, \$119.3 billion (62.0%), occurred in health and human services programs. The increase is attributable to two state departments: the Department of Health Care Services in administering the California Medical Assistance (Medi-Cal) program; and the Employment Development Department, as federally funded unemployment benefit programs under the CARES act were extended to support California's recovery from the COVID-19 recession.

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

Chart 3

Expenses by Program
 Year ended June 30, 2021
 (as a percent)

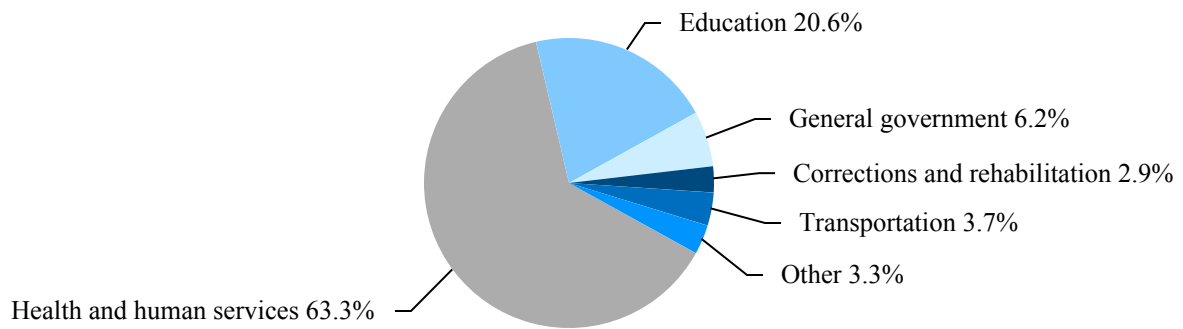
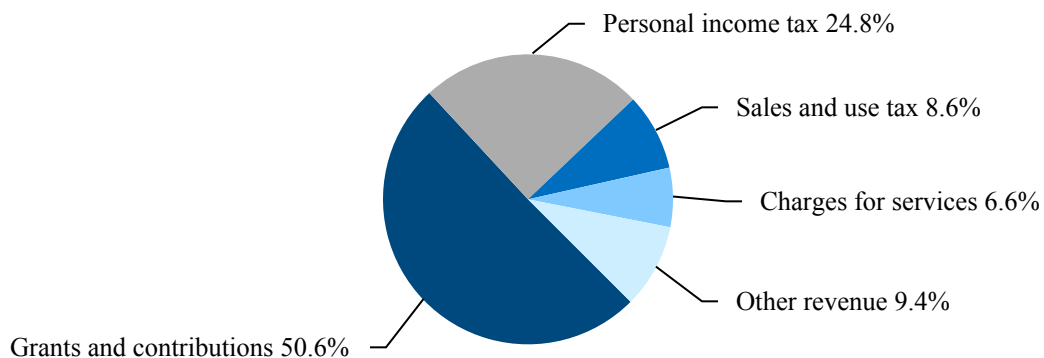


Chart 4 presents the percentage of total revenues by source for each governmental activities program.

Chart 4

Revenues by Source
 Year ended June 30, 2021
 (as a percent)



Business-type Activities

As of June 30, 2021, business-type activities’ expenses totaled \$76.2 billion. Program revenues of \$40.4 billion, primarily generated from charges for services, and \$3.8 billion in transfers, were not sufficient to cover these expenses. As a result, the business-type activities’ total deficit net position declined to \$32.0 billion below the prior year’s restated deficit net position of \$10.3 billion, to a net deficit of \$42.3 billion at June 30, 2021.

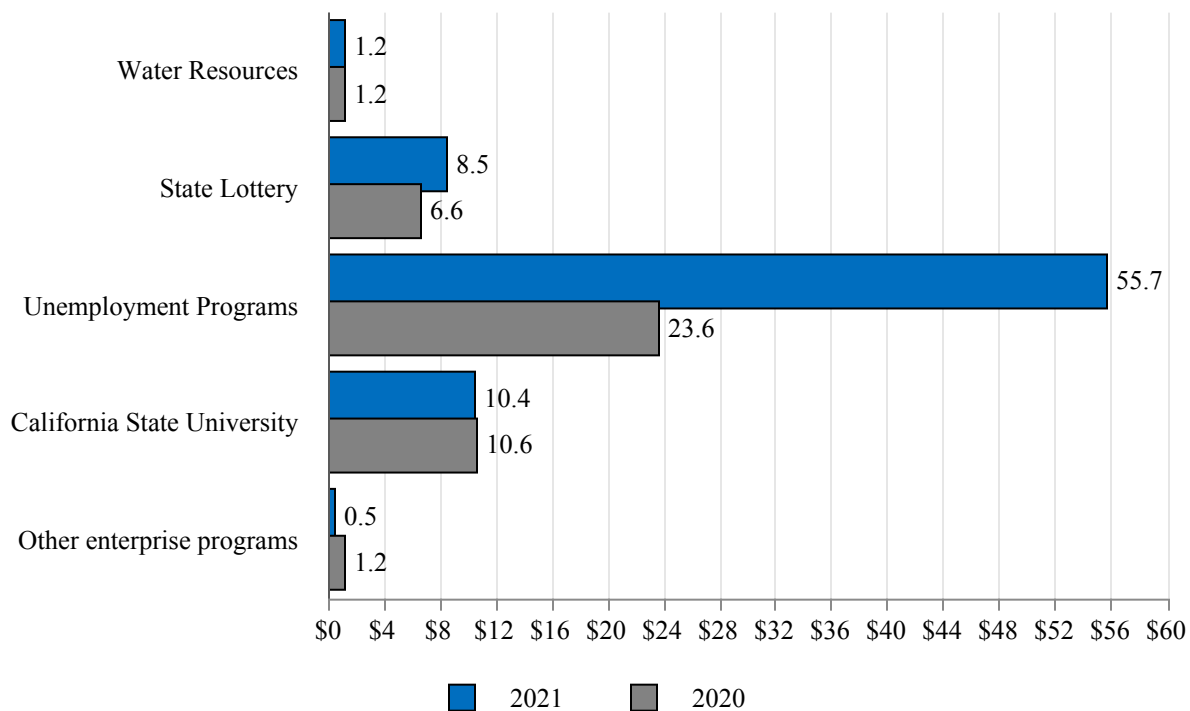
Chart 5 presents a two-year comparison of the expenses of the State’s business-type activities.

Chart 5

Expenses – Business-type Activities – Two-year Comparison

Years ended June 30, 2021 and 2020

(amounts in billions)



Fund Financial Analysis

The financial position of the State’s governmental funds improved in fiscal year 2020-21, with a combined fund balance increase of \$41.9 billion over the prior year’s restated ending fund balance. Governmental funds rely heavily on taxes to support the majority of the State’s services and programs. The State’s “Big Three” tax revenues (personal income, sales and use, and corporation) all increased during the fiscal year. The proprietary funds’ total net position decreased by \$31.8 billion during fiscal year 2020-21—comprised of a \$32.0 billion decrease for enterprise funds, offset by a \$207 million increase for internal service funds. The large decrease in the enterprise funds’ net position is attributable to the Unemployment Programs Fund, with its net position dropping by \$31.8 billion to a deficit balance

of \$32.9 billion. The decline in net position for Unemployment Programs is due to the programs' inability to confirm eligibility for revenue sources associated with certain claims payments.

Governmental Funds

As of June 30, 2021, the governmental funds' balance sheet reported \$259.6 billion in assets, \$150.8 billion in liabilities and deferred inflows of resources, and fund balances totaling \$108.8 billion. Total assets of governmental funds increased by 52.2%, while total liabilities and deferred inflows of resources increased by 44.1%, resulting in a net fund balance increase of \$41.9 billion (62.7%) above the prior year's restated balance. This increase includes a \$923 million reclassification of funds previously reported as fiduciary funds to special revenue funds, resulting from the implementation of GASB Statement No. 84, *Fiduciary Activities*.

Within the governmental funds' total fund balance, \$2.9 billion is classified as nonspendable, as this amount consists of long-term interfund receivables, loans receivable, and legal or contractual requirements. Another \$46.2 billion is classified as restricted for specific programs by external constraints such as debt covenants and contractual obligations, or by constitutional provisions or enabling legislation. Furthermore, \$10.8 billion of the total fund balance is classified as committed for specific purposes and \$5.0 billion is classified as assigned for specific purposes. The remaining unassigned balance of the governmental funds is \$43.9 billion — \$42.8 billion more than the unassigned balance from the prior fiscal year.

The Statement of Revenues, Expenditures, and Changes in Fund Balances of the governmental funds reported \$534.4 billion in revenues, \$499.0 billion in expenditures, and \$6.5 billion in net receipts from other financing sources. The ending fund balance of the governmental funds for the fiscal year ended June 30, 2021, was \$108.8 billion, a \$41.9 billion increase over the prior year's restated ending fund balance of \$66.9 billion.

Governmental funds' revenue consists primarily of taxes (42.6%) and intergovernmental revenue (51.0%). Personal income taxes accounted for 58.1% of tax revenues and increased by \$20.3 billion over the prior fiscal year. Sales and use taxes accounted for 20.2% of tax revenues and increased by \$5.2 billion over the prior fiscal year. Corporation taxes accounted for 14.1% of tax revenues and increased by \$18.4 billion over the prior fiscal year. Intergovernmental revenue, primarily from the federal government, increased by \$123.7 billion (83.1%) over the prior fiscal year due to federal investments through the CARES act and the American Rescue Plan act to support California's recovery from the COVID-19 recession.

Governmental funds' expenditures increased by \$142.5 billion (40.0%) over the prior fiscal year, primarily for health and human services and education. The increase in health and human services expenditures of \$119.3 billion (62.2%) is due to increased spending on Medi-Cal. Education expenditures increased by \$23.6 billion (30.9%) over the prior fiscal year to comply with constitutional requirements (Proposition 98) that provide a minimum funding guarantee to support California's K-12 schools and community colleges; the minimum funding guarantee increased as a result of increased General Fund revenue in fiscal year 2020-21.

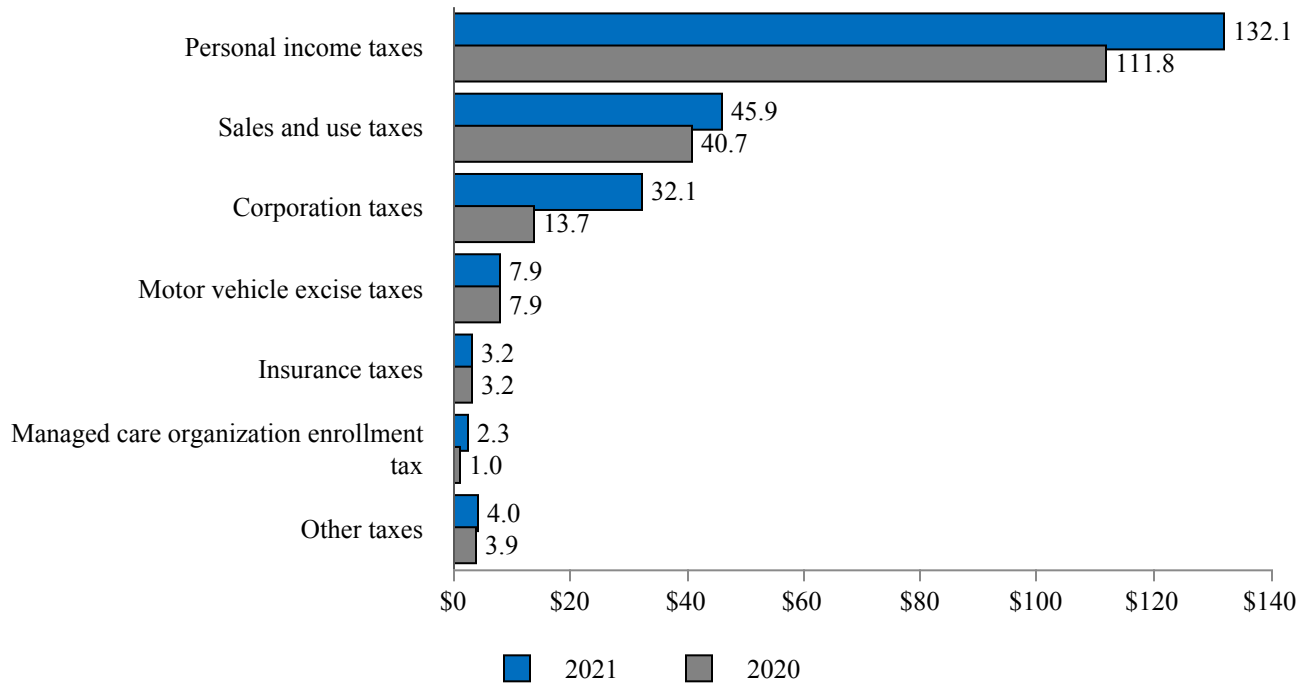
Chart 6 presents a two-year comparison of governmental funds' tax revenues.

Chart 6

Governmental Funds Tax Revenue – Two-year Comparison

Years ended June 30, 2021 and 2020

(amounts in billions)



The State’s major governmental funds are the General Fund, the Federal Fund, the Transportation Fund, the Environmental and Natural Resources Fund, and the Health Care Related Programs Fund. The General Fund ended the fiscal year with a fund balance of \$74.1 billion, an increase of \$45.6 billion over the prior year’s fund balance. The Federal Fund ended the year with a negative fund balance of \$8.5 billion, while the Transportation Fund, the Environmental and Natural Resources Fund, and the Health Care Related Programs Fund ended the fiscal year with fund balances of \$9.8 billion, \$14.9 billion, and \$1.9 billion, respectively. The nonmajor governmental funds ended the fiscal year with a combined fund balance of \$16.6 billion.

General Fund: As shown on the Balance Sheet, the General Fund (the State’s main operating fund) ended fiscal year 2020-21 with assets of \$127.7 billion; liabilities and deferred inflows of resources of \$53.6 billion; and nonspendable, restricted, committed, and assigned fund balances of \$2.9 billion, \$12.9 billion, \$668 million, and \$4.9 billion, respectively. This left the General Fund with an unassigned fund balance of \$52.7 billion, an increase of \$49.1 billion over the prior year. Total assets of the General Fund increased by \$70.7 billion (124.1%) over the prior fiscal year, and total liabilities and deferred inflows of resources increased by \$25.1 billion (88.0%) over the prior year.

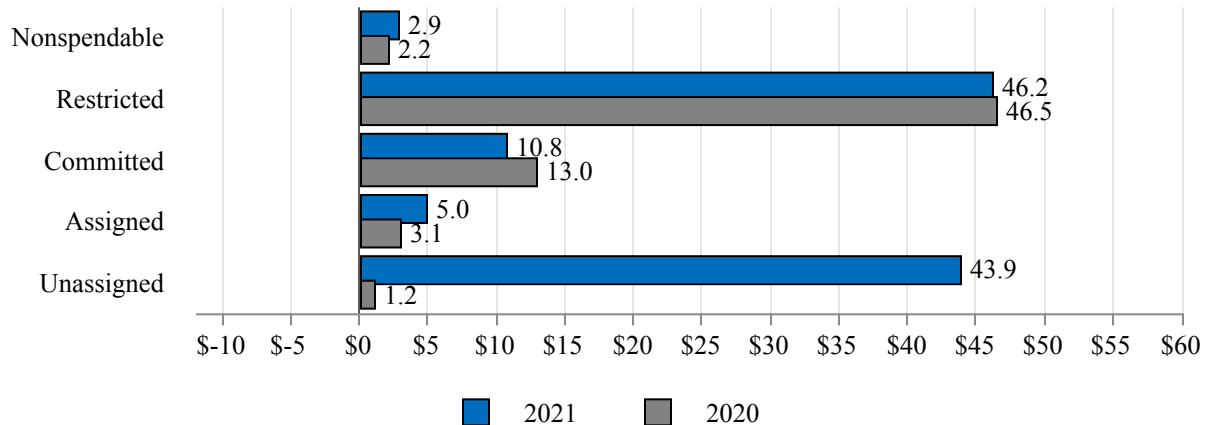
Chart 7 presents a two-year comparison of the components of the governmental funds' balance.

Chart 7

Governmental Funds – Components of Fund Balance – Two-year Comparison

Years ended June 30, 2021 and 2020

(amounts in billions)



As shown on the Statement of Revenue, Expenditures, and Changes in Fund Balances, the General Fund had revenues exceeding expenditures by \$50.6 billion (\$197.0 billion in revenues and \$146.4 billion in expenditures). Approximately \$190.8 billion (96.8%) of General Fund revenue is derived from the State's largest three taxes—personal income taxes (\$129.5 billion), corporation taxes (\$32.1 billion), and the sales and use taxes (\$29.1 billion). A total of \$214 million in revenue is included in the General Fund as a result of fund classifications made to comply with generally accepted governmental accounting principles. These revenues are not considered General Fund revenues for any budgetary purposes or for the State's Budgetary/Legal Basis Annual Report.

During fiscal year 2020-21, total General Fund revenue increased by \$41.1 billion (26.3%), attributed primarily to the increase in personal income taxes of \$19.2 billion (17.4%). General Fund expenditures increased by \$7.9 billion (5.7%). The largest increases were in education and health and human services, which rose by \$3.7 billion and \$3.7 billion, respectively. The General Fund ended the fiscal year with a fund balance of \$74.1 billion, an improvement of \$45.6 billion over the prior year's restated ending fund balance of \$28.5 billion. The General Fund's ending fund balance includes \$12.3 billion restricted for budget stabilization if the Governor must declare a budget emergency during an economic crisis, such as the COVID-19 pandemic.

Federal Fund: The Federal Fund reports federal grant revenues and the related expenditures to support grant programs. The largest of these programs is for health and human services, which accounted for \$236.0 billion (85.7%) of the total \$275.4 billion in fund expenditures. Education and general government programs also constituted a large part of the fund's expenditures, amounting to \$26.9 billion (9.8%) and \$6.2 billion (2.3%) of the total, respectively. The Federal Fund's revenues increased by \$124.3 billion, which was offset by the combined increase in expenditures and transfers of \$128.3 billion, resulting in a \$6.3 billion decrease from the prior year's ending deficit fund balance of \$2.2 billion, to an \$8.5 billion deficit.

Transportation Fund: The Transportation Fund accounts for fuel taxes, bond proceeds, and other revenues used primarily for highway and passenger rail construction. The Transportation Fund's revenues increased by \$312 million (2.0%) and its expenditures decreased by \$93 million (0.6%), as a result of continued funding under the Road Repair and Accountability Act of 2017 (Senate Bill 1). Other financing sources provided net receipts of \$537 million. The Transportation Fund ended the fiscal year with a \$9.8 billion fund balance, an increase of \$425 million from the prior year.

Environmental and Natural Resources Fund: The Environmental and Natural Resources Fund accounts for fees, bond proceeds, and other revenues that are used for maintaining the State's natural resources and improving the environmental quality of its air, land, and water. The Environmental and Natural Resources Fund's revenues increased by \$1.1 billion (18.1%), and expenditures decreased by \$1.1 billion (11.7%) due to the spending requirements related to the Parks and Water Bond Act of 2018 (Proposition 68), passed by voters in June 2018. Other financing sources provided net receipts of \$2.1 billion, mainly from bond proceeds, including those sold under Proposition 68. The Environmental and Natural Resources Fund ended the fiscal year with a \$14.9 billion fund balance, an increase of \$853 million (6.1%) over the prior year.

Health Care Related Programs Fund: The Health Care Related Programs Fund accounts for fees, taxes, intergovernmental revenue, bond proceeds, transfers from other state funds, and other revenue used for the Medi-Cal program, medical research, and other health care-related programs. The Health Care Related Programs Fund's revenues increased by \$1.2 billion (13.6%), and expenditures increased by \$1.8 billion (20.4%). Other financing sources provided net receipts of \$525 million. The Health Care Related Programs Fund ended the fiscal year with a \$1.9 billion fund balance, an increase of \$186 million over the prior year.

Proprietary Funds

Enterprise Funds: The total deficit net position of the enterprise funds at June 30, 2021, was \$42.3 billion — a \$32.0 billion decline from the prior year's restated deficit net position of \$10.3 billion. The Unemployment Programs Fund accounted for effectively all the net decrease, ending the fiscal year with a deficit net position of \$32.9 billion. The net position of nonmajor enterprise funds increased by \$71 million, while the net position of the California State University Fund and the State Lottery Fund decreased by \$260 million and \$57 million, respectively.

As shown on the proprietary funds' Statement of Net Position, total assets and deferred outflows of resources for the enterprise funds were \$48.7 billion as of June 30, 2021. Of this amount, current assets totaled \$15.0 billion, noncurrent assets totaled \$30.1 billion, and deferred outflows of resources totaled \$3.6 billion. The total liabilities and deferred inflows of resources for the enterprise funds was \$91.0 billion. One of the largest liabilities of the enterprise funds is \$17.6 billion due to other governments in the Unemployment Programs Fund, which represents amounts for which the program was unable to confirm eligibility for revenue sources associated with certain claims payments. Other noteworthy liabilities include \$17.0 billion in net OPEB liability and \$14.8 billion in revenue bonds payable, including the current portion. As of June 30, 2021, the Unemployment Programs Fund reported a balance on deposit with the U.S. Treasury of \$867 million, and a loan balance of \$19.8 billion with the U.S. Department of Labor, funds used to pay unemployment claims during the pandemic.

Total net position for enterprise funds consisted of four segments: net investment in capital assets of \$2.7 billion, nonexpendable restricted net position of \$2 million, restricted expendable net position of \$7.7 billion, and unrestricted net deficit of \$52.7 billion.

As shown on the Statement of Revenues, Expenses, and Changes in Fund Net Position of proprietary funds, the enterprise funds ended the year with operating revenues of \$36.4 billion, operating expenses of \$73.6 billion, and net revenues from other transactions and transfers of \$5.2 billion. The largest sources of operating revenues were unemployment and disability insurance receipts of \$23.9 billion in the Unemployment Programs Fund, and lottery ticket sales of \$8.4 billion collected by the State Lottery Fund. The unemployment and disability insurance receipts in the Unemployment Programs Fund increased by \$11.4 billion (91.2%) over the prior fiscal year. The largest operating expenses were distributions to beneficiaries of \$55.2 billion reported in the Unemployment Programs Fund, personal services expense of \$6.7 billion reported in the California State University Fund, and lottery prizes of \$5.6 billion distributed by the State Lottery Fund.

Internal Service Funds: The total net deficit of the internal service funds was \$1.9 billion as of June 30, 2021. The net position consists of three segments: net investment in capital assets of \$522 million, restricted expendable net position of \$152 million, and unrestricted deficit net position of \$2.6 billion.

Fiduciary Funds

The State of California has four types of fiduciary funds: pension and other employee benefit trust funds, private purpose trust funds, investment trust funds, and custodial funds. The pension and other employee benefit trust funds ended the fiscal year with a net position of \$830.3 billion. The private purpose trust funds ended the fiscal year with a net position of \$12.8 billion. The State's only investment trust fund, the Local Agency Investment Fund, ended the fiscal year with a net position of \$37.1 billion. As a result of the implementation of GASB Statement No. 84, the net position of custodial funds was established with a beginning net position of \$563 million, as restated, and ended the fiscal year with a net position of \$712 million.

For the fiscal year ended June 30, 2021, the fiduciary funds' combined net position was \$880.8 billion, a \$166.0 billion increase over the prior year net position. The net position increased primarily because contributions received and investment income earned in pension and other employee benefit trust funds exceeded payments made to participants.

General Fund Budget Highlights

The original General Fund budget of \$167.4 billion was increased by \$15.2 billion during fiscal year 2020-21. This increase is primarily attributed to additional funding for health and human services, natural resources and environmental protection, and general government.

The increase in health and human services funding was generally attributable to the COVID-19 pandemic, including a projected increase in caseload.

Natural resources and environmental protection funding increased due to the 2020 State of Emergency issued in recognition of statewide wildfire incidents. The funding was to support the State's disaster-response-debris-removal operations.

Other general government budgeted amounts increased due to funding the California Small Business COVID-19 Relief Grant Program.

Table 3 presents a summary of the General Fund original and final budgets.

Table 3

General Fund Original and Final Budgets

Year ended June 30, 2021

(amounts in millions)

	Original	Final	Increase/ (Decrease)
Budgeted amounts			
Business, consumer services, and housing	\$ 1,238	\$ 880	\$ (358)
Transportation	82	89	7
Natural resources and environmental protection	3,310	6,260	2,950
Health and human services	39,359	50,170	10,811
Corrections and rehabilitation	13,290	12,880	(410)
Education	93,985	95,284	1,299
General government:			
Tax relief	397	415	18
Debt service	6,212	4,633	(1,579)
Other general government	9,526	11,969	2,443
Total	\$ 167,399	\$ 182,580	\$ 15,181

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2021, the State’s investment in capital assets for its governmental and business-type activities amounted to \$157.9 billion (net of accumulated depreciation/amortization). The State’s capital assets include land, state highway infrastructure, collections, buildings and other depreciable property, intangible assets, and construction/development in progress. The buildings and other depreciable property account includes buildings, improvements other than buildings, equipment, certain infrastructure assets, certain books, and other capitalized and depreciable property. Intangible assets include computer software, land use rights, patents, copyrights, and trademarks. Infrastructure assets are items that normally are immovable, such as roads and bridges, and can be preserved for a greater number of years than can most capital assets.

As of June 30, 2021, the State’s capital assets increased by \$5.0 billion, or 3.3% over the prior fiscal year. The majority of the increase occurred in state highway infrastructure, buildings and other depreciable property, and construction/development in progress. Additional information on the State’s capital assets can be found in Note 7.

Table 4 presents a summary of the primary government's capital assets for governmental and business-type activities.

Table 4

Capital Assets – Primary Government – Two-year Comparison

June 30, 2021 and 2020

(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 21,547	\$ 21,147	\$ 423	\$ 330	\$ 21,970	\$ 21,477
State highway infrastructure	81,019	79,552	—	—	81,019	79,552
Collections – nondepreciable	23	23	34	31	57	54
Buildings and other						
depreciable property	34,249	33,493	18,914	16,998	53,163	50,491
Intangible assets – amortizable	2,937	2,681	458	442	3,395	3,123
Less: accumulated						
depreciation/amortization	(17,947)	(17,076)	(7,564)	(7,067)	(25,511)	(24,143)
Construction/development in progress	19,783	18,142	2,969	3,209	22,752	21,351
Intangible assets – nonamortizable	924	846	124	124	1,048	970
Total	\$ 142,535	\$ 138,808	\$ 15,358	\$ 14,067	\$ 157,893	\$ 152,875

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

Modified Approach for Infrastructure Assets

The State has elected to use the modified approach for capitalizing infrastructure assets of the state highway system (state bridges and roadways). Under the modified approach, the State does not report depreciation expense for its bridges and roads but capitalizes all costs that add to their capacity and efficiency. All maintenance and preservation costs are expensed. Under the modified approach, the State maintains an asset management system to demonstrate that the infrastructure is preserved at or above established condition levels. During fiscal year 2020-21, the actual amount spent on preservation was 48.5% of the estimated budgeted amount needed to maintain the infrastructure assets at established condition levels. Although the amount spent fell short of the budgeted amount, the assessed condition of the State's bridges and roadways is better than the established condition baselines, with 95.7% of bridge deck area judged to be of fair or better quality and 88.1% of lane miles judged to be of fair or better quality in the last completed pavement-condition survey. The State is responsible for maintaining 12,710 bridges and tunnels and 49,672 lane miles.

The Required Supplementary Information includes additional information on how the State uses the modified approach for infrastructure assets; it also presents the established condition standards, condition assessments, and preservation costs.

Debt Administration

At June 30, 2021, the State had total bonded debt outstanding of \$109.9 billion. Of this amount, \$79.0 billion (72.0%) represents general obligation bonds, which are backed by the full faith and credit of the State. The current portion of general obligation bonds outstanding is \$4.4 billion and the long-term portion is \$74.6 billion. The remaining \$30.9 billion (28.0%) of bonded debt outstanding represents

revenue bonds, which are secured solely by specified revenue sources. The current portion of revenue bonds outstanding is \$2.3 billion and the long-term portion is \$28.6 billion.

During the fiscal year, the State issued a total of \$6.4 billion in new general obligation bonds to fund various capital projects and other voter-approved costs related to K-12 schools and higher education facilities, transportation improvements and high-speed rail, water quality and environmental protection, and other public purposes.

Table 5 presents a summary of all the primary government’s long-term obligations for governmental and business-type activities.

Table 5

Long-term Obligations – Primary Government – Two-year Comparison

Years ended June 30, 2021 and 2020
(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Government-wide noncurrent liabilities						
General obligation bonds	\$ 74,088	\$ 74,592	\$ 551	\$ 753	\$ 74,639	\$ 75,345
Revenue bonds payable	15,144	15,053	13,411	13,052	28,555	28,105
Total bonded debt	89,232	89,645	13,962	13,805	103,194	103,450
Net pension liability	84,713	82,816	9,543	9,274	94,256	92,090
Net other postemployment benefits liability	76,992	74,263	16,960	16,224	93,952	90,487
Mandated cost claims payable	2,044	1,782	—	—	2,044	1,782
Loans payable	46	146	19,769	2,272	19,815	2,418
Compensated absences payable	5,384	3,987	374	263	5,758	4,250
Workers’ compensation benefits payable	4,416	4,192	13	10	4,429	4,202
Capital lease obligations	316	337	316	336	632	673
Commercial paper	1,176	1,109	401	1,049	1,577	2,158
Other noncurrent liabilities	2,945	2,187	870	958	3,815	3,145
Total noncurrent liabilities	267,264	260,464	62,208	44,191	329,472	304,655
Current portion of long-term obligations	6,113	5,891	2,576	2,110	8,689	8,001
Total long-term obligations	\$ 273,377	\$ 266,355	\$ 64,784	\$ 46,301	\$ 338,161	\$ 312,656

During the fiscal year ended June 30, 2021, the primary government’s total long-term obligations increased by \$25.5 billion from the prior year’s balance. The largest increase in long-term obligations during the fiscal year was a \$17.4 billion increase in loans payable resulting from increased unemployment program borrowings from the U.S. Department of Labor. Other notable increases included \$2.2 billion in net pension liability and \$3.5 billion in net OPEB liability because the State does not fully fund these benefits.

Note 9, Long-term Obligations, and Notes 10 through 16 include additional information on the State’s long-term obligations.

During the year ended June 30, 2021, the State's general obligation bonds rating from Fitch Ratings, Standard and Poor's Rating Services, and Moody's Investors Service remained unchanged at "AA", "AA-", and "Aa2", respectively.

Economic Condition and Future Budgets

The Economy for the Fiscal Year Ending June 30, 2021

California's economy came full circle during the 2020-21 fiscal year, as the disruption caused by the COVID-19 pandemic reached its climax at the beginning of the period, and was followed by gradual economic recovery over the remainder of the period to surpass pre-pandemic conditions. As of June 2021, California's real gross domestic product (GDP) had reached \$3.3 trillion, an increase of 18.5% compared to June 2020. By comparison, California's economy declined by 7.1% during the 2019-20 fiscal year to \$2.8 trillion. California's economic growth coming out of the pandemic exceeded that of the United States GDP, which increased by 17.4% during fiscal year 2020-21.

The COVID-19 pandemic dramatically displaced California workers at the onset of the 2020-21 fiscal year; the unemployment rate peaked at a record high of 16.1% in May of 2020 before settling to 14.1% by the end of June 2020. At the beginning of the 2020-21 fiscal year, California was issuing approximately three million unemployment insurance claims per week to unemployed workers. By the end of the period, weekly claims had fallen to roughly 625,000, and the unemployment rate receded gradually to 7.9%. Total non-farm employment increased by 1,062,000 jobs during fiscal year 2020-21, recovering more than half of the 1.8 million jobs lost during the previous fiscal year. All of California's 11 major industry sectors experienced job growth. The leisure and hospitality sector, which was struck hardest by the pandemic with a 35.8% loss of jobs during fiscal year 2019-20, rebounded enthusiastically during fiscal year 2020-21 with 346,000 jobs added, an increase of 26.5%. The leisure and hospitality sector includes jobs in arts, entertainment, and recreation, as well as food service and accommodations.

California's personal income continued to rise in spite of the COVID-19 pandemic, increasing by 5.4% and outperforming the national increase of 1.6%. Since 2010, personal income of Californians has grown an average of 5.5% annually, due largely to the low unemployment rate sustained during the majority of this period. United States personal income grew an average of 4.5% during the same period. Effective January 1, 2021, California's minimum wage increased to either \$13.00 or \$14.00 per hour, depending on the number of employees of a business. The minimum wage will continue to increase each year until it reaches \$15.00 per hour for all businesses in 2023.

The California real estate market remained strong through the COVID-19 pandemic as a result of sustained historically low interest rates. The median price of homes in California skyrocketed to a record high \$819,630 as of June 2021, an increase of 30.9%. The national median home price increased by 19.8% to \$366,900. While 30-year fixed mortgage rates dropped to an average of 2.98% in June 2021, compared to 3.16% in June 2020, sales of existing single-family homes were up 28.3% from June 2020, with the demand concentrated in higher-priced markets. New active listings increased by around 8.0% over the previous fiscal year, but are still down 12.3% from pre-pandemic levels. New privately owned residential units increased during the 2020-21 fiscal year by approximately 118,600 units. The overall growth in residential housing supply, particularly with constrained housing supply in lower priced markets, may still be inadequate to support California's projected population growth, which could result in continued high housing prices and low affordability.

Economic Conditions for the 2021-22 Fiscal Year and Future Outlook

After a strong recovery for California's economy during the 2020-21 fiscal year, the 2021-22 fiscal year showed only nominal growth and featured a prolonged period of high inflation that reinforced the threat of a recession. At June 30, 2022, the State's GDP remained at \$2.9 trillion with an increase of only 0.3% over the previous fiscal year, while the United States GDP increased by 1.8% over the same period. Personal income growth for Californians was relatively sluggish coming out of the pandemic as well, increasing by a modest 1.5% during fiscal year 2021-22, well behind the U.S. national personal income increase of 3.4%.

California's unemployment rate continued in its descent toward pre-pandemic levels during the 2021-22 fiscal year, declining to 4.2% at June 30, 2022, and hovering around 4.0% thereafter. Momentum toward recovery persisted in the leisure and hospitality sector as well, with an additional 237,700 jobs gained during fiscal year 2021-22, an increase of 14.4% from June 30, 2021.

After the initial shock of the COVID-19 pandemic, historically low interest rates spurred an 18 month upward trend in home sales, but the housing market began to take a turn near the middle of fiscal year 2021-22. Existing home sales in June 2022 totaled 344,970 units, a 20.9% plunge from June 2021. The 30-year fixed mortgage interest rate surged from an average of 2.98% in June 2021, to a 5.52% average in June 2022. Fueled by inflation, the statewide median home price capped at a record high of \$900,710 in May of 2022, before sliding to \$863,790 in June 2022. The June 2022 California median home price was 5.4% higher than June 2021. By comparison, the U.S. national median home price increased by 11.1% from June 2021 to June 2022, to \$403,300. With inflation remaining high and interest rates climbing, the market is expected to normalize further with softer sales and more moderate price growth.

Record inflation may jeopardize the sustainability of the California's post COVID-19 recovery and growth, with the looming threat of a recession. Emerging from the pandemic, an upward curve in the consumer price index resulted in an inflation rate of 4.4% for fiscal year 2020-21, and 9.1% for fiscal year 2021-22, the largest increase in 40 years. By comparison, inflation for fiscal year 2019-20 was just 1.4%. Facing rising inflation, the Federal Reserve repeatedly enacted large interest rate increases throughout 2022 with the aim of cooling the economy and maintaining stable price growth; these actions had only limited success. Higher interest rates stifle the economy by increasing borrowing costs for businesses, home buyers, and consumers, and depressing investment markets. Factors such as changes in consumer spending, incomes, and prices for food and energy suggest that inflationary pressures will remain high in the near future, would necessitate response from the Federal Reserve to continue to further raise interest rates and curb inflation. Similar historical scenarios have led to recession.

California's 2021-22 Budget

California's 2021-22 Budget Act was enacted on June 28, 2021. The Budget Act appropriated \$262.6 billion; \$196.5 billion from the General Fund, \$61.2 billion from special funds, and \$4.9 billion from bond funds. Budgeted expenditures for the General Fund increased by \$30.4 billion, or 18.3% over last year's budget, and General Fund revenues were projected to be \$175.3 billion after a \$3.4 billion transfer to the Budget Stabilization Account (BSA), the State's rainy day fund. General Fund revenue comes predominantly from taxes, with personal income taxes expected to provide 69.0% of total revenue in fiscal year 2021-22. California's major taxes, including personal income taxes, sales and use taxes, and corporation taxes were projected to supply approximately 95.3% of the General Fund's resources in the 2021-22 fiscal year. The General Fund was projected to end the 2021-2022 fiscal year with \$25.2 billion in total reserves, including \$15.8 billion in the BSA for fiscal emergencies,

\$4.5 billion in the Public School System Stabilization Account (PSSSA), \$4.0 billion in the State's operating reserve, and \$900 million in the Safety Net Reserve (SNR). To continue to reduce California's long-term retirement liabilities, the Budget provided for \$3.4 billion in payments required by Proposition 2 in 2021-22, plus \$7.9 billion in additional payments over the next three years. The improved revenue forecast for fiscal year 2021-22 also allowed for the elimination of \$2.0 billion in program suspensions enacted in previous budgets.

Driven primarily by a surge in Federal pandemic assistance to California as part of the American Rescue Plan Act of 2021, the 2021-22 Budget Act increased total state expenditures by \$61.6 billion over the 2020-21 budgeted level, including an increase in budgeted General Fund expenditures of \$62.5 billion. The increase in General Fund spending included \$17.4 billion for K-12 education, \$12.6 billion for Health and Human Services, and \$10.5 billion for Government operations. The General Fund's share of the Proposition 98 guaranteed minimum funding level for K-12 schools and community colleges decreased by \$1.3 billion from the revised 2020-21 level to \$66.4 billion.

As part of the 2021 Budget Act, families and businesses were provided immediate relief from the effects of the COVID-19 pandemic. As part of the Budget, the State added \$1.5 billion to its previous \$2.5 billion investment in the Small Business COVID-19 Relief Grant Program, which helped approximately 210,000 businesses remain open and their workers employed. The Budget included the Golden State Stimulus and Golden State Grant programs to provide COVID-19 relief to low-income families and small businesses, respectively, plus an expansion of these programs to extend benefits to middle-class families with earnings under certain thresholds. The Budget also included \$6.4 billion in State-administered and direct local federal rent relief, and \$2.0 billion for the payment of unpaid utility debt accumulated during the pandemic. The pandemic highlighted the need to make broadband affordable and accessible to unserved households for health, education, and employment purposes. Through a \$6.0 billion investment to boost broadband infrastructure, the Budget expanded equitable access to high-speed broadband internet service to the public.

The Budget made other investments to meet some of California's long-standing challenges. Approximately \$12.0 billion was allocated over two years to combat homelessness, the largest investment in the state's history. Lastly, the Budget expanded Medi-Cal coverage to increase access to health care for postpartum individuals, older adults, and persons with disabilities.

In June 2022, the 2022-23 Budget Act was enacted, and provided updated estimates of fiscal year 2021-22 General Fund revenues, expenditures, and reserves. The 2022-23 Budget Act projected fiscal year 2021-22 General Fund revenue of \$227.0 billion after transfers—\$51.7 billion (29.5%) more than projected in the 2021-22 Budget Act—and expenditures of \$243.0 billion. Total year-end reserves were estimated at \$28.5 billion—\$7.3 billion in the Public School System Stabilization Account, \$20.3 billion in the BSA, and \$900 million in the SNR—which is \$7.3 billion more than projected in the 2021-22 Budget Act.

California's 2022-23 Budget

California's fiscal year 2022-23 Budget Act was enacted in June 2022. The Budget includes projections of fiscal year 2022-23 General Fund revenues, expenditures, and reserves. General Fund revenues are estimated to be \$222.7 billion, a decrease of \$10.1 billion (4.3%) from fiscal year 2021-22 revenue estimates, primarily due to projected reductions of personal income tax and corporation income tax revenues totaling \$6.9 billion. General Fund expenditures for fiscal year 2022-23 are budgeted at

\$234.4 billion, a decrease of \$8.6 billion (3.5%) compared to the fiscal year 2021-22 estimates. A total of \$37.2 billion in budgetary reserves is included in the Budget: \$23.3 billion in the BSA for fiscal emergencies, \$9.5 billion in the PSSSA, \$3.5 billion in the State's operating reserve, and \$900 million in the SNR.

The Budget allocates \$39.0 billion over five years toward climate resilience; and \$47.0 billion for infrastructure, including infrastructure funding for schools, higher education, broadband, and clean transportation systems. Every \$1.0 billion invested in infrastructure is expected to create approximately 13,000 quality jobs for California workers. The Budget includes total funding of \$128.6 billion for all K-12 education programs, and \$5.1 billion allocated from the General Fund for K-12 school facilities. The Budget continues to build resiliency and prepare the State for an uncertain future by strengthening reserves, paying down debt, and prefunding pension and OPEB liabilities. The Budget seeks to address the predominant state issues of homelessness, behavioral health challenges, women's rights and health access, neighborhood safety, and drought and wildfire mitigation. The Budget also includes measures to maintain energy reliability, protect energy ratepayers, and accelerate clean energy projects.

Requests for Information

The State Controller's Office designed this financial report to provide interested parties with a general overview of the State of California's finances. Address questions concerning the information provided in this report or requests for additional information via email to the State Controller's Office, State Accounting and Reporting Division at StateGovReports@sco.ca.gov. This report is also available on the State Controller's Office website at www.sco.ca.gov.

Basic Financial Statements

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Government-wide Financial Statements

Statement of Net Position

June 30, 2021

(amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and pooled investments	\$ 138,594,256	\$ 7,476,218	\$ 146,070,474	\$ 4,148,854
Amount on deposit with U.S. Treasury	—	866,853	866,853	—
Investments	489,558	2,981,895	3,471,453	12,740,058
Restricted assets:				
Cash and pooled investments	816,911	624,039	1,440,950	312,997
Investments	—	—	—	30,653
Due from other governments	—	181,703	181,703	—
Net investment in direct financing leases	13,307	9,218	22,525	—
Receivables (net)	44,941,774	2,272,441	47,214,215	6,321,718
Internal balances	27,416	(27,416)	—	—
Due from primary government	—	—	—	269,807
Due from other governments	38,281,951	301,754	38,583,705	122,310
Prepaid items	150,740	69,641	220,381	3,006
Inventories	73,298	27,213	100,511	348,770
Recoverable power costs (net)	—	—	—	—
Other current assets	720,850	3,156	724,006	846,881
Total current assets	224,110,061	14,786,715	238,896,776	25,145,054
Noncurrent assets:				
Restricted assets:				
Cash and pooled investments	141,036	183,218	324,254	66,630
Investments	—	843,970	843,970	144,458
Loans receivable	—	1,934,689	1,934,689	—
Investments	—	2,800,694	2,800,694	45,501,860
Net investment in direct financing leases	228,178	213,677	441,855	—
Receivables (net)	2,940,803	1,258,816	4,199,619	2,767,442
Loans receivable	5,169,074	5,590,375	10,759,449	2,845,174
Long-term prepaid charges	625	1,336,023	1,336,648	119
Capital assets:				
Land	21,547,160	423,324	21,970,484	1,648,822
State highway infrastructure	81,018,986	—	81,018,986	—
Collections – nondepreciable	22,682	34,431	57,113	618,290
Buildings and other depreciable property	34,248,866	18,913,256	53,162,122	63,056,973
Intangible assets – amortizable	2,937,232	457,773	3,395,005	1,827,521
Less: accumulated depreciation/amortization	(17,947,373)	(7,563,599)	(25,510,972)	(32,435,380)
Construction/development in progress	19,783,476	2,968,926	22,752,402	4,623,455
Intangible assets – nonamortizable	923,851	123,800	1,047,651	5,214
Other noncurrent assets	—	30,859	30,859	549,628
Total noncurrent assets	151,014,596	29,550,232	180,564,828	91,220,206
Total assets	375,124,657	44,336,947	419,461,604	116,365,260
DEFERRED OUTFLOWS OF RESOURCES	26,921,080	3,598,401	30,519,481	9,888,261
Total assets and deferred outflows of resources	\$ 402,045,737	\$ 47,935,348	\$ 449,981,085	\$ 126,253,521

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 42,679,045	\$ 766,000	\$ 43,445,045	\$ 3,052,295
Due to component units	269,806	—	269,806	—
Due to other governments	38,117,556	17,900,775	56,018,331	—
Revenues received in advance	18,082,077	605,836	18,687,913	1,968,254
Tax overpayments	5,340,490	—	5,340,490	—
Deposits	518,242	—	518,242	570,986
Contracts and notes payable	3,148	—	3,148	11,480
Unclaimed property liability	1,113,203	—	1,113,203	—
Interest payable	1,051,784	45,324	1,097,108	13,662
Securities lending obligations	—	—	—	998,441
Benefits payable	4,663,280	1,048,582	5,711,862	—
Current portion of long-term obligations	6,113,026	2,576,369	8,689,395	5,269,200
Other current liabilities	9,822,846	621,839	10,444,685	4,054,918
Total current liabilities	<u>127,774,503</u>	<u>23,564,725</u>	<u>151,339,228</u>	<u>15,939,236</u>
Noncurrent liabilities:				
Loans payable	46,062	19,769,295	19,815,357	15,118
Lottery prizes and annuities	—	678,599	678,599	—
Compensated absences payable	5,384,265	373,621	5,757,886	533,099
Workers' compensation benefits payable	4,416,063	12,662	4,428,725	674,603
Commercial paper and other borrowings	1,176,235	401,147	1,577,382	710
Capital lease obligations	316,446	316,073	632,519	348,002
General obligation bonds payable	74,087,989	551,009	74,638,998	—
Revenue bonds payable	15,143,733	13,410,738	28,554,471	28,325,976
Mandated cost claims payable	2,043,606	—	2,043,606	—
Net other postemployment benefits liability	76,991,715	16,959,981	93,951,696	25,200,281
Net pension liability	84,713,135	9,542,625	94,255,760	6,204,302
Revenues received in advance	—	5,979	5,979	7,703
Other noncurrent liabilities	2,945,183	185,403	3,130,586	2,838,476
Total noncurrent liabilities	<u>267,264,432</u>	<u>62,207,132</u>	<u>329,471,564</u>	<u>64,148,270</u>
Total liabilities	<u>395,038,935</u>	<u>85,771,857</u>	<u>480,810,792</u>	<u>80,087,506</u>
DEFERRED INFLOWS OF RESOURCES	14,326,972	4,500,241	18,827,213	17,857,809
Total liabilities and deferred inflows of resources	<u>\$ 409,365,907</u>	<u>\$ 90,272,098</u>	<u>\$ 499,638,005</u>	<u>\$ 97,945,315</u>

(continued)

Statement of Net Position (continued)

June 30, 2021

(amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
NET POSITION				
Net investment in capital assets	\$ 120,745,220	\$ 2,677,917	\$ 123,423,137	\$ 14,468,170
Restricted:				
Nonexpendable – endowments	—	1,663	1,663	8,873,686
Expendable:				
Endowments and gifts	—	—	—	19,024,004
General government	5,923,847	212,023	6,135,870	—
Education	1,502,726	122,393	1,625,119	1,472,200
Health and human services	5,055,180	2,197,927	7,253,107	—
Natural resources and environmental protection	6,357,224	2,808,822	9,166,046	—
Business, consumer services, and housing	5,427,533	95	5,427,628	—
Transportation	9,545,605	3,630	9,549,235	—
Corrections and rehabilitation	210,991	—	210,991	—
Unemployment programs	—	2,306,984	2,306,984	—
Indenture	—	—	—	645,690
Statute	—	—	—	3,351,982
Budget stabilization	12,339,422	—	12,339,422	—
Other purposes	—	—	—	18,547
Total expendable	46,362,528	7,651,874	54,014,402	24,512,423
Unrestricted	(174,427,918)	(52,668,204)	(227,096,122)	(19,546,073)
Total net position (deficit)	(7,320,170)	(42,336,750)	(49,656,920)	28,308,206
Total liabilities, deferred inflows of resources, and net position	\$ 402,045,737	\$ 47,935,348	\$ 449,981,085	\$ 126,253,521

(concluded)

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Statement of Activities

Year Ended June 30, 2021

(amounts in thousands)

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 30,604,918	\$ 6,583,975	\$ 25,509,055	\$ —
Education	101,569,505	69,727	9,983,005	—
Health and human services	311,925,505	12,664,071	229,716,223	—
Natural resources and environmental protection	9,923,185	6,592,526	313,736	—
Business, consumer services, and housing	2,946,561	1,697,687	100,946	—
Transportation	18,119,697	7,731,094	2,579,621	1,847,263
Corrections and rehabilitation	14,185,645	15,776	55,679	—
Interest on long-term debt	3,505,827	—	—	—
Total governmental activities	<u>492,780,843</u>	<u>35,354,856</u>	<u>268,258,265</u>	<u>1,847,263</u>
Business-type activities:				
Electric Power	290,411	406,588	—	—
Water Resources	1,157,325	1,125,002	—	—
State Lottery	8,452,743	8,395,767	—	—
Unemployment Programs	55,737,215	23,903,289	—	—
California State University	10,391,177	3,236,482	3,042,698	—
State Water Pollution Control Revolving	41,466	73,790	520	—
Safe Drinking Water State Revolving	23,570	26,457	59,957	—
Housing Loan	54,540	51,953	—	—
Other enterprise programs	88,903	107,929	—	—
Total business-type activities	<u>76,237,350</u>	<u>37,327,257</u>	<u>3,103,175</u>	<u>—</u>
Total primary government	<u>\$ 569,018,193</u>	<u>\$ 72,682,113</u>	<u>\$ 271,361,440</u>	<u>\$ 1,847,263</u>
Component Units				
University of California	42,254,055	27,188,439	11,574,995	57,015
California Housing Finance Agency	102,501	450,501	—	—
Nonmajor component units	1,905,192	404,572	825,043	24,079
Total component units	<u>\$ 44,261,748</u>	<u>\$ 28,043,512</u>	<u>\$ 12,400,038</u>	<u>\$ 81,094</u>
General revenues:				
Personal income taxes				
Sales and use taxes				
Corporation taxes				
Motor vehicle excise tax				
Insurance taxes				
Managed care organization enrollment tax				
Other taxes				
Investment and interest income				
Escheat				
Other				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position (deficit) – beginning, restated				
Net position (deficit) – ending				

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ 1,488,112		\$ 1,488,112	
(91,516,773)		(91,516,773)	
(69,545,211)		(69,545,211)	
(3,016,923)		(3,016,923)	
(1,147,928)		(1,147,928)	
(5,961,719)		(5,961,719)	
(14,114,190)		(14,114,190)	
(3,505,827)		(3,505,827)	
<u>(187,320,459)</u>		<u>(187,320,459)</u>	
	\$ 116,177	116,177	
	(32,323)	(32,323)	
	(56,976)	(56,976)	
	(31,833,926)	(31,833,926)	
	(4,111,997)	(4,111,997)	
	32,844	32,844	
	62,844	62,844	
	(2,587)	(2,587)	
	19,026	19,026	
	<u>(35,806,918)</u>	<u>(35,806,918)</u>	
\$ (187,320,459)	\$ (35,806,918)	\$ (223,127,377)	
			\$ (3,433,606)
			348,000
			<u>(651,498)</u>
			\$ (3,737,104)
\$ 132,042,516	\$ —	\$ 132,042,516	\$ —
45,905,984	—	45,905,984	—
32,108,028	—	32,108,028	—
7,942,519	—	7,942,519	—
3,156,992	—	3,156,992	—
2,318,011	—	2,318,011	—
3,827,360	—	3,827,360	—
140,329	—	140,329	10,553,534
640,226	—	640,226	—
—	—	—	3,454,979
(3,851,666)	3,851,666	—	—
224,230,299	3,851,666	228,081,965	14,008,513
36,909,840	(31,955,252)	4,954,588	10,271,409
(44,230,010)	(10,381,498)	(54,611,508)	18,036,797
\$ (7,320,170)	\$ (42,336,750)	\$ (49,656,920)	\$ 28,308,206

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Fund Financial Statements

Balance Sheet

Governmental Funds

June 30, 2021

(amounts in thousands)

	<u>General</u>	<u>Federal</u>
ASSETS		
Cash and pooled investments	\$ 63,898,470	\$ 31,983,348
Investments	—	—
Receivables (net)	38,116,171	1,662,632
Due from other funds	19,900,281	—
Due from other governments	2,210,703	35,195,542
Interfund receivables	2,871,706	—
Loans receivable	41,614	259,693
Other assets	688,849	—
Total assets	\$ 127,727,794	\$ 69,101,215
LIABILITIES		
Accounts payable	\$ 10,491,050	\$ 23,747,997
Due to other funds	2,132,619	18,825,193
Due to component units	235,010	—
Due to other governments	26,987,033	4,965,573
Interfund payables	4,177,802	—
Benefits payable	—	4,663,280
Revenues received in advance	25,086	16,589,116
Tax overpayments	5,340,490	—
Deposits	3,832	—
Unclaimed property liability	1,113,203	—
Other liabilities	808,654	8,848,716
Total liabilities	51,314,779	77,639,875
DEFERRED INFLOWS OF RESOURCES	2,267,907	—
Total liabilities and deferred inflows of resources	53,582,686	77,639,875
FUND BALANCES		
Nonspendable	2,878,611	—
Restricted	12,928,039	283,579
Committed	668,351	—
Assigned	4,938,117	—
Unassigned	52,731,990	(8,822,239)
Total fund balances (deficit)	74,145,108	(8,538,660)
Total liabilities, deferred inflows of resources, and fund balances	\$ 127,727,794	\$ 69,101,215

<u>Transportation</u>	<u>Environmental and Natural Resources</u>	<u>Health Care Related Programs</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
\$ 9,597,280	\$ 12,690,026	\$ 2,457,414	\$ 16,139,853	\$ 136,766,391
—	—	—	489,558	489,558
1,350,523	606,006	4,221,651	1,824,680	47,781,663
1,444,280	120,458	91,864	2,051,111	23,607,994
1,058	13,381	729,954	99,041	38,249,679
228,739	1,979,085	335,065	1,423,652	6,838,247
368,166	1,070,404	136,430	3,275,097	5,151,404
19,025	—	—	12,976	720,850
\$ 13,009,071	\$ 16,479,360	\$ 7,972,378	\$ 25,315,968	\$ 259,605,786
\$ 1,089,262	\$ 759,211	\$ 3,926,604	\$ 1,414,693	\$ 41,428,817
762,017	182,635	1,937,677	670,989	24,511,130
6,248	—	—	28,548	269,806
748,908	164,799	2,137	5,269,501	38,137,951
20,690	241,890	—	20,200	4,460,582
—	—	—	—	4,663,280
15,876	258,319	692	189,444	17,078,533
—	—	—	—	5,340,490
2,902	349	—	508,820	515,903
—	—	—	—	1,113,203
515,148	5,895	—	179,065	10,357,478
3,161,051	1,613,098	5,867,110	8,281,260	147,877,173
63,523	15,273	171,544	389,040	2,907,287
3,224,574	1,628,371	6,038,654	8,670,300	150,784,460
—	—	—	10,238	2,888,849
9,737,705	6,170,647	1,884,600	15,205,470	46,210,040
46,792	8,680,342	49,124	1,384,417	10,829,026
—	—	—	45,543	4,983,660
—	—	—	—	43,909,751
9,784,497	14,850,989	1,933,724	16,645,668	108,821,326
\$ 13,009,071	\$ 16,479,360	\$ 7,972,378	\$ 25,315,968	\$ 259,605,786

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

(amounts in thousands)

Total fund balances – governmental funds **\$ 108,821,326**

Amounts reported for governmental activities in the Statement of Net Position are different from those in the Governmental Funds Balance Sheet because:

- The following capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Land	21,545,080
State highway infrastructure	81,018,986
Collections – nondepreciable	22,682
Buildings and other depreciable property	33,549,212
Intangible assets – amortizable	2,892,815
Less: accumulated depreciation/amortization	(17,405,547)
Construction/development in progress	17,148,239
Intangible assets – nonamortizable	<u>923,851</u>

139,695,318

- State revenues that are earned and measurable, but not available within 12 months of the end of the reporting period, are reported as deferred inflows of resources in the funds. 2,907,287
- Internal service funds are used by management to charge the costs of certain activities, such as building construction and architectural services, procurement, and technology services, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position, excluding amounts for activity between the internal service funds and governmental funds. (9,819,805)
- Bond premiums/discounts and prepaid insurance charges are amortized over the life of the bonds and are included in the governmental activities in the Statement of Net Position. (7,905,457)
- Deferred inflows and outflows of resources related to pension and OPEB transactions are not reported in the funds. 12,103,699
- Deferred inflows and outflows of resources resulting from bond refunding gains and losses, respectively, are amortized over the life of the bonds and are not reported in the funds. 257,355
- General obligation bonds and related accrued interest totaling \$71,775,824, revenue bonds totaling \$6,952,091, and commercial paper totaling \$1,176,235 are not due and payable in the current period and are not reported in the funds. (79,904,150)
- The following liabilities are not due and payable in the current period and are not reported in the funds:

Compensated absences	(5,161,823)
Capital leases	(359,812)
Net pension liability	(83,389,823)
Net other postemployment benefits liability	(75,045,720)
Mandated cost claims	(2,043,606)
Workers' compensation	(4,367,090)
Pollution remediation obligations	(1,514,746)
Other noncurrent liabilities	<u>(1,593,123)</u>

(173,475,743)

Net position of governmental activities

\$ (7,320,170)

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Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2021

(amounts in thousands)

	<u>General</u>	<u>Federal</u>
REVENUES		
Personal income taxes	\$ 129,514,535	\$ —
Sales and use taxes	29,114,297	—
Corporation taxes	32,122,361	—
Motor vehicle excise taxes	145,522	—
Insurance taxes	3,156,993	—
Managed care organization enrollment tax	—	—
Other taxes	644,877	—
Intergovernmental	—	270,107,742
Licenses and permits	8,105	—
Charges for services	367,807	—
Fees	15,250	—
Penalties	546,536	15
Investment and interest	125,167	22,949
Escheat	640,226	—
Other	585,361	—
Total revenues	<u>196,987,037</u>	<u>270,130,706</u>
EXPENDITURES		
Current:		
General government	11,811,215	6,233,649
Education	70,813,388	26,916,922
Health and human services	43,208,392	235,970,618
Natural resources and environmental protection	2,600,638	310,907
Business, consumer services, and housing	387,139	785,026
Transportation	287,388	4,470,968
Corrections and rehabilitation	11,789,080	695,831
Capital outlay	439,180	—
Debt service:		
Bond and commercial paper retirement	2,557,902	—
Interest and fiscal charges	2,481,352	—
Total expenditures	<u>146,375,674</u>	<u>275,383,921</u>
Excess (deficiency) of revenues over (under) expenditures	50,611,363	(5,253,215)
OTHER FINANCING SOURCES (USES)		
General obligation bonds and commercial paper issued	—	—
Revenue bonds issued	—	—
Refunding debt issued	—	—
Payment to refund long-term debt	—	—
Premium on bonds issued	104,020	—
Capital leases	439,180	—
Transfers in	1,379,065	—
Transfers out	(6,890,120)	(1,109,120)
Total other financing sources (uses)	<u>(4,967,855)</u>	<u>(1,109,120)</u>
Net change in fund balances	45,643,508	(6,362,335)
Fund balances – beginning	<u>28,501,600</u>	<u>(2,176,325)</u>
Fund balances (deficit) – ending	<u>\$ 74,145,108</u>	<u>\$ (8,538,660)</u>

* Restated

Transportation	Environmental and Natural Resources	Health Care Related Programs	Nonmajor Governmental	Total
\$ —	\$ —	\$ —	\$ 2,580,589	\$ 132,095,124
755,544	—	—	16,036,914	45,906,755
—	—	—	—	32,122,361
7,587,355	89,349	—	120,293	7,942,519
—	—	—	—	3,156,993
—	—	2,318,011	—	2,318,011
—	173,691	—	3,188,557	4,007,125
—	—	1,752,334	831,804	272,691,880
5,562,172	500,850	90	3,927,890	9,999,107
151,071	96,924	102	409,263	1,025,167
1,935,161	2,960,493	4,731,250	4,035,625	13,677,779
9,251	335,668	3,454	489,826	1,384,750
51,253	66,213	12,583	348,313	626,478
—	—	—	4,022	644,248
119,453	3,167,016	1,172,205	1,758,541	6,802,576
16,171,260	7,390,204	9,990,029	33,731,637	534,400,873
469,360	249,704	8,948	11,135,608	29,908,484
9,878	298	108,117	2,115,492	99,964,095
9,689	74,858	10,139,189	21,691,010	311,093,756
333,060	5,335,554	167	282,323	8,862,649
111,293	104,052	—	1,436,952	2,824,462
13,469,490	1,377,765	—	18,145	19,623,756
—	—	—	113,940	12,598,851
—	190,000	—	256,840	886,020
1,845,056	1,270,054	72,085	3,849,478	9,594,575
35,398	15,258	93	1,118,052	3,650,153
16,283,224	8,617,543	10,328,599	42,017,840	499,006,801
(111,964)	(1,227,339)	(338,570)	(8,286,203)	35,394,072
523,490	1,315,485	366,330	2,846,000	5,051,305
—	—	—	450,000	450,000
1,366,055	593,250	—	1,698,140	3,657,445
—	(64,950)	—	(363,445)	(428,395)
383,801	197,588	39,701	493,656	1,218,766
—	—	—	—	439,180
2,597	151,326	124,757	4,751,108	6,408,853
(1,738,639)	(112,491)	(6,075)	(392,948)	(10,249,393)
537,304	2,080,208	524,713	9,482,511	6,547,761
425,340	852,869	186,143	1,196,308	41,941,833
9,359,157 *	13,998,120 *	1,747,581 *	15,449,360 *	66,879,493
\$ 9,784,497	\$ 14,850,989	\$ 1,933,724	\$ 16,645,668	\$ 108,821,326

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

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

(amounts in thousands)

Net change in fund balances – total governmental funds **\$ 41,941,833**

Amounts reported for governmental activities in the Statement of Activities are different from those in the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds because:

- Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current year, these amounts are:

Purchase of assets	4,508,992
Disposal of assets	(656,137)
Depreciation expense, net of asset disposal	<u>(851,243)</u>

3,001,612

- Some revenues in the Statement of Activities do not provide current financial resources and, therefore, are unavailable in governmental funds. (878,303)

- Internal service funds are used by management to charge the costs of certain activities, such as building construction and architectural services, procurement, and technology services, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. 207,498

- The issuance of long-term debt instruments provides current financial resources to governmental funds, while the repayment of the principal of long-term debt is an expenditure of governmental funds. Neither transaction, however, has any effect on the Statement of Activities. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The following shows the effect of these differences in the treatment of long-term debt and related items:

	General Obligation Bonds	Revenue Bonds	Commercial Paper	Total
Debt issued	(6,313,765)	(887,260)	(1,957,725)	(9,158,750)
Premium on debt issued	(1,218,768)	—	—	(1,218,768)
Accreted interest	—	(52,155)	—	(52,155)
Principal repayments	7,380,650	323,717	1,890,210	9,594,577
Payments to refund/remarket long-term debt	64,950	363,445	—	428,395
Related expenses not reported in governmental funds:				
Premium/discount amortization	443,995	74,023	—	518,018
Deferred gain/loss on refunding	182	1,760	—	1,942
Prepaid insurance	—	(83)	—	(83)
Accrued interest	26,172	984	—	27,156
	<u>383,416</u>	<u>(175,569)</u>	<u>(67,515)</u>	

140,332
(continued)

- The following expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not recognized as expenditures in governmental funds. Once the use of current financial resources is required, expenditures are recognized in governmental funds but are eliminated from the Statement of Activities. In the current period, the net adjustment consists of:

Compensated absences	(1,329,950)	
Capital leases	33,277	
Net pension liability	(4,932,857)	
Net other postemployment benefits liability	(556,719)	
Mandated cost claims	(261,236)	
Workers' compensation	(223,276)	
Proposition 98 funding guarantee	708	
Pollution remediation obligations	(221,646)	
Other noncurrent liabilities	(11,432)	
		(7,503,131)

Change in net position of governmental activities

\$ 36,909,840
(concluded)

Statement of Net Position

Proprietary Funds

June 30, 2021

(amounts in thousands)

	Electric Power	Water Resources
ASSETS		
Current assets:		
Cash and pooled investments	\$ —	\$ 1,142,783
Amount on deposit with U.S. Treasury	—	—
Investments	—	—
Restricted assets:		
Cash and pooled investments	346,119	—
Due from other governments	—	—
Net investment in direct financing leases	—	—
Receivables (net)	107,837	31,891
Due from other funds	—	—
Due from other governments	—	82,759
Prepaid items	—	—
Inventories	—	4,776
Recoverable power costs (net)	—	—
Other current assets	—	—
Total current assets	<u>453,956</u>	<u>1,262,209</u>
Noncurrent assets:		
Restricted assets:		
Cash and pooled investments	—	183,218
Investments	793,000	50,970
Loans receivable	—	—
Investments	—	—
Net investment in direct financing leases	—	—
Receivables (net)	—	—
Interfund receivables	—	158,092
Loans receivable	—	8,501
Recoverable power costs (net)	—	—
Long-term prepaid charges	—	1,335,666
Capital assets:		
Land	—	209,123
Collections – nondepreciable	—	—
Buildings and other depreciable property	—	7,013,547
Intangible assets – amortizable	—	41,652
Less: accumulated depreciation/amortization	—	(2,481,741)
Construction/development in progress	—	1,120,155
Intangible assets – nonamortizable	—	112,417
Other noncurrent assets	—	—
Total noncurrent assets	<u>793,000</u>	<u>7,751,600</u>
Total assets	<u>1,246,956</u>	<u>9,013,809</u>
DEFERRED OUTFLOWS OF RESOURCES	17,000	288,339
Total assets and deferred outflows of resources	<u>\$ 1,263,956</u>	<u>\$ 9,302,148</u>

Business-type Activities – Enterprise Funds					Governmental Activities
State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
\$ 691,363	\$ 3,083,104	\$ 1,297,554	\$ 1,261,414	\$ 7,476,218	\$ 1,827,865
—	866,853	—	—	866,853	—
61,134	—	2,920,761	—	2,981,895	—
—	—	—	277,920	624,039	816,911
—	—	—	181,703	181,703	—
—	—	9,218	—	9,218	492,900
660,370	1,120,946	309,651	41,746	2,272,441	67,397
763	203,185	4,580	22,368	230,896	729,744
—	52,738	—	166,257	301,754	32,272
—	—	69,620	21	69,641	150,740
17,704	—	—	4,733	27,213	73,298
—	—	—	—	—	—
3,156	—	—	—	3,156	—
1,434,490	5,326,826	4,611,384	1,956,162	15,045,027	4,191,127
—	—	—	—	183,218	141,036
—	—	—	—	843,970	—
—	—	—	1,934,689	1,934,689	—
759,651	—	2,020,935	20,108	2,800,694	—
—	—	213,677	—	213,677	7,668,002
—	900,685	358,131	—	1,258,816	—
—	323,519	—	21,546	503,157	41,291
—	162,627	42,476	5,376,771	5,590,375	17,670
—	—	—	—	—	—
357	—	—	—	1,336,023	222
18,798	—	194,130	1,273	423,324	2,080
—	—	34,431	—	34,431	—
324,717	28,601	11,520,249	26,142	18,913,256	699,654
—	244,118	170,232	1,771	457,773	44,417
(138,666)	(75,081)	(4,845,221)	(22,890)	(7,563,599)	(541,826)
—	—	1,848,665	106	2,968,926	2,635,237
—	—	11,383	—	123,800	—
—	—	25,352	5,507	30,859	—
964,857	1,584,469	11,594,440	7,365,023	30,053,389	10,707,783
2,399,347	6,911,295	16,205,824	9,321,185	45,098,416	14,898,910
71,040	107,678	3,101,461	12,883	3,598,401	555,555
\$ 2,470,387	\$ 7,018,973	\$ 19,307,285	\$ 9,334,068	\$ 48,696,817	\$ 15,454,465

(continued)

Statement of Net Position (continued)

Proprietary Funds

June 30, 2021

(amounts in thousands)

	Electric Power	Water Resources
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 139,460	\$ 145,877
Due to other funds	14	94,844
Due to other governments	—	310,364
Revenues received in advance	—	—
Deposits	—	—
Contracts and notes payable	—	—
Interest payable	4,833	10,740
Benefits payable	—	—
Current portion of long-term obligations	777,434	245,557
Other current liabilities	—	—
Total current liabilities	921,741	807,382
Noncurrent liabilities:		
Interfund payables	153	35,766
Loans payable	—	—
Lottery prizes and annuities	—	—
Compensated absences payable	—	39,009
Workers' compensation benefits payable	—	—
Commercial paper and other borrowings	—	337,953
Capital lease obligations	—	—
General obligation bonds payable	—	205
Revenue bonds payable	—	3,571,620
Net other postemployment benefits liability	4,000	797,648
Net pension liability	3,000	573,990
Revenues received in advance	—	—
Other noncurrent liabilities	—	114,455
Total noncurrent liabilities	7,153	5,470,646
Total liabilities	928,894	6,278,028
DEFERRED INFLOWS OF RESOURCES	221,000	1,919,551
Total liabilities and deferred inflows of resources	1,149,894	8,197,579
NET POSITION		
Net investment in capital assets	—	661,031
Restricted:		
Nonexpendable – endowments	—	—
Expendable:		
Construction	—	—
Debt service	—	443,538
Security for revenue bonds	—	—
Lottery	—	—
Unemployment programs	—	—
Other purposes	123,062	—
Total expendable	123,062	443,538
Unrestricted	(9,000)	—
Total net position (deficit)	114,062	1,104,569
Total liabilities, deferred inflows of resources, and net position	\$ 1,263,956	\$ 9,302,148

Business-type Activities – Enterprise Funds					Governmental Activities
State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
\$ 52,022	\$ 76,192	\$ 342,971	\$ 9,477	\$ 765,999	\$ 427,157
494,939	—	—	21,422	611,219	269,356
—	17,590,179	—	232	17,900,775	23,648
2,335	234,058	369,385	58	605,836	1,003,544
—	—	—	—	—	2,339
—	—	—	—	—	27,443
—	—	—	29,751	45,324	91,927
—	1,048,582	—	—	1,048,582	—
931,703	—	319,160	302,515	2,576,369	582,253
148	61,215	560,476	—	621,839	11,623
<u>1,481,147</u>	<u>19,010,226</u>	<u>1,591,992</u>	<u>363,455</u>	<u>24,175,943</u>	<u>2,439,290</u>
8,061	—	83,417	22,854	150,251	2,817,924
—	19,769,295	—	—	19,769,295	—
678,599	—	—	—	678,599	—
—	134,986	181,766	17,860	373,621	229,367
8,185	—	—	4,477	12,662	48,973
—	—	63,194	—	401,147	—
—	—	316,073	—	316,073	—
—	—	—	550,804	551,009	—
—	—	8,375,411	1,463,707	13,410,738	8,231,049
245,228	549,356	15,323,276	40,473	16,959,981	1,945,995
145,559	362,161	8,419,313	38,602	9,542,625	1,323,312
—	—	5,979	—	5,979	—
—	—	59,329	11,619	185,403	29,958
<u>1,085,632</u>	<u>20,815,798</u>	<u>32,827,758</u>	<u>2,150,396</u>	<u>62,357,383</u>	<u>14,626,578</u>
2,566,779	39,826,024	34,419,750	2,513,851	86,533,326	17,065,868
42,041	80,022	2,216,736	20,891	4,500,241	288,985
<u>2,608,820</u>	<u>39,906,046</u>	<u>36,636,486</u>	<u>2,534,742</u>	<u>91,033,567</u>	<u>17,354,853</u>
204,848	197,913	1,611,062	3,063	2,677,917	522,299
—	—	1,663	—	1,663	—
—	—	18,662	—	18,662	152,488
—	—	22,943	238,357	704,838	—
—	—	—	2,003,865	2,003,865	—
106,929	—	—	—	106,929	—
—	2,306,984	—	—	2,306,984	—
—	—	80,788	2,306,746	2,510,596	—
106,929	2,306,984	122,393	4,548,968	7,651,874	152,488
(450,210)	(35,391,970)	(19,064,319)	2,247,295	(52,668,204)	(2,575,175)
<u>(138,433)</u>	<u>(32,887,073)</u>	<u>(17,329,201)</u>	<u>6,799,326</u>	<u>(42,336,750)</u>	<u>(1,900,388)</u>
<u>\$ 2,470,387</u>	<u>\$ 7,018,973</u>	<u>\$ 19,307,285</u>	<u>\$ 9,334,068</u>	<u>\$ 48,696,817</u>	<u>\$ 15,454,465</u>

(concluded)

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

Proprietary Funds

Year Ended June 30, 2021

(amounts in thousands)

	Electric Power	Water Resources
OPERATING REVENUES		
Unemployment and disability insurance	\$ —	\$ —
Lottery ticket sales	—	—
Power sales	(7,000)	76,929
Student tuition and fees	—	—
Services and sales	—	1,040,090
Investment and interest	—	—
Rent	—	—
Grants and contracts	—	—
Other	—	—
Total operating revenues	(7,000)	1,117,019
OPERATING EXPENSES		
Lottery prizes	—	—
Power purchases (net of recoverable power costs)	(10,000)	164,734
Personal services	3,000	414,834
Supplies	—	—
Services and charges	5,411	162,875
Depreciation	—	113,568
Scholarships and fellowships	—	—
Distributions to beneficiaries	—	—
Interest expense	—	—
Amortization of long-term prepaid charges	—	—
Other	—	85,560
Total operating expenses	(1,589)	941,571
Operating income (loss)	(5,411)	175,448
NONOPERATING REVENUES (EXPENSES)		
Donations and grants	—	—
Private gifts	—	—
Investment and interest income (loss)	292,302	7,983
Interest expense and fiscal charges	(292,000)	(87,931)
Lottery payments for education	—	—
Other	121,286	(127,823)
Total nonoperating revenues (expenses)	121,588	(207,771)
Income (loss) before capital contributions and transfers	116,177	(32,323)
Transfers in	—	—
Transfers out	—	—
Change in net position	116,177	(32,323)
Total net position (deficit) – beginning	(2,115)	1,136,892
Total net position (deficit) – ending	\$ 114,062	\$ 1,104,569

* Restated

Business-type Activities – Enterprise Funds					Governmental
State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
\$ —	\$ 23,886,284	\$ —	\$ —	\$ 23,886,284	\$ —
8,417,944	—	—	—	8,417,944	—
—	—	—	—	69,929	—
—	—	2,289,439	—	2,289,439	—
—	—	173,055	115,003	1,328,148	4,012,264
—	—	—	135,954	135,954	6,827
—	—	—	—	—	335,567
—	—	72,047	—	72,047	—
—	—	200,831	3,038	203,869	—
8,417,944	23,886,284	2,735,372	253,995	36,403,614	4,354,658
5,610,606	—	—	—	5,610,606	—
—	—	—	—	154,734	—
104,758	169,108	6,748,618	59,687	7,500,005	767,927
15,303	—	1,601,504	54,939	1,671,746	21,833
812,781	370,204	—	55,282	1,406,553	2,939,157
16,765	11,653	427,286	1,589	570,861	54,942
—	—	1,335,230	—	1,335,230	—
—	55,186,208	—	—	55,186,208	—
—	—	—	34,469	34,469	346,078
—	—	—	—	—	52
—	—	—	8,994	94,554	—
6,560,213	55,737,173	10,112,638	214,960	73,564,966	4,129,989
1,857,731	(31,850,889)	(7,377,266)	39,035	(37,161,352)	224,669
—	—	3,042,698	60,477	3,103,175	—
—	—	62,115	—	62,115	—
(24,000)	17,005	326,393	6,134	625,817	2,949
(29,383)	(42)	(278,539)	(34,910)	(722,805)	(210)
(1,863,147)	—	—	—	(1,863,147)	—
1,823	—	112,602	(36)	107,852	(8,784)
(1,914,707)	16,963	3,265,269	31,665	1,313,007	(6,045)
(56,976)	(31,833,926)	(4,111,997)	70,700	(35,848,345)	218,624
—	—	3,851,664	2	3,851,666	29,550
—	—	—	—	—	(40,676)
(56,976)	(31,833,926)	(260,333)	70,702	(31,996,679)	207,498
(81,457)	(1,053,147)*	(17,068,868)	6,728,624 *	(10,340,071)	(2,107,886)*
\$ (138,433)	\$ (32,887,073)	\$ (17,329,201)	\$ 6,799,326	\$ (42,336,750)	\$ (1,900,388)

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2021

(amounts in thousands)

	Electric Power	Water Resources
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers/employers	\$ (7,000)	\$ 1,173,188
Receipts from interfund services provided	—	—
Payments to suppliers	(6,525)	(397,596)
Payments to employees	(941)	(414,834)
Payments for interfund services used	—	—
Payments for Lottery prizes	—	—
Claims paid to other than employees	—	—
Other receipts (payments)	—	42,471
Net cash provided by (used in) operating activities	(14,466)	403,229
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Changes in notes receivable and capital leases receivable	—	—
Changes in interfund receivables	—	—
Changes in interfund payables and loans payable	(9,000)	—
Receipt of bond charges	367,000	—
Proceeds from general obligation bonds	—	—
Retirement of general obligation bonds	—	—
Proceeds from revenue bonds	—	—
Retirement of revenue bonds	(735,000)	—
Interest received	—	—
Interest paid	(48,000)	—
Transfers in	—	—
Transfers out	—	—
Grants received	—	—
Lottery payments for education	—	—
Other receipts	152,674	—
Net cash provided by (used in) noncapital financing activities	(272,326)	—
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	—	(315,304)
Proceeds from sale of capital assets	—	—
Proceeds from notes payable and commercial paper	—	21,459
Principal paid on notes payable and commercial paper	—	(603,612)
Proceeds from capital leases	—	—
Payment on capital leases	—	—
Retirement of general obligation bonds	—	(8,595)
Proceeds from revenue bonds	—	797,150
Retirement of revenue bonds	—	(172,815)
Interest paid	—	9,807
Grants received	—	243,123
Net cash provided by (used in) capital and related financing activities	—	(28,787)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(491,000)	(203,411)
Proceeds from maturity and sale of investments	—	202,715
Change in loans receivable	—	836
Earnings on investments	34,207	10,883
Net cash provided by (used in) investing activities	(456,793)	11,023
Net increase (decrease) in cash and pooled investments	(743,585)	385,465
Cash and pooled investments – beginning	1,089,704	940,536
Cash and pooled investments – ending	\$ 346,119	\$ 1,326,001

Business-type Activities – Enterprise Funds					Governmental Activities
State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
\$ 8,282,435	\$ 24,416,556	\$ 2,477,755	\$ 542,021	\$ 36,884,955	\$ 12,729
—	97,034	—	2,747	99,781	4,950,330
(242,692)	(416,594)	(1,571,006)	(106,459)	(2,740,872)	(2,319,080)
(89,702)	(194,250)	(5,571,503)	(34,039)	(6,305,269)	(866,760)
(16,931)	(26,223)	—	(1,568)	(44,722)	(148,886)
(5,401,853)	—	—	—	(5,401,853)	—
(585,863)	(56,465,101)	—	—	(57,050,964)	(566,593)
17,556	15,449,753	(1,061,100)	(221,393)	14,227,287	(411,977)
1,962,950	(17,138,825)	(5,725,854)	181,309	(20,331,657)	649,763
—	—	26,701	—	26,701	—
—	115,469	—	(9,491)	105,978	179,393
—	17,497,365	(83,009)	1,634	17,406,990	668,295
—	—	—	—	367,000	—
—	—	—	99,997	99,997	—
—	—	—	(280,155)	(280,155)	—
—	—	57,051	99,999	157,050	—
—	—	(100,488)	(167,165)	(1,002,653)	—
—	—	21,066	—	21,066	—
—	—	(18,861)	(59,803)	(126,664)	(174)
—	—	3,501,951	2	3,501,953	29,550
—	—	—	—	—	(40,676)
—	—	3,057,686	56,637	3,114,323	—
(1,737,274)	—	—	—	(1,737,274)	—
—	—	—	—	152,674	—
(1,737,274)	17,612,834	6,462,097	(258,345)	21,806,986	836,388
(7,192)	(7,332)	(1,202,803)	(163)	(1,532,794)	(1,303,541)
256	—	54,816	93	55,165	3,007
—	—	—	—	21,459	—
—	—	—	—	(603,612)	—
—	—	12,863	—	12,863	—
—	—	(754,883)	—	(754,883)	—
—	—	—	—	(8,595)	—
—	—	1,479,324	—	2,276,474	544,068
—	—	(440,400)	—	(613,215)	(535,695)
—	(42)	—	—	9,765	(27)
—	—	97,949	—	341,072	—
(6,936)	(7,374)	(753,134)	(70)	(796,301)	(1,292,188)
(14,718)	—	(11,394,671)	(2,600)	(12,106,400)	—
65,109	(491,920)	11,152,739	2,516	10,931,159	—
—	—	—	—	836	—
13,309	17,005	120,054	8,664	204,122	3,012
63,700	(474,915)	(121,878)	8,580	(970,283)	3,012
282,440	(8,280)	(138,769)	(68,526)	(291,255)	196,975
408,923	3,091,384	1,436,323	1,607,860	8,574,730	2,588,837
\$ 691,363	\$ 3,083,104	\$ 1,297,554	\$ 1,539,334	\$ 8,283,475	\$ 2,785,812

(continued)

Statement of Cash Flows (continued)

Proprietary Funds

Year Ended June 30, 2021

(amounts in thousands)

	Electric Power	Water Resources
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss).....	\$ (5,411)	\$ 175,448
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation.....	—	113,568
Provisions and allowances.....	—	—
Amortization of premiums and discounts.....	—	—
Amortization of long-term prepaid charges and credits.....	—	96,388
Other.....	—	42,471
Change in account balances:		
Receivables.....	—	42,688
Due from other funds.....	—	—
Due from other governments.....	—	(9,736)
Prepaid items.....	—	—
Inventories.....	—	117
Net investment in direct financing leases.....	—	—
Recoverable power costs (net).....	(9,000)	—
Other current assets.....	—	—
Loans receivable.....	—	—
Deferred outflow of resources.....	1,000	—
Accounts payable.....	(55)	(72,791)
Due to other funds.....	—	(3,338)
Due to other governments.....	—	27,471
Deposits.....	—	—
Contracts and notes payable.....	—	—
Interest payable.....	—	—
Revenues received in advance.....	—	—
Other current liabilities.....	—	—
Benefits payable.....	—	—
Lottery prizes and annuities.....	—	—
Compensated absences payable.....	—	—
Other noncurrent liabilities.....	(2,000)	(9,057)
Deferred inflow of resources.....	1,000	—
Total adjustments.....	(9,055)	227,781
Net cash provided by (used in) operating activities.....	\$ (14,466)	\$ 403,229
Noncash investing, capital, and financing activities:		
Long-term debt retirement from bond issuance.....	\$ —	\$ 790,010
State's contribution for pension and OPEB.....	—	—
Amortization/defeasance of bond premium and discount.....	19,000	54,369
Unrealized loss on investments.....	—	—
Amortization of deferred loss on refundings.....	17,000	20,198
Other assets paid through long-term debt.....	—	—
Interest accreted on annuitized prizes.....	—	—
Change in accrued capital asset purchases.....	—	—
Interest accreted on zero coupon bonds.....	—	—
Unclaimed lottery prizes directly allocated to another entity.....	—	—
Contributed capital assets.....	—	—
Other miscellaneous noncash transactions.....	8,000	—

Business-type Activities – Enterprise Funds					Governmental Activities
State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
\$ 1,857,731	\$ (31,850,889)	\$ (7,377,266)	\$ 39,035	\$ (37,161,352)	\$ 224,669
16,765	11,653	427,286	1,589	570,861	54,942
16,805	—	—	44	16,849	—
—	—	—	(1,277)	(1,277)	(87,443)
—	—	—	—	96,388	47
1,666	—	(33,155)	(16,476)	(5,494)	13,019
(173,076)	296,214	(7,793)	(546)	157,487	19,185
300	(86,476)	16,350	1,054	(68,772)	96,511
—	53,376	—	1,103	44,743	(6,614)
67	—	66	(1)	132	29,600
(4,820)	—	—	267	(4,436)	887
—	—	—	—	—	522,017
—	—	—	—	(9,000)	—
453	—	—	(388)	65	—
—	—	—	140,882	140,882	—
—	6,786	230,082	(2,012)	235,856	34,553
12,325	(219,951)	42,095	(2,274)	(240,651)	24,430
3,499	(1,834,181)	—	8,139	(1,825,881)	(129,353)
—	17,459,434	—	64	17,486,969	(1,034)
—	—	(1,859)	—	(1,859)	—
—	—	—	—	—	5,893
—	—	—	524	524	(1,400)
33	234,058	50,924	27	285,042	(28,385)
4,953	(71,589)	8,504	(176)	(58,308)	7,870
—	(1,105,332)	805	2,811	(1,101,716)	(2)
224,517	—	—	—	224,517	—
—	67,800	21,307	7,186	96,293	64,754
1,732	(70,387)	1,132,902	1,296	1,054,486	(118,997)
—	(29,341)	(236,102)	438	(264,005)	(75,386)
105,219	14,712,064	1,651,412	142,274	16,829,695	425,094
\$ 1,962,950	\$ (17,138,825)	\$ (5,725,854)	\$ 181,309	\$ (20,331,657)	\$ 649,763
					(concluded)
\$ —	\$ —	\$ —	\$ —	\$ 790,010	\$ —
—	—	349,713	—	349,713	—
—	—	29,398	—	102,767	—
55,647	—	—	—	55,647	—
—	—	7,334	—	44,532	—
—	—	36,073	—	36,073	—
29,383	—	—	—	29,383	—
—	—	20,163	—	20,163	—
19,534	—	—	—	19,534	—
19,408	—	—	—	19,408	—
—	—	8,887	—	8,887	—
—	—	4,599	1,596	14,195	5,136

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

Statement of Fiduciary Net Position

Fiduciary Funds and Similar Component Units

June 30, 2021

(amounts in thousands)

	Pension and Other Employee Benefit Trust	Private Purpose Trust	Investment Trust Local Agency Investment	Custodial
ASSETS				
Cash and pooled investments	\$ 3,705,613	\$ 51,865	\$ 37,049,805	\$ 2,692,549
Investments, at fair value:				
Short-term	40,055,776	—	—	—
Equity securities	414,072,794	6,392,548	—	—
Debt securities	182,097,183	3,535,204	—	—
Real estate	86,232,491	322,281	—	—
Securities lending collateral	27,256,282	—	—	—
Other	118,318,399	2,424,831	—	—
Total investments	<u>868,032,925</u>	<u>12,674,864</u>	<u>—</u>	<u>—</u>
Receivables (net)	11,363,470	8,411	46,155	1,958,064
Due from other funds	747,212	75,859	—	—
Due from other governments	—	—	—	23
Interfund receivable	—	—	—	46,062
Loans receivable	3,701,331	—	—	21,974
Other assets	734,282	307,988	—	15
Total assets	<u>888,284,833</u>	<u>13,118,987</u>	<u>37,095,960</u>	<u>4,718,687</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>156,309</u>	<u>—</u>	<u>—</u>	<u>1</u>
Total assets and deferred outflows of resources	<u>888,441,142</u>	<u>13,118,987</u>	<u>37,095,960</u>	<u>4,718,688</u>
LIABILITIES				
Accounts payable	9,719,880	35,515	78	249,994
Due to other governments	3	6,194	29,275	2,803,064
Tax overpayments	—	—	—	(177)
Benefits payable	4,113,997	—	—	—
Revenues received in advance	—	16,853	—	675
Deposits	—	307,967	—	930,751
Securities lending obligations	27,133,696	—	—	—
Loans payable	3,702,701	—	—	—
Other liabilities	13,120,873	—	—	22,437
Total liabilities	<u>57,791,150</u>	<u>366,529</u>	<u>29,353</u>	<u>4,006,744</u>
DEFERRED INFLOWS OF RESOURCES	<u>380,333</u>	<u>—</u>	<u>—</u>	<u>118</u>
Total liabilities and deferred inflows of resources	<u>58,171,483</u>	<u>366,529</u>	<u>29,353</u>	<u>4,006,862</u>
NET POSITION				
Restricted:				
Pension and other postemployment benefits	806,025,328	—	—	—
Deferred compensation participants	24,236,563	—	—	—
Pool participants	—	—	37,066,607	—
Individuals, organizations, or other governments	7,768	12,752,458	—	711,826
Total net position	<u>\$ 830,269,659</u>	<u>\$ 12,752,458</u>	<u>\$ 37,066,607</u>	<u>\$ 711,826</u>

Statement of Changes in Fiduciary Net Position

Fiduciary Funds and Similar Component Units

Year Ended June 30, 2021

(amounts in thousands)

	Pension and Other Employee Benefit Trust	Private Purpose Trust	Investment Trust Local Agency Investment	Custodial
ADDITIONS				
Contributions:				
Employer	\$ 30,256,975	\$ —	\$ —	\$ 35,594
Plan member	9,568,619	—	—	—
Non-employer	3,730,902	—	—	—
Total contributions	<u>43,556,496</u>	<u>—</u>	<u>—</u>	<u>35,594</u>
Investment income:				
Net appreciation (depreciation) in fair value of investments	152,224,913	6,754	—	—
Interest, dividends, and other investment income	13,292,160	2,148,626	188,145	720
Less: investment expense	(1,516,609)	(2,950)	—	—
Net investment income	<u>164,000,464</u>	<u>2,152,430</u>	<u>188,145</u>	<u>720</u>
Receipts from depositors	—	3,159,841	27,343,632	78,116
Other	134,327	—	—	176,797
Total additions	<u>207,691,287</u>	<u>5,312,271</u>	<u>27,531,777</u>	<u>291,227</u>
DEDUCTIONS				
Distributions paid and payable to participants	47,695,661	—	186,239	35,594
Refunds of contributions	396,099	—	—	—
Administrative expense	928,165	106	1,907	1,113
Interest expense	89,604	—	—	—
Payments to and for depositors	382,162	2,666,000	22,350,197	105,979
Total deductions	<u>49,491,691</u>	<u>2,666,106</u>	<u>22,538,343</u>	<u>142,686</u>
Change in net position	158,199,596	2,646,165	4,993,434	148,541
Net position – beginning	<u>672,070,063</u> *	<u>10,106,293</u>	<u>32,073,173</u>	<u>563,285</u>
Net position – ending	<u>\$ 830,269,659</u>	<u>\$ 12,752,458</u>	<u>\$ 37,066,607</u>	<u>\$ 711,826</u>

* Restated

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Discretely Presented Component Units Financial Statements

Statement of Net Position

Discretely Presented Component Units – Enterprise Activity

June 30, 2021

(amounts in thousands)

	University of California	California Housing Finance Agency	Nonmajor Component Units	Total
ASSETS				
Current assets:				
Cash and pooled investments	\$ 1,014,740	\$ 1,643,548	\$ 1,490,566	\$ 4,148,854
Investments	12,013,438	—	726,620	12,740,058
Restricted assets:				
Cash and pooled investments	—	—	312,997	312,997
Investments	—	—	30,653	30,653
Receivables (net)	5,582,812	243,779	495,127	6,321,718
Due from primary government	269,807	—	—	269,807
Due from other governments	122,310	—	—	122,310
Prepaid items	—	829	2,177	3,006
Inventories	348,770	—	—	348,770
Other current assets	774,766	36,810	35,305	846,881
Total current assets	<u>20,126,643</u>	<u>1,924,966</u>	<u>3,093,445</u>	<u>25,145,054</u>
Noncurrent assets:				
Restricted assets:				
Cash and pooled investments	—	—	66,630	66,630
Investments	—	—	144,458	144,458
Investments	41,983,975	255,035	3,262,850	45,501,860
Receivables (net)	2,438,301	—	329,141	2,767,442
Loans receivable	—	2,434,110	411,064	2,845,174
Long-term prepaid charges	—	—	119	119
Capital assets:				
Land	1,477,442	—	171,380	1,648,822
Collections – nondepreciable	605,639	—	12,651	618,290
Buildings and other depreciable property	60,734,599	930	2,321,444	63,056,973
Intangible assets – amortizable	1,818,563	—	8,958	1,827,521
Less: accumulated depreciation/amortization	(31,144,125)	(310)	(1,290,945)	(32,435,380)
Construction/development in progress	4,504,361	—	119,094	4,623,455
Intangible assets – nonamortizable	—	—	5,214	5,214
Other noncurrent assets	471,851	339	77,438	549,628
Total noncurrent assets	<u>82,890,606</u>	<u>2,690,104</u>	<u>5,639,496</u>	<u>91,220,206</u>
Total assets	<u>103,017,249</u>	<u>4,615,070</u>	<u>8,732,941</u>	<u>116,365,260</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>9,757,198</u>	<u>14,886</u>	<u>116,177</u>	<u>9,888,261</u>
Total assets and deferred outflows of resources	<u>\$ 112,774,447</u>	<u>\$ 4,629,956</u>	<u>\$ 8,849,118</u>	<u>\$ 126,253,521</u>

	University of California	California Housing Finance Agency	Nonmajor Component Units	Total
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 2,102,454	\$ 58,635	\$ 891,206	\$ 3,052,295
Revenues received in advance	1,854,954	—	113,300	1,968,254
Deposits	240,140	323,731	7,115	570,986
Contracts and notes payable	—	—	11,480	11,480
Interest payable	—	11,890	1,772	13,662
Securities lending obligations	998,441	—	—	998,441
Current portion of long-term obligations	5,097,235	14,268	157,697	5,269,200
Other current liabilities	3,851,898	43,711	159,309	4,054,918
Total current liabilities	14,145,122	452,235	1,341,879	15,939,236
Noncurrent liabilities:				
Compensated absences payable	516,126	2,630	14,343	533,099
Workers' compensation benefits payable	663,635	—	10,968	674,603
Loans payable	—	3,177	11,941	15,118
Commercial paper and other borrowings	—	—	710	710
Capital lease obligations	121,866	—	226,136	348,002
Revenue bonds payable	27,197,105	300,332	828,539	28,325,976
Net other postemployment benefits liability	24,916,439	67,043	216,799	25,200,281
Net pension liability	5,894,952	39,809	269,541	6,204,302
Revenues received in advance	—	—	7,703	7,703
Other noncurrent liabilities	1,937,054	309,596	591,826	2,838,476
Total noncurrent liabilities	61,247,177	722,587	2,178,506	64,148,270
Total liabilities	75,392,299	1,174,822	3,520,385	80,087,506
DEFERRED INFLOWS OF RESOURCES	17,691,762	19,056	146,991	17,857,809
Total liabilities and deferred inflows of resources	93,084,061	1,193,878	3,667,376	97,945,315
NET POSITION				
Net investment in capital assets	13,848,413	620	619,137	14,468,170
Restricted:				
Nonexpendable – endowments	7,177,128	—	1,696,558	8,873,686
Expendable:				
Endowments and gifts	19,002,820	—	21,184	19,024,004
Education	630	—	1,471,570	1,472,200
Indenture	—	645,690	—	645,690
Statute	—	2,832,839	519,143	3,351,982
Other purposes	—	—	18,547	18,547
Total expendable	19,003,450	3,478,529	2,030,444	24,512,423
Unrestricted	(20,338,605)	(43,071)	835,603	(19,546,073)
Total net position	19,690,386	3,436,078	5,181,742	28,308,206
Total liabilities, deferred inflows of resources, and net position	\$ 112,774,447	\$ 4,629,956	\$ 8,849,118	\$ 126,253,521

(concluded)

Statement of Activities

Discretely Presented Component Units – Enterprise Activity

Year Ended June 30, 2021

(amounts in thousands)

	University of California	California Housing Finance Agency	Nonmajor Component Units	Total
OPERATING EXPENSES				
Personal services	\$ 26,392,987	\$ 23,838	\$ 512,499	\$ 26,929,324
Scholarships and fellowships	1,119,720	—	89,873	1,209,593
Supplies	4,790,360	—	19,858	4,810,218
Services and charges	319,104	2,872	1,052,866	1,374,842
Department of Energy laboratories	1,042,258	—	—	1,042,258
Depreciation	2,320,064	48	81,284	2,401,396
Interest expense and fiscal charges	990,646	21,498	47,896	1,060,040
Other	5,278,916	54,245	100,916	5,434,077
Total operating expenses	42,254,055	102,501	1,905,192	44,261,748
PROGRAM REVENUES				
Charges for services	27,188,439	450,501	404,572	28,043,512
Operating grants and contributions	11,574,995	—	825,043	12,400,038
Capital grants and contributions	57,015	—	24,079	81,094
Total program revenues	38,820,449	450,501	1,253,694	40,524,644
Net revenues (expenses)	(3,433,606)	348,000	(651,498)	(3,737,104)
GENERAL REVENUES				
Investment and interest income	9,623,262	262,182	668,090	10,553,534
Other	2,527,924	34,577	892,478	3,454,979
Total general revenues	12,151,186	296,759	1,560,568	14,008,513
Change in net position	8,717,580	644,759	909,070	10,271,409
Net position – beginning	10,972,806	2,791,319	4,272,672 *	18,036,797
Net position – ending	\$ 19,690,386	\$ 3,436,078	\$ 5,181,742	\$ 28,308,206

* Restated

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Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements present information on the financial activities of the State of California over which the Governor, the Legislature, and other elected officials have direct or indirect governing and fiscal control. These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The provisions of the following Governmental Accounting Standards Board (GASB) Statements have been implemented for the fiscal year ended June 30, 2021:

GASB Statement No. 84, *Fiduciary Activities*, as amended, is effective for the fiscal year ended June 30, 2021. This statement addresses accounting and financial reporting for fiduciary activities and provides updated guidance on how such activities are identified and reported. In addition, GASB Statement No. 84 identifies and describes four specific fiduciary funds that should be reported. These funds include pension and other employee benefit (OPEB) trust funds; investment trust funds; private purpose trust funds; and custodial funds, which replace the current agency fund. Custodial funds will be included in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. Implementation of GASB Statement No. 84 resulted in the elimination of the agency fund classification and the related combining statements as well as various beginning fund balance restatements noted below in Note 1 Section “O”.

GASB Statement No. 90, *Majority Equity Interests*, as amended, is effective for the fiscal year ended June 30, 2021. This statement addresses accounting and financial reporting of a government’s majority equity interest in a legally separate organization. A majority equity interest is defined as a financial interest in a legally separate organization evidenced by the ownership of shares of the organization’s stock or by otherwise having an explicit, measurable right to the net resources of the organization that is usually based on an investment of financial or capital resources by a government. Implementation of GASB Statement No. 90 had no impact on the financial statements for the year ended June 30, 2021.

A. Reporting Entity

These financial statements present the primary government of the State and its component units. The **primary government** consists of all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from the State. **Component units** are organizations that are legally separate from the State, but for which the State is financially accountable, or organizations whose relationship with the State is such that exclusion would cause the State’s financial statements to be misleading. Following is information on the blended, fiduciary, and discretely presented component units of the State.

1. Blended Component Units

Blended component units, although legally separate entities, are in substance part of the primary government’s operations. Therefore, data from these blended component units are integrated into the appropriate funds for reporting purposes.

Building authorities are blended component units because they have been created through the use of joint exercise of powers agreements with various cities to finance the construction of state buildings. The building authorities' financial activities are reported in capital projects funds. As a result, capital lease arrangements between the building authorities and the State have been eliminated from the financial statements. Instead, only the underlying capital assets and the debt used to acquire them are reported in the government-wide financial statements. For information regarding obtaining copies of the financial statements of the building authorities, email the State Controller's Office, State Accounting and Reporting Division at StateGovReports@sco.ca.gov.

The *Golden State Tobacco Securitization Corporation (GSTSC)* is a not-for-profit corporation established through legislation in September 2002 solely for the purpose of purchasing Tobacco Settlement Revenues from the State. The five voting members of the State Public Works Board serve ex officio as the directors of the corporation. The GSTSC is authorized to issue bonds as necessary to provide sufficient funds for carrying out its purpose. The GSTSC's financial activity is reported in the combining statements in the Nonmajor Governmental Funds section as a special revenue fund. For information regarding obtaining copies of the financial statements of GSTSC, contact the Department of Finance, Natural Resources, Energy, Environmental, and Capital Outlay Section, 915 L Street, 9th Floor, Sacramento, California 95814.

2. Fiduciary Component Units

The State has two legally separate fiduciary component units that administer pension and other employee benefit trust funds. The State appoints a voting majority of the board members of both plans which, due to their fiduciary nature, are presented in the fiduciary fund statements as pension and other employee benefit trust funds, along with other primary government fiduciary funds.

The *California Public Employees' Retirement System (CalPERS)* administers pension and health benefit plans for state employees, non-teaching school employees, and employees of California public agencies. Its Board of Administration has plenary authority and fiduciary responsibility for the investment of monies and the administration of the plan. CalPERS administers the following seven pension and other employee-benefit trust funds: the Public Employees' Retirement Fund, the Judges' Retirement Fund, the Judges' Retirement Fund II, the Legislators' Retirement Fund, the Public Employees' Deferred Compensation Fund, the public employee Supplemental Contributions Program Fund, and the California Employers' Retiree Benefit Trust Fund. CalPERS' separately issued financial statements may be found on its website at www.CalPERS.ca.gov.

The *California State Teachers' Retirement System (CalSTRS)* administers pension benefit plans for California public school teachers and certain other employees of the public school system. The State is financially accountable for CalSTRS. CalSTRS administers a hybrid retirement system consisting of the State Teachers' Retirement Plan, a defined benefit plan, composed of the Defined Benefit Program, the Defined Benefit Supplement Program, the Cash Balance Benefit Program, and the Replacement Benefits Program; two defined contribution plans; a postemployment benefit plan; and a fund used to account for ancillary activities associated with various deferred compensation plans and programs. CalSTRS' separately issued financial statements may be found on its website at www.CalSTRS.com.

3. Discretely Presented Component Units

Enterprise activity of discretely presented component units is reported in a separate column in the government-wide financial statements. Discretely presented component units are legally separate from

the primary government and usually provide services to entities and individuals outside the primary government. Discretely presented component units that report enterprise activity include the University of California, the California Housing Finance Agency, and nonmajor component units. Most component units separately issue their own financial statements. In general, the notes to the financial statements in this publication do not include information found in the component units' separately issued financial statements. Instead, references to the individual component unit financial statements are provided where applicable.

The *University of California* was founded in 1868 as a public, state-supported, land-grant institution. It was written into the State Constitution of 1879 as a public trust to be administered by a governing board, the Regents of the University of California (Regents). The University is a component unit of the State because the State appoints a voting majority of the Regents and provides financial assistance to the University. The University offers defined benefit pension plans and defined contribution pension plans to its employees through the University of California Retirement System (UCRS), a fiduciary responsibility of the Regents. The financial information of the UCRS is not included in the financial statements of this report due to its fiduciary nature. The University's financial statements may be found on its website at www.ucop.edu.

The *California Housing Finance Agency (CalHFA)* was created by the Zenovich-Moscone-Chacon Housing and Home Finance Act, as amended. CalHFA's purpose is to finance the housing needs of persons and families of low and moderate income. It is a component unit of the State because the State appoints a voting majority of CalHFA's governing board and the executive director, who administers the day-to-day operations. CalHFA's financial statements may be found on its website at www.CalHFA.ca.gov.

State legislation created various nonmajor component units to provide certain services outside the primary government and to provide certain private and public entities with a low-cost source of financing for programs deemed to be in the public interest. California State University Auxiliary Organizations are considered component units because they exist entirely or almost entirely for the direct benefit of the universities. The remaining nonmajor component units are considered component units because the majority of members of their governing boards are appointed by or are members of the primary government, and the primary government can impose its will on the entity; or the entity provides a specific financial benefit to or imposes a financial burden on the primary government. For information regarding obtaining copies of the financial statements of these component units, email the State Controller's Office, State Accounting and Reporting Division at StateGovReports@sco.ca.gov.

The nonmajor consolidated component unit segments are:

California State University Auxiliary Organizations, which provide services primarily to university students through foundations, associated student organizations, student unions, food service entities, book stores, and similar organizations.

Financing authorities, which provide financing for specific purposes. These agencies include:

- The *California Alternative Energy and Advanced Transportation Financing Authority*, which provides financing for alternative energy and advanced transportation technologies;
- The *California Infrastructure and Economic Development Bank*, which provides financing for business development and public improvements; and

- The *California Urban Waterfront Area Restoration Financing Authority*, which provides financing for coastal and inland urban waterfront restoration projects.

District agricultural associations, which exhibit all of the industries, industrial enterprises, resources, and products of the State (the district agricultural associations' financial report is as of and for the year ended December 31, 2020).

Other component units, which include the following entities:

- The *University of California Hastings College of the Law*, which was established as the law department of the University of California to provide legal education programs and operates independently under its own board of directors. The college has a discretely presented component unit, the Foundation, which provides private sources of funds for academic programs, scholarships, and faculty research;
- The *State Assistance Fund for Enterprise, Business and Industrial Development Corporation*, which provides financial assistance to small business; and
- The *Public Employees' Contingency Reserve*, which provides health benefit plans for state employees and annuitants.

4. Joint Venture

A joint venture is an entity resulting from a contractual arrangement; it is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control. In such an arrangement, the participants retain an ongoing financial interest or an ongoing financial responsibility in the entity. These entities are not part of the primary government or a component unit.

The State participates in a joint venture called the *Capitol Area Development Authority (CADA)*. CADA was created in 1978 by the joint exercise of powers agreement between the primary government and the City of Sacramento for the location of state buildings and other improvements. CADA is a public entity, separate from the primary government and the city; it is administered by a board composed of five members—two appointed by the primary government, two appointed by the city, and one appointed by the affirmative vote of at least three of the other four members of the board. The primary government designates the chairperson of the board. Although the primary government does not have an equity interest in CADA, it does have an ongoing financial interest. The primary government subsidizes CADA's operations by leasing land to CADA without consideration; however, the primary government is not obligated to do so. At June 30, 2021, CADA had total assets and deferred outflows of resources of \$74.2 million, total liabilities and deferred inflows of resources of \$55.3 million, and total net position of \$18.9 million. Total revenues for the fiscal year were \$15.2 million and expenses were \$15.2 million, resulting in an insignificant increase in net position. As the primary government does not have equity interest in CADA, CADA's financial information is not included in the financial statements of this report. Separately issued financial statements may be obtained on CADA's website at www.cadanet.org.

5. Related Organizations

A related organization is an organization for which a primary government is accountable because that government appoints a voting majority of the organization's governing board, but for which the primary government is not financially accountable.

Chapter 854 of the Statutes of 1996 created an *Independent System Operator (ISO)*, a state-chartered, nonprofit market institution. The ISO provides centralized control of the statewide electrical transmission grid to ensure the efficient use and reliable operation of the transmission system. The ISO is governed by a five-member board, the members of which are appointed by the Governor and confirmed by the Senate. The State's accountability for this institution does not extend beyond making the initial oversight board appointments. As the primary government is not financially accountable for the ISO, the financial information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the ISO, go to its website at www.caiso.com.

The *California Earthquake Authority (CEA)*, a legally separate organization, offers earthquake insurance for California homeowners, renters, condominium owners, and mobilehome owners. A three-member board composed of state-elected officials governs the CEA. The State's accountability for this institution does not extend beyond making the appointments. As the primary government is not financially accountable for the CEA, the financial information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the CEA, go to its website at www.earthquakeauthority.com.

The *State Compensation Insurance Fund (State Fund)* was established by the State through legislation enacted in 1913 to provide an available market for workers' compensation insurance to employees located in California. State Fund operates in competition with other insurance carriers to serve California businesses. The State appoints all 11 members of the State Fund's governing board. The State's accountability for this institution does not extend beyond making the initial oversight board appointments. As the primary government is not financially accountable for the State Fund, the financial information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the State Fund, go to its website at www.statefundca.com.

The *California Health Benefit Exchange (Exchange)*, an independent public entity, offers health insurance to individuals, families, and small businesses. A five-member board of state-appointed officials governs the Exchange. The State's accountability for this institution does not extend beyond making the appointments. As the primary government is not financially accountable for the Exchange, the financial information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the Exchange, go to its website at <https://hbex.coveredca.com>.

The *California Pollution Control Financing Authority (CPCFA)* was created through the California Pollution Control Financing Authority Act of 1972. The CPCFA is a legally separate entity that provides financing for pollution control facilities. A three-member board composed of state-elected officials and an appointee governs the CPCFA. The State's accountability for this institution does not extend beyond making the appointments. As the primary government is not financially accountable for the CPCFA, the financial information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the CPCFA, go to its website at www.treasurer.ca.gov/cpcfafa.

The *California Health Facilities Financing Authority (CHFFA)* was established by the State through legislation enacted in 1979. The CHFFA is a legally separate entity that provides financing for the construction, equipping, and acquisition of health facilities. A nine-member board composed of state-elected officials and appointees govern the CHFFA. The State's accountability for this institution does

not extend beyond making the appointments. As the primary government is not financially accountable for the CHFFA, the financial information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the CHFFA, go to its website at www.treasurer.ca.gov/chffa.

The *California Educational Facilities Authority (CEFA)* was created by the State through legislation effective in 1973. The CEFA is a legally separate entity established to issue revenue bonds to finance loans for students attending public and private colleges and universities, and to assist private educational institutions of higher learning in financing the expansion and construction of educational facilities. A five-member board composed of state-elected officials and appointees govern the CEFA. The State's accountability for this institution does not extend beyond making the appointments. As the primary government is not financially accountable for the CEFA, the financial information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements for the CEFA, go to its website at www.treasurer.ca.gov/cefa.

The *California School Finance Authority (CSFA)* was created in 1985. The CSFA is a legally separate entity that provides loans to school and community college districts to assist them in obtaining equipment and facilities. A three-member board composed of state-elected officials and an appointee governs the CSFA. The State's accountability for this institution does not extend beyond making the appointments. As the primary government is not financially accountable for the CSFA, the financial information for this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the CSFA, go to its website at www.treasurer.ca.gov/csfa.

B. Government-wide and Fund Financial Statements

Government-wide financial statements (the Statement of Net Position and the Statement of Activities) provide information on all of the nonfiduciary activities of the primary government and its component units. The primary government is reported separately from legally separate component units for which the State is financially accountable. Within the primary government, the State's governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The effect of interfund activity has been removed from the statements, with the exception of amounts between governmental and business-type activities, which are presented as internal balances and transfers. Centralized services provided by the General Fund for other funds are charged as direct costs to the funds that received those services. Also, the General Fund recovers the cost of centralized services provided to federal programs from the federal government.

The Statement of Net Position reports all of the financial and capital resources of the government as a whole in a format in which assets and deferred outflows of resources equal liabilities and deferred inflows of resources, plus net position. The Statement of Activities demonstrates the degree to which the expenses of a given function are offset by program revenues. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items that are not program-related are reported as general revenues.

Fund financial statements are provided for governmental funds, proprietary funds, fiduciary funds and similar component units, and discretely presented component units. A fund is a fiscal and accounting

entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The State maintains the minimum number of funds consistent with legal and managerial requirements. Fiduciary funds, although excluded from the government-wide statements, are included in the fund financial statements. Major governmental and enterprise funds are reported in separate columns in the fund financial statements. Nonmajor governmental and proprietary funds are grouped into separate columns. Discretely presented component unit statements, which follow the fiduciary fund statements, also separately report the enterprise activity of the major discretely presented component units. In this report, the enterprise activity of nonmajor discretely presented component units is grouped in a separate column.

Governmental fund types are used to account for activities primarily supported by taxes, grants, and similar revenue sources.

The State reports the following major governmental funds:

The *General Fund* is the main operating fund of the State. It accounts for transactions related to resources obtained and used for those services that need not be accounted for in another fund.

The *Federal Fund* accounts for the receipt and use of grants, entitlements, and shared revenues received from the federal government that are all restricted by federal regulations.

The *Transportation Fund* accounts for fuel taxes, including the State's diesel, motor vehicle, and fuel use taxes; bond proceeds; automobile registration fees; and other revenues that are restricted for transportation purposes, including highway and passenger rail construction and transportation safety programs.

The *Environmental and Natural Resources Fund* accounts for fees, bond proceeds, and other revenues that are restricted for maintaining the State's natural resources and improving the environmental quality of its air, land, and water.

The *Health Care Related Programs Fund* accounts for fees, taxes, intergovernmental revenue, bond proceeds, transfers from other state funds, and other revenue used for the Medi-Cal program, medical research, and other health and human services programs.

Proprietary fund types focus on the determination of operating income, changes in net position, financial position, and cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. For its proprietary funds, the State applies all applicable GASB pronouncements.

The State has two proprietary fund types: enterprise funds and internal service funds.

Enterprise funds record business-type activity for which a fee is charged to external users for goods and services. In addition, the State is required to report activities as enterprise funds in the context of the activity's principal revenue sources when any of the following criteria are met:

- The activity's debt is secured solely by fees and charges of the activity;
- There is a legal requirement to recover costs; or
- The pricing policies of fees and charges are designed to recover costs.

The State reports the following major enterprise funds:

The *Electric Power Fund* accounts for the acquisition and resale of electric power to retail end-use customers, and charges to public utilities for wildfire prevention and recovery.

The *Water Resources Fund* accounts for charges to local water districts and the sale of excess power to public utilities.

The *State Lottery Fund* accounts for the sale of California State Lottery (Lottery) tickets and the Lottery's payments for education.

The *Unemployment Programs Fund* accounts for employer and worker contributions used for payments of unemployment insurance and disability benefits.

The *California State University Fund* accounts for student fees and other receipts from gifts, bequests, donations, federal and state grants, and loans that are used for educational purposes.

Nonmajor enterprise funds account for additional operations that are financed and operated in a manner similar to private business enterprises.

Additionally, the State reports *internal service funds* as a proprietary fund type with governmental activities. Internal service funds account for goods or services provided to other agencies, departments, or governments on a cost-reimbursement basis. The goods and services provided include architectural services, public building construction and improvements, printing and procurement services, goods produced by inmates of state prisons, data processing services, and administrative services related to water delivery. Internal service funds are included in the governmental activities at the government-wide level.

Fiduciary fund types are used to account for assets held by the State. The State acts as a trustee or as a custodian for individuals, private organizations, other governments, or other funds. Fiduciary funds, including fiduciary component units, are not included in the government-wide financial statements.

The State has the following four fiduciary fund types:

Private purpose trust funds account for all trust arrangements, other than those properly reported in pension or investment trust funds, whereby principal and income benefit individuals, private organizations, or other governments. The following are the State's largest private purpose trust funds:

The *Scholarshare Program Trust Fund* accounts for money received from participants to fund their beneficiaries' higher education expenses at certain postsecondary educational institutions.

The *Unclaimed Property Fund* accounts for unclaimed money and properties held in trust by the State. Unclaimed money is remitted to the General Fund where it can be used by the State until it is claimed.

Pension and other employee benefit trust funds of the primary government and fiduciary component units account for transactions, assets, liabilities, and net position available for plan benefits of the retirement systems and for other employee benefit programs.

An *investment trust fund* accounts for the deposits, withdrawals, and earnings of the Local Agency Investment Fund, an external investment pool for local governments and public agencies.

Custodial funds account for fiduciary activities that are not required to be reported in private purpose trust funds, pension and other employee benefit trust funds, or investment trust funds, and therefore are generally fiduciary activities that are not held under a trust agreement or equivalent arrangement.

Discretely presented component units consist of certain organizations that have enterprise activity. The enterprise activity component units are the University of California, the California Housing Finance Agency, and nonmajor component units. In this report, all of the enterprise activity of the discretely presented component units is reported in a separate column in the government-wide financial statements and on separate pages following the fund financial statements.

C. Measurement Focus and Basis of Accounting

1. Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when they are earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar transactions are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

2. Fund Financial Statements

The measurement focus and basis of accounting for the fund financial statements vary with the type of fund. **Governmental fund types** are presented using the current financial resources measurement focus. With this measurement focus, operating statements present increases and decreases in net current assets; the unassigned fund balance is a measure of available, spendable resources.

The accounts of the governmental fund types are reported using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded as they become measurable and available, and expenditures are recorded at the time the liabilities are incurred. The State records revenue sources when they are earned or when they are due, provided they are measurable and available within the ensuing 12 months. When an asset is recorded in a governmental fund statement, but the revenue is not available within the ensuing 12 months, the State reports a deferred inflow of resources until such time as the revenue becomes available. Principal tax revenues susceptible to accrual are recorded as taxpayers earn income (personal income and corporation taxes), as sales are made (consumption and use taxes), and as a taxable event occurs (miscellaneous taxes), net of estimated tax overpayments. Principal tax revenues are reported net of immaterial tax abatements from programs that promote economic

development and otherwise benefit the State, such as the Film and Television Tax Credit, the California Competes Tax Credit, the Low-Income Housing Tax Credit, and the Sales and Use Tax Exclusion Program.

Proprietary fund types and **fiduciary fund types** are accounted for using the economic resources measurement focus.

The accounts of the proprietary fund types and fiduciary fund types are reported using the accrual basis of accounting. Under the accrual basis, most transactions are recorded when they occur, regardless of when cash is received or disbursed.

Lottery revenue and the related prize expenses are recognized when sales are made. Certain prizes are payable in deferred installments. Such liabilities are recorded at the present value of amounts payable in the future.

Discretely presented component units are accounted for using the economic resources measurement focus and the accrual basis of accounting.

D. Cash and Investments

The State considers cash and pooled investments, for the purpose of the Statement of Cash Flows, as cash and cash equivalents. Cash and cash equivalents are considered to be cash on hand; deposits in the State's pooled investment program; restricted cash and pooled investments for debt service, construction, and operations; restricted cash on deposit with fiscal agents (for example, revenue bond trustees); and highly liquid investments with an original maturity date of three months or less.

The State reports investments at fair value, as prescribed by GAAP. Additional information on the State's investments and fair value measurement can be found in Note 3, Deposits and Investments.

E. Receivables

Amounts are aggregated into a single receivables account net of allowance for uncollectible amounts. The detail of the primary government's accounts receivable can be found in Note 4, Accounts Receivable.

F. Inventories

Inventories of supplies are reported at cost and inventories held for resale are stated at the lower of average cost or market. In the government-wide financial statements, inventories for both governmental and business-type activities are expensed when they are consumed and unused inventories are reported as an asset on the Statement of Net Position. In the fund financial statements, governmental funds report inventories as expenditures when purchased, and proprietary funds report inventories as expenditures when consumed. The discretely presented component units have inventory policies similar to those of the primary government.

G. Net Investment in Direct Financing Leases

The State Public Works Board accounts for its activities in the Public Buildings Construction Fund, an internal service fund, and has entered into lease-purchase agreements with various other primary

government agencies and certain local agencies. The payments from these leases are used to satisfy the principal and interest requirements of revenue bonds issued by the State Public Works Board to finance the cost of projects such as acquisition and construction of facilities and equipment. Upon expiration of these leases, title to the facilities and projects transfers to the primary government agency or the local agency. The State Public Works Board records the net investment in direct financing leases at the net present value of the minimum lease payments in the internal service fund financial statements. As the majority of this lease receivable is from governmental funds, it is eliminated within the governmental activities column of the government-wide Statement of Net Position.

The California State University (CSU) system accounts for its lease activities in the California State University Fund, a major enterprise fund, and has entered into 30-year capital lease agreements with various auxiliary organizations. These agreements lease existing and newly constructed facilities to the CSU Auxiliary Organizations. A portion of the proceeds from certain revenue bonds issued by CSU were used to finance the construction of these facilities.

H. Long-term Prepaid Charges

The long-term prepaid charges account in the enterprise funds primarily represents operating and maintenance costs that will be recognized in the Water Resources Fund as expenses over the remaining life of long-term state water supply contracts. These costs are billable in future years. In addition, the account includes unbilled interest earnings on unrecovered capital costs that are recorded as long-term prepaid charges. These charges are recognized when billed in the future years under the terms of water supply contracts. Long-term prepaid charges are also included in the State Lottery Fund. These prepaid charges are incurred in connection with certain contracts that extend beyond a one-year period, which are amortized as expenses over the remaining life of the contracts. The long-term prepaid charges for the Public Buildings Construction Fund, an internal service fund, include prepaid insurance costs on revenue bonds issued. In the government-wide financial statements, the prepaid charges for governmental activities include prepaid insurance costs on revenue bonds issued.

I. Capital Assets

Capital assets are categorized into land, state highway infrastructure, collections, buildings and other depreciable property, intangible assets, and construction in progress. The buildings and other depreciable property account includes buildings, improvements other than buildings, equipment, certain infrastructure assets, certain books, and other capitalized and depreciable property. Intangible assets include computer software, land-use rights, patents, copyrights, and trademarks. The value of the capital assets, including the related accumulated depreciation and amortization, is reported in the applicable governmental, business-type, or component unit activities columns in the government-wide Statement of Net Position.

The primary government has a large collection of historical and contemporary treasures that have important documentary and artistic value. These assets are not capitalized or depreciated because they are cultural resources and cannot reasonably be valued and/or the assets have inexhaustible useful lives. These treasures and works of art include furnishings, portraits and other paintings, books, statues, photographs, and miscellaneous artifacts. These collections meet the conditions for exemption from capitalization because the collections are held for public exhibition, education, or research in furtherance of public service, rather than financial gain; protected, kept unencumbered, cared for, and preserved; and subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

In general, capital assets of the primary government are defined as assets that have a normal useful life of at least one year and a unit cost of at least \$5,000. These assets are recorded at historical cost or estimated historical cost, including all costs related to the acquisition. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value on the date received. Major capital asset outlays are capitalized as projects are constructed.

Buildings and other depreciable or amortizable capital assets are depreciated using the straight-line method with no salvage value for governmental activities. Generally, buildings and other improvements are depreciated over 40 years, equipment is depreciated over 5 years, and intangible assets are amortized over 10 to 20 years. Depreciable or amortizable assets of business-type activities are depreciated or amortized using the straight-line method over their estimated useful or service lives, ranging from 1 to 100 years.

California has elected to use the modified approach for capitalizing the infrastructure assets of the state highway system. The state highway system is maintained by the California Department of Transportation. By using the modified approach, the infrastructure assets of the state highway system are not depreciated and all expenditures made for those assets, except for additions and improvements, are expensed in the period incurred. All additions and improvements made after June 30, 2001, are capitalized. All infrastructure assets that are related to projects completed prior to July 1, 2001, are recorded at the historical costs contained in annual reports of the American Association of State Highway and Transportation Officials and the Federal Highway Administration.

The capital assets of the discretely presented component units are reported at cost at the date of acquisition or at fair market value at the date of donation, in the case of gifts. They are depreciated or amortized over their estimated useful service lives.

J. Long-term Obligations

Long-term obligations consist of unmatured general obligation bonds, unmatured revenue bonds, capital lease obligations, certificates of participation, commercial paper, net pension liability, net other postemployment benefits liability, employees' compensated absences and workers' compensation claims, pollution remediation obligations, asset retirement obligations, amounts owed for lawsuits, reimbursement for costs mandated by the State, outstanding Proposition 98 funding guarantee owed to schools, the liability for lottery prizes and annuities, loans from other governments, and the primary government's share of the University of California's pension liability that is due in more than one year. In the government-wide financial statements, the obligations are reported as liabilities in the applicable governmental activities, business-type activities, and component units columns of the Statement of Net Position. The current portion—amount due within one year—of the long-term obligations is reported under current liabilities.

Pollution remediation obligations are recorded by the State when one or more of the GASB Statement No. 49 obligating events have occurred and when a reasonable estimate of the remediation cost is available. These liabilities are measured using actual contract costs, where no change in cost is expected, or the expected cash flow technique. The remediation obligation estimates that appear in this report are subject to change over time. Costs may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statutes or regulations, and other factors that could result in revisions to these estimates. Prospective recoveries from responsible parties may reduce the State's obligation.

Asset retirement obligations are recorded by the State when the internal and external obligating events described in GASB Statement No. 83 have occurred and when a reasonable estimate of the cost to retire certain tangible capital assets is available. The types of underlying assets include above ground and underground fuel and chemical storage tanks, various medical equipment, dams, water treatment facilities, bridges and other infrastructure, and electric power generating equipment. Asset retirement obligation estimates are based on professional judgment, experience, and historical cost data, and are subject to change over time due to price fluctuations, changes in technology, updated information from engineering studies or other evaluations, changes to statutes or regulations, and other factors that could result in revisions to these estimates.

Bond premiums and discounts for business-type activities and component units are deferred and amortized over the life of the bonds. In these instances, bonds payable is reported net of the applicable premium and discount. Bond premiums and discounts for governmental funds are reported as other financing sources (uses). However, in the government-wide financial statements, the bonds payable for governmental activities is reported net of the applicable unamortized premium and discount. Bond issuance costs, excluding prepaid insurance, are expensed when incurred.

With advance approval from the Legislature, certain authorities and state agencies may issue revenue bonds. Principal and interest on revenue bonds are payable from the pledged revenues of the respective funds, building authorities, and agencies. The General Fund has no legal liability for payment of principal and interest on revenue bonds. With the exception of certain special revenue funds (Transportation and the Golden State Tobacco Securitization Corporation) and the building authorities capital projects fund, the liability for revenue bonds is recorded in the respective fund.

K. Compensated Absences

The government-wide financial statements report both the current and the noncurrent liabilities for compensated absences, which are vested unpaid vacation, annual leave, and other paid leave programs. However, unused sick-leave balances are not included in the compensated absences because they do not vest to employees. In the governmental fund financial statements, only the compensated absences liability for employees who have left state service and have unused reimbursable leave at fiscal year-end is included. The amounts of vested unpaid vacation and annual leave accumulated by state employees are accrued in proprietary funds when incurred. In the discretely presented component units, the compensated absences are accounted for in the same manner as in the proprietary funds of the primary government.

L. Deferred Outflows and Deferred Inflows of Resources

The government-wide and fund financial statements report deferred outflows of resources and deferred inflows of resources.

1. Deferred Outflows of Resources

Deferred outflows of resources are the consumption of assets that are applicable to future reporting periods. Deferred outflows of resources are presented separately after “Total Assets” in the Balance Sheet and Statement of Net Position.

Deferred outflows of resources consist of the following transactions:

- *Loss on Refunding of Debt:* The defeasance of previously outstanding general obligation and revenue bonds results in deferred refunding losses for governmental activities, business-type activities, and component units. These deferred losses are recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.
- *Decrease in Fair Value of Hedging Derivative Instruments:* Negative changes in the fair value of hedging derivative instruments are reported for component units.
- *Net Pension Liability:* Increases in net pension liability that are not recognized in pension expense for the reporting period are reported as deferred outflows of resources related to pensions. Differences between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic or demographic factors, or of other inputs used by the actuaries to determine total pension liability; and increases in the State's proportionate share of net pension liability for plans that have a special funding situation, such as CalSTRS, are all recognized in pension expense over the average of the expected remaining service lives of participating employees. A deferred outflow of resources is also reported when projected earnings on pension plan investments exceed actual earnings, with the net difference amortized to pension expense over a five-year period beginning in the current reporting period. Employer contributions, and state contributions in the case of CalSTRS' special funding situation, made subsequent to the measurement date are reported as deferred outflows of resources related to pensions and reduce net pension liability in the following year. Deferred outflows of resources related to net pension liability are reported for governmental activities, business-type activities, fiduciary funds, and component units.
- *Net Other Postemployment Benefits Liability:* Increases in net OPEB liability that are not recognized in OPEB expense for the reporting period are reported as deferred outflows of resources related to OPEB. Differences between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic or demographic factors, or of other inputs used by the actuaries to determine total OPEB liability; and differences between the actual and proportionate share of OPEB contribution amounts, are all recognized as OPEB expense over the average of the expected remaining service lives of participating employees. A deferred outflow of resources is also reported when projected earnings on OPEB plan investments exceed actual earnings, with the net difference amortized to OPEB expense over a five-year period beginning in the current reporting period. Employer contributions made subsequent to the measurement date are reported as deferred outflows of resources related to OPEB and reduce net OPEB liability in the following year. Deferred outflows of resources related to net OPEB liability are reported for governmental activities, business-type activities, fiduciary funds, and component units.
- *Asset Retirement Obligations:* Increases in asset retirement obligations that are not recognized as expense in the current reporting period are reported as deferred outflows of resources for component units.

2. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of assets that are applicable to future reporting periods. Deferred inflows of resources are presented separately after “Total Liabilities” in the Balance Sheet and Statement of Net Position.

The State’s deferred inflows of resources consist of the following transactions:

- *Unavailable Revenues:* Governmental funds report deferred inflows of resources for earned and measurable revenue from long-term receivables that is not available within 12 months of the end of the reporting period. These deferred amounts are recognized as revenue in the periods that they become available.
- *Gain on Refunding of Debt:* The defeasance of previously outstanding general obligation and revenue bonds results in deferred refunding gains for governmental activities and discretely presented component units. These deferred gains are recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.
- *Service Concession Arrangements:* The State and its component units have entered into service concession arrangements with third parties for park facility services, student housing, and certain other services. The upfront payment received or present value of installment payments expected to be received from the third parties are reported as deferred inflows of resources.
- *Irrevocable Split-Interest Agreements:* The State and its discretely presented component units have entered into irrevocable split-interest agreements with third parties to receive donations of monetary assets and real property. The value of assets received or expected to be received from the third parties are reported as deferred inflows of resources.
- *Net Pension Liability:* Reductions in net pension liability that are not recognized in pension expense for the reporting period are reported as deferred inflows of resources related to pensions. Differences between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic or demographic factors, or of other inputs used by the actuaries to determine total pension liability; and decreases in the State’s proportionate share of net pension liability for plans that have a special funding situation, such as CalSTRS, are all recognized against pension expense over the average of the expected remaining service lives of participating employees. A deferred inflow of resources is also reported when actual earnings on pension plan investments exceed projected earnings, with the net difference amortized against pension expense over a five-year period beginning in the current reporting period. Deferred inflows of resources related to net pension liability are reported for governmental activities, business-type activities, fiduciary funds, and component units.
- *Net Other Postemployment Benefits Liability:* Reductions in net OPEB liability that are not recognized in OPEB expense for the reporting period are reported as deferred inflows of resources related to OPEB. Differences between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic or demographic factors, or of other inputs used by the actuaries to determine total OPEB liability; and differences between the actual and proportionate share of OPEB contribution amounts, are all recognized against OPEB expense over the average of the expected remaining service lives of participating employees. A

deferred inflow of resources is also reported when actual earnings on OPEB plan investments exceed projected earnings, with the net difference amortized against OPEB expense over a five-year period beginning in the current reporting period. Deferred inflows of resources related to net OPEB liability are reported for governmental activities, business-type activities, fiduciary funds, and component units.

- *Other Deferred Inflows of Resources:* Revenues generated from current rates charged by regulated business-type activities that are intended to recover costs expected to be incurred in the future are reported in the government-wide Statement of Net Position. A component unit's sale of future royalty payments and nonexchange transactions are reported as a deferred inflow of resources.

M. Nonmajor Enterprise Segment Information

Three nonmajor enterprise fund segments are displayed discretely in the Combining Statement of Net Position; the Combining Statement of Revenues, Expenses, and Changes in Fund Net Position; and the Combining Statement of Cash Flows of the nonmajor enterprise funds. A *segment* is an identifiable activity reported as or within an enterprise fund or another stand-alone entity for which debt is outstanding and a revenue stream has been pledged in support of that debt. In addition, to qualify as a segment, an activity must be subject to an external requirement to separately account for revenues, expenses, gains and losses, assets and deferred outflows of resources, and liabilities and deferred inflows of resources. All of the activities reported for the fund segments listed below meet these requirements.

State Water Pollution Control Revolving Fund: Interest charged on loans to communities for construction of water pollution control facilities and projects.

Safe Drinking Water State Revolving Fund: Interest charged on loans to communities for construction of water systems for drinking water infrastructure projects.

Housing Loan Fund: Interest payments from low-interest, long-term farm and home mortgage loan contracts to eligible veterans living in California.

N. Net Position and Fund Balance

The difference between fund assets, deferred outflows of resources, liabilities, and deferred inflows of resources is called “net position” on the government-wide financial statements, the proprietary and fiduciary fund statements, and the component unit statements; it is called “fund balance” on the governmental fund statements.

1. Net Position

The government-wide financial statements include the following categories of net position:

Net investment in capital assets represents capital assets, net of accumulated depreciation, reduced by the outstanding debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results from transactions with purpose restrictions and is designated as either *nonexpendable* or *expendable*. *Nonexpendable restricted* net position is subject to externally imposed restrictions that must be retained in perpetuity. *Expendable restricted* net position is subject

to externally imposed restrictions that can be fulfilled by actions of the State. As of June 30, 2021, the government-wide financial statements show restricted net position for the primary government of \$54.0 billion, of which \$15.2 billion is due to enabling legislation.

Unrestricted net position is neither restricted nor invested in capital assets.

2. Fund Balance

In the fund financial statements, proprietary funds include categories of net position similar to those in the government-wide financial statements. Fund balance amounts for governmental funds are reported as nonspendable, restricted, committed, assigned, or unassigned.

Nonspendable fund balance includes amounts that cannot be spent because they are not in spendable form (inventories; prepaid amounts; long-term portion of loans or notes receivable; or property held for resale unless the proceeds are restricted, committed, or assigned) or they are legally or contractually required to remain intact.

Restricted fund balance has constraints placed upon the use of the resources either by an external party (creditors, grantors, contributors, or laws and regulations of other governments) or through a constitutional provision or enabling legislation.

Committed fund balance can be used only for specific purposes pursuant to constraints imposed by state law as adopted by the California State Legislature. The state law that commits fund balance to a specific purpose must have been adopted prior to the end of the reporting period, but the amount subject to the constraint may be determined in a subsequent period. Committed fund balance incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance: California does not have a formal policy to delegate authority to assign resources. However, fund balance can be classified as assigned when a purchase order creates an outstanding encumbrance amount, unless the purchase order relates to restricted or committed resources. Furthermore, in governmental funds created by state law for a specific purpose, other than the General Fund, all resources that are not reported as nonspendable, restricted, or committed are classified as assigned for the purpose of the respective funds.

Unassigned fund balance is the residual amount of the General Fund not included in the four classifications described above. In other governmental funds in which expenditures incurred for specific purposes exceeded amounts restricted, committed, or assigned to those purposes, a negative unassigned fund balance is reported.

Fund balance spending order: For the purpose of reporting fund balance in this financial report under GASB Statement No. 54, the State considers resources to be spent in the following order when an expenditure is incurred for which these classifications are available: restricted, committed, assigned, and unassigned.

Fiduciary fund net position represents amounts held in trust for pension and other postemployment benefits, deferred compensation participants, pool participants, individuals, organizations, or other governments.

3. Stabilization Arrangements

a. Budget Stabilization Account

In accordance with Article 16, Section 20 of the California State Constitution, the State maintains the Budget Stabilization Account. The Budget Stabilization Account is reported in the General Fund. By October 1 of each fiscal year, a transfer must be made from the General Fund to the Budget Stabilization Account in an amount equal to one-half of (a) 1.5% of the estimated General Fund revenues for that fiscal year and (b) personal capital gains tax revenues in excess of 8.0% of estimated General Fund taxes for that fiscal year less amounts that must be spent on Proposition 98. The remaining half of the calculated amount is used as appropriated by the State Legislature to pay down (1) interfund loans, (2) specified debts to local governments, and (3) debts for pension and retiree health benefits.

The State Legislature may suspend or reduce the transfer of funds to, or withdrawal of funds from, the Budget Stabilization Account if the Governor declares a budget emergency. For this purpose, budget emergency means either (1) a natural disaster or other event that creates a condition of extreme peril to the safety of persons or property, or (2) there is not enough money to keep General Fund spending at the highest level of the past three fiscal years (adjusted for changes in state population and cost of living). The amount of the withdrawal from the Budget Stabilization Account is limited to the actual amount needed for the natural disaster or to keep General Fund spending at the highest level of the past three years. In addition, if there was no budget emergency in the prior fiscal year, no more than one-half of the Budget Stabilization Account balance may be withdrawn; the entire remaining balance could be withdrawn in the second straight year of a budget emergency.

When the balance of the Budget Stabilization Account reaches 10% of the estimated General Fund revenues for that fiscal year, the amount that would have been transferred to the Budget Stabilization Account would instead be used to build and maintain infrastructure. At June 30, 2021, the Budget Stabilization Account had a restricted fund balance of \$12.3 billion.

0. Restatement of Beginning Fund Balances and Net Position

1. Fund Financial Statements

The beginning fund balance of *governmental funds* increased by \$926 million. This increase includes a \$923 million reclassification of funds previously reported as fiduciary funds to special revenue funds, resulting from the implementation of GASB Statement No. 84. In addition, the re-establishment of a loan receivable balance with an external government caused a \$3 million increase to the beginning fund balance of a nonmajor governmental fund.

Governmental Funds (amounts in thousands)	Fund Balance June 30, 2020 (previously reported)	GASB Statement No. 84 Implementation	Other Restatements	Fund Balance Beginning of Year (restated)
Transportation	\$ 9,277,431	\$ 81,726	\$ —	\$ 9,359,157
Environmental and Natural Resources	13,994,891	3,229	—	13,998,120
Health Care Related Programs	1,697,962	49,619	—	1,747,581
Nonmajor Governmental Funds	14,657,692	789,004	2,664	15,449,360
	\$ 39,627,976	\$ 923,578	\$ 2,664	\$ 40,554,218

The beginning net position of *internal service funds* decreased by \$12 million due to a restatement of compensated absences balances from the previous year.

The beginning net position of *enterprise funds* decreased by \$64 million. The decrease is comprised of a \$38 million decrease in the Unemployment Programs Fund and a \$4 million decrease in nonmajor enterprise funds due to a restatement of compensated absences balances from the previous year, as well as a \$22 million decrease from the correction of a loan balance in nonmajor enterprise funds.

The beginning net position of *discretely presented component units* increased by \$4 million due to prior period corrections.

The net position for newly created *custodial funds* was established at \$563 million as a result of the implementation of GASB Statement No. 84.

2. Government-wide Financial Statements

The beginning net position of *governmental activities* increased by \$294 million. In addition to the restatements described in the previous section for governmental funds and internal services funds, the restatement includes a \$20 million increase to recognize understated capital assets, and a \$640 million decrease to recognize a previously unreported liability.

The beginning net positions of *business-type activities* and *discretely presented component units* were restated as described in the previous section for enterprise funds.

P. Guaranty Deposits

The State is the custodian of guaranty deposits held to protect consumers, to secure the State's deposits in financial institutions, and to ensure payment of taxes and fulfillment of obligations to the State. Guaranty deposits of securities and other properties are not shown on the financial statements.

NOTE 2: BUDGETARY AND LEGAL COMPLIANCE

A. Budgeting and Budgetary Control

The State's annual budget is primarily prepared on a modified accrual basis for governmental funds. The Governor recommends a budget for approval by the Legislature each year. This recommended budget includes estimated revenues, but revenues are not included in the annual budget bill adopted by the Legislature. Under state law, the State cannot adopt a spending plan that exceeds estimated revenues.

Under the State Constitution, money may be drawn from the treasury only through a legal appropriation. The appropriations contained in the Budget Act, as approved by the Legislature and signed by the Governor, are the primary sources of annual expenditure authorizations and establish the legal level of control for the annual operating budget. The budget can be amended throughout the year by special legislative action, budget revisions by the Department of Finance, or executive orders of the Governor. Amendments to the original budget for the fiscal year ended June 30, 2021, increased spending authority for the budgetary/legal basis-reported General Fund, Transportation Funds, Environmental and Natural Resources Funds, and the Health Care Related Programs Funds.

Appropriations are generally available for expenditure or encumbrance either in the year appropriated or for a period of three years if the legislation does not specify a period of availability. At the end of the availability period, the encumbering authority for the unencumbered balance lapses. Some appropriations continue indefinitely, while others are available until fully spent. Generally, encumbrances must be liquidated within two years from the end of the period in which the appropriation is available. If the encumbrances are not liquidated within this additional two-year period, the spending authority for these encumbrances lapses.

B. Legal Compliance

State agencies are responsible for exercising basic budgetary control and ensuring that appropriations are not overspent. The State Controller's Office is responsible for overall appropriation control and does not allow expenditures in excess of authorized appropriations.

Financial activities are mainly controlled at the appropriation level but can vary, depending on the presentation and wording contained in the Budget Act. The Budget Act appropriations are identified by department, reference item, and fund. The annual appropriated budget may establish detailed allocations to specific programs, projects, or sources of reimbursement within an appropriation. The Department of Finance can authorize adjustments between the detail allocations but cannot increase the amount of the overall appropriation. While the financial activities are controlled at various levels, the legal level of budgetary control—the extent to which management may amend the budget without seeking approval of the governing body—has been established in the Budget Act for the annual operating budget.

The Budgetary Comparison Schedule is not presented in this document at the legal level of budgetary control because such a presentation would be extremely lengthy and cumbersome. The State prepares a separate report, the Annual Comprehensive Financial Report Supplement, which includes statements that demonstrate compliance with the legal level of budgetary control in accordance with GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, section 2400.121. The supplement includes the comparison of the annual appropriated budget with expenditures at the legal level of control. A copy of the Annual Comprehensive Financial Report Supplement is available upon email request to the State Controller's Office, State Accounting and Reporting Division at StateGovReports@sco.ca.gov.

NOTE 3: DEPOSITS AND INVESTMENTS

Cash balances not required for immediate use are invested by the State Treasurer. The State Treasurer administers a single pooled investment program comprising both an internal investment pool and an external investment pool (the Local Agency Investment Fund). A single portfolio of investments exists, with all participants having an undivided interest in the portfolio. Both pools are administered in the same manner.

A. Primary Government

1. Control of State Funds

The State's pooled investment program and certain funds of the primary government are allowed by state statutes, bond resolutions, and investment policy resolutions to invest in U.S. government securities, federal agency securities, negotiable certificates of deposit, bankers' acceptances, commercial

paper, corporate bonds, bank notes, other debt securities, repurchase agreements, reverse repurchase agreements, and other investments.

Certain discretely presented component units and related organizations participate in the State Treasurer's Office pooled investment program. As of June 30, 2021, these discretely presented component units and related organizations account for approximately 1.5% of the State Treasurer's pooled investment portfolio. This program enables the State Treasurer's Office to combine available cash from all funds and to invest cash that exceeds current needs.

Both deposits and investments are included in the State's investment program. For certain banks, the State Treasurer's Office maintains cash deposits that cover uncleared checks deposited in the State's accounts and earn income that compensates the banks for their services.

Demand and time deposits held by financial institutions as of June 30, 2021, totaling approximately \$6.9 billion, were insured by federal depository insurance or by collateral held by the State Treasurer's Office or an agent of the State Treasurer's Office in the State's name. The California Government Code requires that collateral pledged for demand and time deposits be deposited with the State Treasurer.

As of June 30, 2021, the State Treasurer's Office had on deposit with a fiscal agent amounts totaling \$21 million related to principal and interest payments to bondholders. These deposits were insured by federal depository insurance or by collateral held by an agent of the State Treasurer's Office in the State's name.

Certain funds have elected to participate in the pooled investment program even though they have the authority to invest on their own. Others may be required by legislation to participate in the program; as a result, the deposits of these funds may be considered involuntary. However, these funds are part of the State's reporting entity. The remaining participant in the pool, the Local Agency Investment Fund, is voluntary.

Certain funds that have deposits in the State Treasurer's pooled investment program do not receive the interest earnings on their deposits. Instead, by law, the earnings are assigned to the State's General Fund. Most of the \$168 million in interest revenue received by the General Fund from the pooled investment program in fiscal year 2020-21 was earned on balances in these funds.

Enterprise funds and special revenue funds also make separate investments, which are presented at fair value.

2. Valuation of State Investments

The State Treasurer's Office reports its investments at fair value. The State Treasurer's Office performs a quarterly fair market valuation of the pooled investment program portfolio. The fair value of securities in the State Treasurer's pooled investment program is generally based on quoted market prices. In addition, the State Treasurer's Office performs a monthly fair market valuation of all securities held against carrying cost. These valuations can be obtained from the State Treasurer's Office website at www.treasurer.ca.gov.

Table 1 categorizes fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets and liabilities. Level 1 inputs are quoted prices for identical assets or liabilities in active markets at the date of measurement. Level 2 inputs are significant other directly or indirectly observable inputs other than quoted prices. Debt securities classified in Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on its relationship to similar securities with an active market. Level 3 inputs are significant unobservable inputs. The State has no investments measured at Level 3.

Table 1

Schedule of Investments – Primary Government – Investments by Fair Value Level

June 30, 2021

(amounts in thousands)

	June 30, 2021	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Pooled Investments			
U.S. Treasury bills and notes	\$ 135,733,371	\$ 135,733,371	\$ —
U.S. Agency bonds and discount notes	17,526,994	17,526,994	—
Supranational debentures and discount notes	7,515,324	7,515,324	—
Small Business Administration loans	415,157	415,157	—
Mortgage-backed securities	10,300	10,300	—
Certificates of deposit	16,199,542	—	16,199,542
Bank notes	49,954	—	49,954
Commercial paper	11,098,048	—	11,098,048
Corporate bonds	111,549	—	111,549
Total pooled investments at fair value	188,660,239	\$ 161,201,146	\$ 27,459,093
Other primary government investments			
U.S. Treasuries and agencies	3,576,256	\$ 802,614	\$ 2,773,642
Corporate debt securities	910,352	—	910,352
Other	1,850,533	175,843	1,674,690
Total other primary government investments at fair value	6,337,141	\$ 978,457	\$ 5,358,684
Investments measured at the net asset value (NAV)			
Money market funds/2a-7 money market funds	778,976		
Total investments measured at the NAV	778,976		
Funds outside primary government included in pooled investments			
Less: investment trust funds	37,049,805		
Less: other trust and custodial funds	6,091,221		
Less: discretely presented component units and related organizations	2,861,889		
Total primary government investments	\$ 149,773,441		

As of June 30, 2021, the weighted average maturity of the securities in the pooled investment program administered by the State Treasurer's Office was approximately 182 days. Weighted average maturity is the average number of days, given a dollar-weighted value of individual investments, that the securities in the portfolio have remaining from evaluation date to stated maturity.

3. Oversight of Investing Activities

The Pooled Money Investment Board (PMIB) provides oversight of the State Treasurer's pooled investment program. The purpose of the board is to design and administer an effective cash management and investment program, using all monies flowing through the State Treasurer's Office bank accounts and keeping all available funds invested in a manner consistent with the goals of safety, liquidity, and yield. The PMIB is comprised of the State Treasurer as chair, the State Controller, and the Director of Finance. This board designates the amounts of money available for investment. The State Treasurer is charged with making the actual investment transactions for this program. This investment program is not registered with the Securities and Exchange Commission as an investment company.

The value of the deposits in the State Treasurer's pooled investment program, including the Local Agency Investment Fund, is equal to the dollars deposited in the program. The fair value of the position in the program may be greater or less than the value of the deposits, with the difference representing the unrealized gain or loss. As of June 30, 2021, this difference was immaterial to the valuation of the program. The pool is run with "dollar-in, dollar-out" participation. There are no share-value adjustments to reflect changes in fair value.

The State Treasurer's pooled investment program values participants' shares on an amortized cost basis. Specifically, the program distributes income to participants quarterly, based on their relative participation during the quarter. This participation is calculated based on (1) realized investment gains and losses calculated on an amortized cost basis, (2) interest income based on stated rates (both paid and accrued), (3) amortization of discounts and premiums on a straight-line basis, and (4) investment and administrative expenses. This amortized cost method differs from the fair value method used to value investments in these financial statements; the amortized cost method is not designed to distribute to participants all unrealized gains and losses in the fair value of the pool's investments. Because the total difference between the fair value of the investments in the pool and the value distributed to pool participants using the amortized cost method described above is not material, no adjustment was made to the financial statements. The State Treasurer's Office also reports participant fair value as a ratio of amortized cost on a quarterly basis. The State Treasurer's Office has not provided or obtained a legally binding guarantee to support the principal invested in the investment program.

As of June 30, 2021, structured notes and medium-term asset-backed securities comprised approximately 1.1% of the pooled investments. A portion of the structured notes was callable agency securities, which represented 0.6% of the pooled investments. The asset-backed securities consist of mortgage-backed securities, Small Business Administration (SBA) pools, and asset-backed commercial paper. The mortgage-backed securities, called real estate mortgage investment conduits (REMICs), are securities backed by pools of mortgages. The REMICs in the State's portfolio have a fixed principal payment schedule. A portion of the asset-backed securities consisted of floating-rate SBA notes. For floating-rate SBA notes held in the portfolio during the fiscal year, the interest received by the State Treasurer's pooled investment program rose or fell as the underlying index rate rose or fell. The structure of the floating-rate SBA notes in the State Treasurer's pooled investment program portfolio provided a hedge against the risk of increasing interest rates. A portion of the asset-backed portfolio

holdings were short-term, asset-backed commercial paper (ABCP), which represented 1.2% of the pooled investments.

Table 2 identifies the investment types that are authorized by the California Government Code and the State Treasurer’s Office Investment Policy for the Pooled Investment Program. Maturities are limited by the State Treasurer’s Office Investment Policy for the Pooled Money Investment Program. For commercial paper, the Investment Policy matches the Government Code. For corporate bonds and notes, the Government Code requires that a security falls within the top three ratings of a nationally recognized statistical ratings organization (NRSRO). Items reported as N/A have no limitation in either the Government Code or the State Treasurer’s Office Investment Policy.

Table 2

Authorized Investments

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer	Credit Rating
U.S. Treasury securities	5 years	N/A	N/A	N/A
Federal agency and supranational securities	5 years	N/A	N/A	N/A
Certificates of deposit	5 years	N/A	N/A	N/A
Bankers’ acceptances	180 days	N/A	N/A	N/A
Commercial paper	270 days	30%	10% of issuer’s outstanding Commercial paper	A-3/P-3/F-3
Corporate bonds/notes	5 years	N/A	N/A	A-/A3/A-
Repurchase agreements	1 year	N/A	N/A	N/A
Reverse repurchase agreements	1 year	10%	N/A	N/A

4. Risk of Investments

The following types of risks are common in deposits and investments, including those of the State:

Interest Rate Risk is the risk that the value of fixed-income securities will decline because of changing interest rates. The prices of fixed-income securities with longer time to maturity tend to be more sensitive to changes in interest rates than those with shorter durations.

Credit Risk is the risk that a debt issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer’s ability to make these payments will cause security prices to decline.

Custodial Credit Risk is the risk that, in the event a financial institution or counterparty fails, the investor will not be able to recover the value of deposits, investments, or collateral.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of an investor’s holdings in a single issuer.

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

a. Interest Rate Risk

Table 3 presents the interest rate risk of the primary government's investments. In calculating SBA holdings' weighted average maturity, the State Treasurer's Office assumes that stated maturity is the quarterly reset date. Total pooled investments do not include \$3.9 billion of time deposits and \$725 million of internal loans to state funds. Most mortgage-backed securities are issued by U.S. government agencies, or government-sponsored enterprises such as the Federal National Mortgage Association, and entitle the purchaser to receive a share of the cash flows, such as principal and interest payments, from a pool of mortgages. Mortgage-backed securities are highly sensitive to interest rate changes because principal prepayments either increase (in a low interest rate environment) or decrease (in a high interest rate environment) the security yield. As of June 30, 2021, only \$10 million, or 0.01% of the total pooled investments, was invested in mortgage-backed securities.

Table 3**Schedule of Investments – Primary Government – Interest Rate Risk**

June 30, 2021

(amounts in thousands)

	Fair Value at Year End	Weighted Average Maturity (in years)
Pooled investments		
U.S. Treasury bills and notes	\$ 135,733,371	0.50
U.S. Agency bonds and discount notes	17,526,994	0.93
Supranational debentures and discount notes	7,515,324	0.61
Small Business Administration loans	415,157	0.25
Mortgage-backed securities	10,300	0.82
Certificates of deposit	16,199,542	0.21
Bank notes	49,954	0.51
Commercial paper	11,098,048	0.18
Corporate bonds	111,549	3.81
Total pooled investments	188,660,239	
Other primary government investments		
U.S. Treasuries and agencies	3,576,257	2.56
Corporate debt securities	910,352	1.45
Other	2,629,508	1.60
Total other primary government investments	7,116,117	
Funds outside primary government included in pooled investments		
Less: investment trust funds	37,049,805	
Less: other trust and custodial funds	6,091,221	
Less: discretely presented component units and related organizations	2,861,889	
Total primary government investments	\$ 149,773,441	

b. Credit Risk

Table 4 presents the credit risk of the primary government’s debt securities. If a particular security has multiple ratings, the lowest rating of the three major NRSROs is used. Similar to interest rate risk shown in Table 3, time deposits and internal loans to state funds are not included.

Table 4

Schedule of Investments in Debt Securities – Primary Government – Credit Risk

June 30, 2021

(amounts in thousands)

Credit Rating as of Year End		Fair Value
Short-term	Long-term	
Pooled investments		
A-1+/P-1/F-1+	AAA/Aaa/AAA	\$ 20,874,222
A-1/P-1/F-1	AA/Aa/AA	31,490,775
A-2/P-2/F-2	A/A/A	146,714
Not rated		—
Not applicable.....		136,148,528
Total pooled investments		\$ 188,660,239
Other primary government investments		
A-1+/P-1/F-1+	AAA/Aaa/AAA	\$ 955,352
A-1/P-1/F-1	AA/Aa/AA	3,531,522
A-2/P-2/F-2	A/A/A	897,799
A-3/P-3/F-3	BBB/Baa/BBB	11,290
B/NP/B	BB/Ba/BB	23,022
B/NP/B	B2/B	143,279
Not rated		1,553,853
Total other primary government investments		\$ 7,116,117

c. Custodial Credit Risk

The State has a deposit policy for custodial credit risk that requires deposits held by financial institutions to be insured by federal depository insurance or secured by collateral. As of June 30, 2021, there were no guaranteed investment contracts.

d. Concentration of Credit Risk

The investment policy of the State Treasurer’s Office contains no limitations on the amount that can be invested in any one issuer beyond those limitations stipulated in the California Government Code. As of June 30, 2021, the State had investments in the Federal Home Loan Bank totaling 6.3% of the total pooled investments and other primary government investments.

B. Fiduciary Funds

The fiduciary funds include pension and other employee benefit trust funds of the following fiduciary funds and component units: California Public Employees' Retirement System (CalPERS), California State Teachers' Retirement System (CalSTRS), the fund for the California Scholarshare program, and various other funds. CalPERS and CalSTRS account for 96.3% of these separately invested funds. CalPERS and CalSTRS exercise their authority under the State Constitution and invest in stocks, bonds, mortgages, real estate, and other investments, including derivative instruments.

Additional disclosures for CalPERS' investments and derivative instruments are included in CalPERS' separately issued financial statements, which may be found on its website at www.CalPERS.ca.gov. Additional disclosures for CalSTRS' investments and derivative instruments are included in CalSTRS' separately issued financial statements, which may be found on its website at www.CalSTRS.com.

C. Discretely Presented Component Units

The discretely presented component units consist of the University of California and its foundation, the California Housing Finance Agency (CalHFA), and various nonmajor component units. The University and CalHFA constitute 92.9% of the total investments of discretely presented component units. State law, bond resolutions, and investment policy resolutions allow component units to invest in U.S. government securities, state and municipal securities, commercial paper, corporate bonds, investment agreements, real estate, and other investments. Additionally, a portion of the cash and pooled investments of CalHFA, and other nonmajor component units are invested in the State Treasurer's pooled investment program.

Additional disclosures for the University of California's investments and derivative instruments are included in the University's separately issued financial statements, which may be found on its website at www.ucop.edu. Additional disclosures for CalHFA's investments and derivative instruments are included in CalHFA's separately issued financial statements, which may be found on its website at www.CalHFA.ca.gov.

NOTE 4: ACCOUNTS RECEIVABLE

Table 5 presents the disaggregation of accounts receivable attributable to taxes; licenses, permits, and fees; Lottery retailer collections; unemployment program receipts; and the California State University. Other receivables are for interest, gifts, grants, penalties, and other charges.

Table 5

Schedule of Accounts Receivable

June 30, 2021

(amounts in thousands)

	Taxes	Licenses, Permits, and Fees	Lottery Retailers
Current governmental activities			
General Fund	\$ 32,924,558	\$ —	\$ —
Federal Fund	—	—	—
Transportation Fund	834,652	357,222	—
Environmental and Natural Resources Fund	21,497	426,639	—
Health Care Related Programs Fund	579,433	3,157,650	—
Nonmajor governmental funds	329,293	734,171	—
Internal service funds	—	—	—
Adjustment:			
Unavailable revenue ¹	(1,848,236)	(193,142)	—
Total current governmental activities	\$ 32,841,197	\$ 4,482,540	\$ —
Amounts not scheduled for collection during the subsequent year (unavailable revenue)	\$ 1,848,236	\$ 193,142	\$ —
Current business-type activities			
Electric Power Fund	\$ —	\$ —	\$ —
Water Resources Fund	—	—	—
State Lottery Fund	—	—	660,370
Unemployment Programs Fund	—	—	—
California State University	—	—	—
Nonmajor enterprise funds	—	—	—
Total current business-type activities	\$ —	\$ —	\$ 660,370
Amounts not scheduled for collection during the subsequent year (unavailable revenue)	\$ —	\$ —	\$ —

¹ The unavailable revenue reported in the governmental fund financial statements represents revenues that are earned and measurable, but not available within 12 months of the end of the reporting period.

² Amount includes noncurrent receivables for service concession arrangements of \$34 million that were not included in the governmental fund financial statements.

Unemployment Programs	California State University	Other	Total
\$ 515,657	\$ —	\$ 4,675,956	\$ 38,116,171
—	—	1,662,632	1,662,632
—	—	158,649	1,350,523
—	—	157,870	606,006
—	—	484,568	4,221,651
—	—	761,216	1,824,680
—	—	67,397	67,397
(413,640)	—	(452,268)	(2,907,286)
\$ 102,017	\$ —	\$ 7,516,020	\$ 44,941,774
\$ 413,640	\$ —	\$ 485,785	²\$ 2,940,803
\$ —	\$ —	\$ 107,837	\$ 107,837
—	—	31,891	31,891
—	—	—	660,370
1,120,946	—	—	1,120,946
—	309,651	—	309,651
—	—	41,746	41,746
\$ 1,120,946	\$ 309,651	\$ 181,474	\$ 2,272,441
\$ 900,685	\$ 358,131	\$ —	\$ 1,258,816

NOTE 5: RESTRICTED ASSETS

Table 6 presents a summary of the legal restrictions placed on assets of the primary government and the discretely presented component units.

Table 6

Schedule of Restricted Assets

June 30, 2021

(amounts in thousands)

	Cash and Pooled Investments	Investments	Due From Other Governments	Loans Receivable	Total
Primary government					
Debt service	\$ 707,377	\$ 843,970	\$ 181,703	\$ 1,934,689	\$ 3,667,739
Construction	891,196	—	—	—	891,196
Operations	166,119	—	—	—	166,119
Other	512	—	—	—	512
Total primary government	1,765,204	843,970	181,703	1,934,689	4,725,566
Discretely presented component units					
Debt service	290,968	175,111	—	—	466,079
Other	88,659	—	—	—	88,659
Total discretely presented component units	379,627	175,111	—	—	554,738
Total restricted assets	\$ 2,144,831	\$ 1,019,081	\$ 181,703	\$ 1,934,689	\$ 5,280,304

NOTE 6: NET INVESTMENT IN DIRECT FINANCING LEASES

The State Public Works Board (SPWB) accounts for its activities in the Public Buildings Construction Fund, an internal service fund, and has entered into lease-purchase agreements with various other primary government agencies and certain local agencies. Payments from these leases will be used to satisfy the principal and interest requirements of revenue bonds issued by the SPWB. The lease-purchase activity between the SPWB and the primary government agencies shown in the schedule below represents only that activity with agencies reported as enterprise funds. The lease receivable of \$7.7 billion from governmental funds and the corresponding lease obligation were eliminated within the governmental activities column of the government-wide Statement of Net Position.

The CSU system accounts for its lease activities in the California State University Fund, a major enterprise fund, and has entered into capital lease agreements with various auxiliary organizations. These agreements lease existing and newly constructed facilities to the auxiliary organizations. A portion of the proceeds from certain revenue bonds and bond anticipation notes issued by the CSU were used to finance the construction of these facilities.

Table 7 summarizes the minimum lease payments to be received by the primary government.

Table 7**Schedule of Minimum Lease Payments to be Received by the Primary Government**

(amounts in thousands)

Year Ending June 30	State Public Works Board			California State University
	Primary Government Agencies	Local Agencies	Total	
2022	\$ 15,966	\$ 12,739	\$ 28,705	\$ 16,388
2023	15,954	12,720	28,674	29,750
2024	15,952	12,701	28,653	23,564
2025	15,930	12,689	28,619	23,466
2026	15,893	12,674	28,567	20,679
2027-2031	79,031	56,823	135,854	94,782
2032-2036	62,791	7,513	70,304	65,101
2037-2041	—	—	—	16,602
2042-2046	—	—	—	6,726
2047-2051	—	—	—	2,689
Total minimum lease payments	221,517	127,859	349,376	299,747
Less: unearned income	80,483	27,408	107,891	76,852
Net investment in direct financing leases	141,034	100,451	241,485	222,895
Less: current portion	5,183	8,124	13,307	9,218
Noncurrent net investment in direct financing leases	\$ 135,851	\$ 92,327	\$ 228,178	\$ 213,677

NOTE 7: CAPITAL ASSETS

Table 8 summarizes the capital activity for the primary government.

Table 8

Schedule of Changes in Capital Assets – Primary Government

June 30, 2021

(amounts in thousands)

	Beginning Balance		Additions		Deductions		Ending Balance
Governmental activities							
Capital assets not being depreciated/amortized							
Land	\$ 21,344,588	* \$	224,878		\$ 22,306		\$ 21,547,160
State highway infrastructure	79,159,317	*	1,910,117		50,448		81,018,986
Collections	22,682		—		—		22,682
Construction/development in progress	17,906,273	*	4,467,115		2,589,912		19,783,476
Intangible assets	846,369	*	77,491		9		923,851
Total capital assets not being depreciated/amortized ...	119,279,229		6,679,601		2,662,675		123,296,155
Capital assets being depreciated/amortized							
Buildings and improvements	27,460,093	*	565,343		450,772		27,574,664
Infrastructure	753,001		2,278		3,222		752,057
Equipment and other depreciable assets	5,672,479	*	391,387		141,721		5,922,145
Intangible assets	2,722,014	*	218,677		3,459		2,937,232
Total capital assets being depreciated/amortized	36,607,587		1,177,685		599,174		37,186,098
Less accumulated depreciation/amortization for:							
Buildings and improvements	10,605,763		671,984		319,937		10,957,810
Infrastructure	440,917		15,111		3,218		452,810
Equipment and other depreciable assets	4,644,210	*	398,775		139,285		4,903,700
Intangible assets	1,367,554	*	267,620		2,121		1,633,053
Total accumulated depreciation/amortization	17,058,444		1,353,490		464,561		17,947,373
Total capital assets being depreciated/amortized, net ...	19,549,143		(175,805)		134,613		19,238,725
Governmental activities, capital assets, net	\$ 138,828,372		\$ 6,503,796		\$ 2,797,288		\$ 142,534,880
Business-type activities							
Capital assets not being depreciated/amortized							
Land	\$ 330,410	\$	92,955		\$ 41		\$ 423,324
Collections	30,956		3,950		475		34,431
Construction/development in progress	3,208,596		1,308,398		1,548,068		2,968,926
Intangible assets	124,335		—		535		123,800
Total capital assets not being depreciated/amortized ...	3,694,297		1,405,303		1,549,119		3,550,481
Capital assets being depreciated/amortized							
Buildings and improvements	15,728,105		1,544,949		44,088		17,228,966
Infrastructure	552,246		72,690		46,307		578,629
Equipment and other assets	1,064,074	*	69,759		28,172		1,105,661
Intangible assets	442,455	*	17,968		2,650		457,773
Total capital assets being depreciated/amortized	17,786,880		1,705,366		121,217		19,371,029
Less accumulated depreciation/amortization for:							
Buildings and improvements	5,935,346		438,019		866		6,372,499
Infrastructure	191,626		24,340		44,024		171,942
Equipment and other assets	717,522	*	88,601		27,089		779,034
Intangible assets	222,344	*	19,901		2,121		240,124
Total accumulated depreciation/amortization	7,066,838		570,861		74,100		7,563,599
Total capital assets being depreciated/amortized, net ...	10,720,042		1,134,505		47,117		11,807,430
Business-type activities, capital assets, net	\$ 14,414,339		\$ 2,539,808		\$ 1,596,236		\$ 15,357,911

* Restated

Table 9 summarizes the depreciation expense charged to the activities of the primary government.

Table 9**Schedule of Depreciation Expense – Primary Government**

June 30, 2021

(amounts in thousands)

	Amount
Governmental activities	
General government	\$ 321,433
Education	141,258
Health and human services	180,457
Natural resources and environmental protection	101,109
Business, consumer services, and housing	9,947
Transportation	219,542
Corrections and rehabilitation	324,802
Internal service funds (charged to the activities that utilize the fund)	54,942
Total governmental activities	1,353,490
Business-type activities	570,861
Total primary government	\$ 1,924,351

Table 10 summarizes the capital activity for discretely presented component units.

Table 10**Schedule of Changes in Capital Assets – Discretely Presented Component Units**

June 30, 2021

(amounts in thousands)

	Beginning Balance	Additions	Deductions	Ending Balance
Capital assets not being depreciated/amortized				
Land	\$ 1,533,820	\$ 126,344	\$ 11,342	\$ 1,648,822
Collections	617,001	24,911	23,622	618,290
Construction/development in progress	4,057,202 *	660,060	93,807	4,623,455
Intangible assets	6,753	6	1,545	5,214
Total capital assets not being depreciated/amortized	6,214,776	811,321	130,316	6,895,781
Capital assets being depreciated/amortized				
Buildings and improvements	46,731,105	2,418,373	95,734	49,053,744
Infrastructure	1,010,555	18,906	42	1,029,419
Equipment and other depreciable assets	12,529,703	739,627	295,520	12,973,810
Intangible assets	1,850,861	56,393	79,733	1,827,521
Total capital assets being depreciated/amortized	62,122,224	3,233,299	471,029	64,884,494
Less accumulated depreciation/amortization for:				
Buildings and improvements	19,893,209	1,496,349	52,488	21,337,070
Infrastructure	484,997	36,371	—	521,368
Equipment and other depreciable assets	9,040,195	670,694	307,192	9,403,697
Intangible assets	1,036,348	201,179	64,282	1,173,245
Total accumulated depreciation/amortization	30,454,749	2,404,593	423,962	32,435,380
Total capital assets being depreciated/amortized, net	31,667,475	828,706	47,067	32,449,114
Capital assets, net	\$ 37,882,251	\$ 1,640,027	\$ 177,383	\$ 39,344,895

* Restated

NOTE 8: ACCOUNTS PAYABLE

Accounts payable are amounts, related to different programs, that are due taxpayers, vendors, customers, beneficiaries, and employees. Table 11 presents details related to accounts payable.

The adjustment for the fiduciary funds represents amounts due fiduciary funds that were reclassified as external payables on the government-wide Statement of Net Position.

Table 11

Schedule of Accounts Payable

June 30, 2021

(amounts in thousands)

	General Government	Education	Health and Human Services
Governmental activities			
General Fund	\$ 1,895,283	\$ 189,259	\$ 7,156,036
Federal Fund	208,017	84,793	23,183,838
Transportation Fund	17,101	6,255	486
Environmental and Natural Resources Fund	4,598	—	279
Health Care Related Programs Fund	—	485	3,926,119
Nonmajor governmental funds	966,249	67,288	254,185
Internal service funds	195,080	127	194,088
Adjustment:			
Fiduciary funds	726,339	—	—
Total governmental activities	\$ 4,012,667	\$ 348,207	\$ 34,715,031
Business-type activities			
Electric Power Fund	\$ —	\$ —	\$ —
Water Resources Fund	—	—	—
State Lottery Fund	52,022	—	—
Unemployment Programs Fund	—	—	76,192
California State University	—	342,971	—
Nonmajor enterprise funds	387	743	66
Adjustment:			
Fiduciary funds	—	—	—
Total business-type activities	\$ 52,409	\$ 343,714	\$ 76,258

Natural Resources and Environmental Protection				Transportation	Other	Total	
\$	824,301	\$	12,619	\$	413,552	\$	10,491,050
	145,569		117,396		8,384		23,747,997
	1,321		1,062,696		1,403		1,089,262
	422,558		319,693		12,083		759,211
	—		—		—		3,926,604
	9,858		177		116,936		1,414,693
	21,400		—		16,462		427,157
	—		38,924		57,808		823,071
\$	1,425,007	\$	1,551,505	\$	626,628	\$	42,679,045
\$	139,460	\$	—	\$	—	\$	139,460
	145,877		—		—		145,877
	—		—		—		52,022
	—		—		—		76,192
	—		—		—		342,971
	2,454		—		5,827		9,477
	—		—		—		—
\$	287,791	\$	—	\$	5,827	\$	765,999

NOTE 9: LONG-TERM OBLIGATIONS

As of June 30, 2021, the primary government had long-term obligations totaling \$338.2 billion. Of that amount, \$8.7 billion is due within one year. Governmental activities had a net increase in long-term obligations of \$6.4 billion. Significant increases included \$2.7 billion in net other postemployment benefits (OPEB) liability, \$1.9 billion in net pension liability, and \$1.4 billion in compensated absences payable.

Not included in the mandated cost claims payable shown in Table 12 are certain state-mandated programs that are in the adjudication process. Until the Commission on State Mandates rules on a test claim and the claim's parameters and guidelines are established, expected costs cannot be reasonably determined; however, a positive finding for any of the claimants could individually or in aggregate pose a significant cost to the State.

As of June 30, 2021, pollution remediation obligations increased by \$219 million, to \$1.5 billion. Under federal Superfund law, responsibility for pollution remediation is placed on current and previous owners or operators of polluted sites. Currently, the State's most significant Superfund site is the Stringfellow Class 1 Hazardous Waste Disposal Facility (Stringfellow) located in Riverside County. As of June 30, 2021, the State estimates that remediation costs at Stringfellow will total \$577 million. At BKK Landfill, an obligating event has occurred that will likely result in a liability to the State, but a reasonable estimate of the remediation cost cannot be determined at this time. BKK is a closed Class 1 landfill site at which the State is conducting post-closure care. In addition to Superfund sites, the State's other pollution remediation efforts include underground storage tank removal and cleanup, cleanup of polluted groundwater, and contaminated soil removal and cleanup as required by state law.

The primary government has identified tangible capital assets with associated retirement obligations. Some of these assets have a legally enforceable liability associated with their retirement, but the liability is not yet reasonably estimable. Examples include dams, sewer systems, waste ponds, bridges, roadways, and certain long-term use equipment. The State either has no prior experience decommissioning these types of assets to develop an estimate, or the assets are maintained indefinitely so an estimated useful life cannot be determined. The State will record the asset retirement obligations for such assets once they are reasonably estimable. The remaining measurable asset retirement obligations are immaterial.

The State receives a share of net profits generated by the operations of the Wilmington Oil Field. Various unit and production agreements control the character of the oil operations, including the liability associated with the future abandonment of the oil and gas wells and facilities. The State's share of the liability is apportioned based on its net profit interest, among other factors. The State retains a large majority of the total abandonment liability at the end of oil operations. As of June 30, 2021, the State estimates that the oil field abandonment liability is \$966 million, and the State has reserves of \$300 million in the Environmental and Natural Resources Fund (a special revenue fund) to liquidate future oil field abandonment costs.

The other long-term obligations for governmental activities consist of \$32 million to settle lawsuits, Technology Services Revolving Fund notes payable of \$28 million, and Water Resources Revolving Fund notes payable of \$27 million. The net pension liability, net OPEB liability, and compensated absences will be liquidated by the General Fund, special revenue funds, capital projects funds, and internal service funds. Workers' compensation and capital leases will be liquidated by the General Fund, special revenue funds, and internal service funds. The General Fund will liquidate the Proposition 98

funding guarantee, lawsuits, and reimbursement of costs incurred by local agencies and school districts for costs mandated by the State.

Overall, business-type activities experienced a net increase in long-term obligations of \$18.5 billion. Significant increases included \$17.5 billion for loans payable to the U.S. Department of Labor to cover shortfalls in the Unemployment Programs Fund, \$736 million in net OPEB liability, \$529 million in revenue bonds payable, \$269 million in net pension liability, and \$234 million in lottery prizes and annuities.

Table 12 summarizes the changes in long-term obligations during the fiscal year ended June 30, 2021.

Table 12

Schedule of Changes in Long-term Obligations

(amounts in thousands)

	Balance July 1, 2020	Additions
Governmental activities		
Loans payable adjustment for fiduciary funds	\$ 145,949	\$ —
Compensated absences payable	3,999,061	3,036,816
Workers' compensation benefits payable	4,678,009	829,327
Commercial paper and other borrowings	1,108,720	1,957,725
Capital lease obligations	393,089	19,875
General obligation bonds outstanding	71,968,035	6,313,765
Premiums	6,915,711	1,218,768
Total general obligation bonds payable	<u>78,883,746</u>	<u>7,532,533</u>
Revenue bonds outstanding	14,390,578	1,324,440
Accreted interest	651,862	52,155
Premiums	864,196	100,913
Discounts	(1,372)	(142)
Total revenue bonds payable	<u>15,905,264</u>	<u>1,477,366</u>
Mandated cost claims payable	1,835,410	285,675
Net other postemployment benefits liability	74,263,396	7,900,284
Net pension liability	82,815,664	27,658,210
Other long-term obligations:		
Oil field abandonment liability	909,783	56,601
Proposition 98 funding guarantee	15,931	—
Pollution remediation obligations	1,298,197	268,568
Other	742,894 *	27,409
Total other long-term obligations	<u>2,966,805</u>	<u>352,578</u>
Total governmental activities	<u>\$ 266,995,113</u>	<u>\$ 51,050,389</u>
Business-type activities		
Loans payable	\$ 2,271,930	\$ 17,497,365
Lottery prizes and annuities	1,362,521	5,655,754
Compensated absences payable	402,336	305,527
Workers' compensation benefits payable	10,004	2,658
Commercial paper and other borrowings	1,049,226	198,350
Capital lease obligations	357,072	180
General obligation bonds outstanding	778,920	96,680
Premiums	10,263	3,317
Discounts	(1,131)	—
Total general obligation bonds payable	<u>788,052</u>	<u>99,997</u>
Revenue bonds outstanding	12,960,500	2,998,955
Premiums	1,317,289	309,806
Discounts	(427)	—
Total revenue bonds payable	<u>14,277,362</u>	<u>3,308,761</u>
Net other postemployment benefits liability	16,223,564	1,833,520
Net pension liability	9,273,959	3,102,259
Other long-term obligations	285,980	14,243
Total business-type activities	<u>\$ 46,302,006</u>	<u>\$ 32,018,614</u>

* Restated

Deductions	Balance June 30, 2021	Due Within One Year	Noncurrent Liabilities
\$ 99,887	\$ 46,062	\$ —	\$ 46,062
1,642,112	5,393,765	9,500	5,384,265
566,278	4,941,058	524,995	4,416,063
1,890,210	1,176,235	—	1,176,235
53,152	359,812	43,366	316,446
7,444,345	70,837,455	3,504,180	67,333,275
490,526	7,643,953	889,239	6,754,714
7,934,871	78,481,408	4,393,419	74,087,989
1,222,857	14,492,161	744,465	13,747,696
—	704,017	—	704,017
161,536	803,573	110,093	693,480
(2)	(1,512)	(52)	(1,460)
1,384,391	15,998,239	854,506	15,143,733
34,144	2,086,941	43,335	2,043,606
5,171,965	76,991,715	—	76,991,715
25,760,739	84,713,135	—	84,713,135
—	966,384	—	966,384
15,223	708	708	—
49,437	1,517,328	50,336	1,466,992
65,635	704,668	192,861	511,807
130,295	3,189,088	243,905	2,945,183
\$ 44,668,044	\$ 273,377,458	\$ 6,113,026	\$ 267,264,432
\$ —	\$ 19,769,295	\$ —	\$ 19,769,295
5,421,261	1,597,014	918,415	678,599
194,495	513,368	139,747	373,621
—	12,662	—	12,662
846,357	401,219	72	401,147
21,171	336,081	20,008	316,073
288,750	586,850	47,375	539,475
1,395	12,185	—	12,185
(480)	(651)	—	(651)
289,665	598,384	47,375	551,009
2,498,660	13,460,795	1,361,975	12,098,820
280,864	1,346,231	33,932	1,312,299
(46)	(381)	—	(381)
2,779,478	14,806,645	1,395,907	13,410,738
1,097,103	16,959,981	—	16,959,981
2,833,593	9,542,625	—	9,542,625
53,996	246,227	54,845	191,382
\$ 13,537,119	\$ 64,783,501	\$ 2,576,369	\$ 62,207,132

NOTE 10: PENSION TRUSTS

The California Public Employees' Retirement System (CalPERS) provides retirement benefits to eligible employees of the State, public agencies, and public schools through single-employer, agent multiple-employer, and cost-sharing plans. The California State Teachers' Retirement System (CalSTRS) provides pension benefits to full-time and part-time employees of the State's public school system. Both are fiduciary component units of the State, and their financial activity is included in the pension and other employee benefit trust funds column of the fiduciary funds and similar component units' financial statements of this report.

CalPERS administers four defined benefit retirement plans: the Public Employees' Retirement Fund (PERF), the Judges' Retirement Fund (Judges'), the Judges' Retirement Fund II (Judges' II), and the Legislators' Retirement Fund (Legislators'). CalPERS also administers two defined contribution plans: the Public Employees' Deferred Compensation Fund and the Supplemental Contributions Program Fund.

The PERF accounts for the majority of assets and liabilities reported for CalPERS' plans. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for these plans. The report may be found on CalPERS' website at www.CalPERS.ca.gov.

Contributions to CalPERS' pension trust funds are recognized in the period in which the contributions are due, pursuant to legal requirements. Benefits and refunds in the defined benefit plans are recognized when due and payable in accordance with the terms of each plan.

CalSTRS administers four defined benefit retirement plans within the State Teachers' Retirement Plan: the Defined Benefit Program, the Defined Benefit Supplement Program, the Cash Balance Benefit Program, and the Replacement Benefits Program. CalSTRS also administers two defined contribution plans: the Pension2 403(b) Plan and the Pension2 457(b) Plan. CalSTRS issues a publicly available financial report that includes financial statements and required supplementary information for these plans. This report may be found on its website at www.CalSTRS.com.

Member, employer, and state contributions to CalSTRS' pension plans are recognized in the period in which the contributions are required by statute. Benefits and refunds are recognized when due and payable, in accordance with the retirement and benefits programs.

Fifty-eight county superior courts (trial courts) are included in the primary government. Either CalPERS or the counties administer the pension plans in which the trial courts participate.

For the purpose of measuring net pension liability, deferred outflows and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of CalPERS' plans and CalSTRS' plans, and changes to the plans' fiduciary net positions have been determined on the same basis as reported by the plans.

The University of California, a discretely presented component unit, administers the University of California Retirement System (UCRS), which consists of two defined benefit plans funded with University and employee contributions, and four defined contribution plans with options to participate in internally or externally managed investment portfolios generally funded with employee non-elective and elective contributions. The State does not directly contribute to the UCRS. Additional information on the

UCRS can be found in the University's separately issued financial statements on its website at www.ucop.edu.

A. California Public Employees' Retirement System

1. Public Employees' Retirement Fund (PERF)

Plan Description: The PERF is comprised of and reported as three separate entities for financial reporting purposes, of which the State reports only PERF A. PERF A is comprised of agent multiple-employer plans, which include the State of California and most public agencies' rate plans with more than 100 active members. PERF B is a cost-sharing multiple-employer plan comprised of school employers and consisting of non-teaching and non-certified employee members. PERF C is a cost-sharing multiple-employer plan comprised of public agencies' plans that generally have fewer than 100 active members. Employers participating in the PERF as of June 30, 2020, included the primary government and certain discretely presented component units; 1,326 school employers, including charter schools; and 1,605 public agencies. As the State is not an employer in PERF B or PERF C, the term PERF is used hereafter to refer exclusively to the agent multiple-employer plans that include employees of the primary government and certain discretely presented component units.

CalPERS acts as the common investment and administrative agent for participating employers. State employees served by the PERF include first- and second-tier miscellaneous and industrial employees, California Highway Patrol (CHP) employees, peace officers and firefighters, and other safety members.

Benefits Provided: All employees in a covered class of employment who work half-time or more are eligible to participate in the PERF. The PERF provides retirement, death, disability, and survivor benefits. Vesting occurs after five years, or after ten years for second-tier employees. The benefit provisions are established by the Public Employees' Retirement Law (PERL) and the Public Employees' Pension Reform Act of 2013 (PEPRA), and are summarized in Appendix B of the State's June 30, 2019 Actuarial Valuation Report, which may be found at www.CalPERS.ca.gov/docs/forms-publications/2019-state-valuation.pdf. In general, retirement benefits for the PERF plans are based on a formula using a member's years of service credit, age at retirement, and final compensation (average salary for a defined period of employment). Retirement formulas vary based on:

- Classification (e.g., miscellaneous, safety, industrial, CHP, or peace officers and firefighters);
- Membership category (pre-PEPRA and post-PEPRA); and
- Specific provisions in employees' contracts.

The four basic types of retirement are:

- Service Retirement – The normal retirement is a lifetime benefit. In most cases, employees become eligible for service retirement as early as age 50 with five years of service credit. If the employee became a member on or after January 1, 2013, he or she must be at least 52 years old with at least five years of service to retire. Second-tier employees (miscellaneous and industrial) become eligible at age 55 with at least 10 years of service credit.
- Vested Deferred Retirement – Vested members who leave employment but keep their contribution balances on deposit with CalPERS are eligible for this benefit.
- Disability Retirement – Vested members who can no longer perform the usual duties of their current position due to illness or injury may receive this benefit.

- Industrial Disability Retirement – This benefit is available for eligible safety members, industrial employees, CHP employees, and peace officers and firefighters who are unable to perform the usual duties of their current position due to job-related illness or injury.

Employees Covered by Benefit Terms: The State’s June 30, 2020 Actuarial Valuation Report provides information about the number of employees by type covered within the various PERF plans. Table 13 shows the number of employees covered by the benefit terms of each of the PERF plans as of the most recent valuation.

Table 13

Number of Employees by Type Covered by Benefit Terms – PERF Plans
June 30, 2020

	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol	Total PERF Plans
Inactive employees or beneficiaries currently receiving benefits	202,078	16,050	27,905	43,525	9,519	299,077
Inactive employees entitled to but not yet receiving benefits	64,394	3,705	8,095	7,408	532	84,134
Active employees	208,758	19,739	34,756	47,109	7,288	317,650
Total	475,230	39,494	70,756	98,042	17,339	700,861

Contributions: Section 20814(c) of PERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by pension plan terms as plan member contribution requirements are classified as plan member contributions.

Table 14 shows the average active employee and the employer contribution rates for each of the PERF plans as a percentage of annual pay for the measurement period ended June 30, 2020.

Table 14**Contribution Rates – PERF Plans**

June 30, 2020

	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol
Average active employee rate.....	7.000 %	8.070 %	10.560 %	11.510 %	10.570 %
Employer rate of annual payroll	31.075	21.704	22.708	48.845	59.124
Total	38.075 %	29.774 %	33.268 %	60.355 %	69.694 %

Actuarial Methods and Assumptions: The total pension liability for PERF plans was measured as of June 30, 2020 (measurement date), by rolling forward the total pension liability determined by the June 30, 2019 actuarial valuation (valuation date), based on the actuarial methods and assumptions shown in Table 15.

Table 15**Actuarial Methods and Assumptions – PERF Plans**

Valuation date:	June 30, 2019
Actuarial cost method:	Entry age normal in accordance with the requirements of GASB 68
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by entry age and service
Investment rate of return	7.15% net of pension plan investment expense but without reduction for administrative expenses; includes inflation
Mortality	Mortality rates are based on the 2017 CalPERS Experience Study adopted by the CalPERS Board and include 15 years of mortality improvements using the Society of Actuaries 90% of Scale MP 2016.
Post-retirement benefit adjustments (COLAs)	The lesser of Contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter

Discount Rate: The discount rate used to measure the total pension liability was 7.15% for the PERF. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at actuarially determined statutorily required rates. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied

to all periods of projected benefit payments to determine the total pension liability. The stress test results are presented in the GASB Crossover Testing Report, which may be found on CalPERS' website at www.CalPERS.ca.gov/docs/gasb-crossover-testing-2021.pdf.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected ranges of future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

Table 16 shows the long-term expected geometric real rate of return by asset class for all plans in the PERF.

Table 16

Long-term Expected Real Rate of Return by Asset Class – PERF Plans

Asset Class	Policy Target Allocation	Real Return Years 1 – 10¹	Real Return Years 11+²
Public equity	50.0 %	4.80 %	5.98 %
Fixed income	28.0	1.00	2.62
Inflation assets	—	0.77	1.81
Private equity	8.0	6.30	7.23
Real assets	13.0	3.75	4.93
Liquidity	1.0	—	(0.92)
Total	100.0 %		

¹ An expected inflation rate of 2.00% used for this period.

² An expected inflation rate of 2.92% used for this period.

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Changes in Net Pension Liability: Table 17 shows changes in net pension liability recognized over the measurement period for the PERF plans.

Table 17

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

	State Miscellaneous			State Industrial		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2019	\$ 117,373,165	\$ 83,737,870	\$ 33,635,295	\$ 4,829,826	\$ 3,818,606	\$ 1,011,220
Changes recognized for the measurement period:						
Service cost	2,125,738	—	2,125,738	131,508	—	131,508
Interest on total pension liability	8,288,391	—	8,288,391	343,896	—	343,896
Changes of assumptions	—	—	—	—	—	—
Difference between expected and actual experience	742,481	—	742,481	24,610	—	24,610
Plan to plan resource movement	—	(4,213)	4,213	—	(1,037)	1,037
Employer contributions	—	5,008,537	(5,008,537)	—	244,773	(244,773)
Employee contributions	—	1,005,830	(1,005,830)	—	65,268	(65,268)
Net investment income	—	4,138,142	(4,138,142)	—	191,982	(191,982)
Benefit payments, including refunds of employee contributions	(6,513,916)	(6,513,916)	—	(220,912)	(220,912)	—
Administrative expense	—	(118,050)	118,050	—	(5,383)	5,383
Other Miscellaneous Income/(Expense) ..	—	—	—	—	—	—
Net changes	4,642,694	3,516,330	1,126,364	279,102	274,691	4,411
Balance at June 30, 2020 (Measurement Date)	\$ 122,015,859	\$ 87,254,200	\$ 34,761,659	\$ 5,108,928	\$ 4,093,297	\$ 1,015,631

State Safety			State Peace Officers and Firefighters		
Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
\$ 14,207,689	\$ 11,383,022	\$ 2,824,667	\$ 50,094,530	\$ 35,348,084	\$ 14,746,446
553,316	—	553,316	1,062,486	—	1,062,486
1,012,593	—	1,012,593	3,547,687	—	3,547,687
—	—	—	—	—	—
16,473	—	16,473	172,204	—	172,204
—	3,907	(3,907)	—	735	(735)
—	747,441	(747,441)	—	3,220,739	(3,220,739)
—	267,822	(267,822)	—	462,370	(462,370)
—	575,732	(575,732)	—	1,812,785	(1,812,785)
(677,362)	(677,362)	—	(2,359,940)	(2,359,940)	—
—	(16,047)	16,047	—	(49,832)	49,832
—	—	—	—	—	—
905,020	901,493	3,527	2,422,437	3,086,857	(664,420)
\$ 15,112,709	\$ 12,284,515	\$ 2,828,194	\$ 52,516,967	\$ 38,434,941	\$ 14,082,026

(continued)

Table 17 (continued)

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

	California Highway Patrol			Total PERF Plans		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2019	\$ 13,700,431	\$ 9,079,633	\$ 4,620,798	\$ 200,205,641	\$ 143,367,215	\$ 56,838,426
Changes recognized for the measurement period:						
Service cost	266,192	—	266,192	4,139,240	—	4,139,240
Interest on total pension liability	974,410	—	974,410	14,166,977	—	14,166,977
Changes of assumptions	—	—	—	—	—	—
Difference between expected and actual experience	120,496	—	120,496	1,076,264	—	1,076,264
Plan to plan resource movement	—	638	(638)	—	30	(30)
Employer contributions	—	559,585	(559,585)	—	9,781,075	(9,781,075)
Employee contributions	—	103,159	(103,159)	—	1,904,449	(1,904,449)
Net investment income	—	450,669	(450,669)	—	7,169,310	(7,169,310)
Benefit payments, including refunds of employee contributions	(651,832)	(651,832)	—	(10,423,962)	(10,423,962)	—
Administrative expense	—	(12,800)	12,800	—	(202,112)	202,112
Other Miscellaneous Income/(Expense) ..	—	—	—	—	—	—
Net changes	709,266	449,419	259,847	8,958,519	8,228,790	729,729
Balance at June 30, 2020 (Measurement Date)	\$ 14,409,697	\$ 9,529,052	\$ 4,880,645	\$ 209,164,160	\$ 151,596,005	\$ 57,568,155

Reported in governmental activities	\$ 45,822,947
Reported in business-type activities	9,526,217
Reported by discretely presented component units	181,305
Not reported in government-wide Statement of Net Position ¹	2,037,686
Total net pension liability – PERF plans	\$ 57,568,155

(concluded)

¹ Includes amounts allocated to related organizations and fiduciary funds. Also includes the difference in net pension liability for discretely presented component units with a reporting period ended December 31, 2020; and minor differences related to amounts reported in separately issued financial statements of proprietary funds and discretely presented component units.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: Table 18 shows the net pension liability of the State, with regard to the PERF plans, calculated using the discount rate of 7.15%, as well as what the State’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate.

Table 18

Net Pension Liability Sensitivity – PERF Plans

June 30, 2021

(amounts in thousands)

	Current Rate -1%	Current Rate 7.15%	Current Rate +1%
State Miscellaneous	\$ 49,538,688	\$ 34,761,659	\$ 22,377,151
State Industrial	1,712,630	1,015,631	441,194
State Safety	4,818,885	2,828,194	1,179,870
State Peace Officers and Firefighters	21,316,885	14,082,026	8,144,398
California Highway Patrol	6,902,929	4,880,645	3,224,652
Total PERF plans	\$ 84,290,017	\$ 57,568,155	\$ 35,367,265

Pension Plans Fiduciary Net Position: Detailed information about the PERF plans’ fiduciary net position is available in the separately issued CalPERS financial report.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions: For the PERF plans, for the fiscal year ended June 30, 2021, the State recognized pension expense of \$10.4 billion. At June 30, 2021, the State reported deferred outflows of resources from contributions made by the State to the PERF plans subsequent to the measurement date of June 30, 2020, but prior to the fiscal year ended June 30, 2021. Differences between expected and actual experience are recognized as deferred outflows and inflows of resources. The changes of assumptions are recognized as deferred outflows and inflows of resources. The aggregate difference (positive and negative) between projected and actual earnings on pension plan investments arising in different measurement periods are reported as net deferred outflows of resources. Deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent year.

Table 19 shows pension expense and sources of deferred outflows and deferred inflows of resources related to each PERF plan.

Table 19

Pension Expense and Sources of Deferred Outflows and Deferred Inflows of Resources

Related to Pensions – PERF Plans

June 30, 2021

(amounts in thousands)

	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol	Total PERF Plans
Pension Expense	\$ 6,050,324	\$ 226,691	\$ 745,198	\$ 2,601,691	\$ 783,374	\$ 10,407,278
Deferred Outflows of Resources:						
Employer contributions.....	3,791,620	128,407	473,147	1,312,046	530,587	6,235,807
Changes of assumptions.....	—	—	46,966	602,019	161,390	810,375
Difference between expected and actual experience.....	1,726,305	62,900	141,161	677,326	237,480	2,845,172
Net difference between projected and actual earnings on pension plan investments.....	856,981	41,156	126,449	361,526	99,097	1,485,209
Deferred Inflows of Resources:						
Difference between expected and actual experience.....	—	(2,243)	(13,837)	(66,122)	(34,163)	(116,365)
Changes of assumptions.....	(369,588)	(6,360)	(11,778)	(10,041)	—	(397,767)

Table 20 shows amounts reported as deferred outflows and inflows of resources related to pensions that will be recognized as pension expense in future years for the PERF plans. Increases to pension expense are shown as positive amounts and decreases to pension expense are shown as negative amounts.

Table 20

Recognition of Deferred Outflows and Deferred Inflows of Resources – PERF Plans

(amounts in thousands)

Year Ending June 30	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol	Total PERF Plans
2022.....	\$ 196,727	\$ 19,077	\$ 51,249	\$ 586,111	\$ 164,276	\$ 1,017,440
2023.....	929,530	35,651	89,842	439,665	111,485	1,606,173
2024.....	688,965	24,069	96,274	359,106	110,668	1,279,082
2025.....	398,476	16,656	51,596	179,826	72,741	719,295
2026.....	—	—	—	—	4,634	4,634

Payable to the Pension Plans: At June 30, 2021, the State reported a payable of \$917 million for the outstanding amount of contributions to the PERF pension plans required for the fiscal year ended June 30, 2021.

2. Single-employer Plans

Plan Description: CalPERS administers three single-employer defined benefit retirement plans.

Judges' – Judges' membership includes judges working in the California Supreme Court, the courts of appeal, and the superior courts who were appointed or elected prior to November 9, 1994. Judges' is funded on a "pay-as-you-go" basis, where short-term investments, contributions received during the year, and a General Fund augmentation are used to provide funding for benefit payments.

Judges' II – Judges' II membership includes judges working in the California Supreme Court, the courts of appeal, and the superior courts, who were appointed or elected on or after November 9, 1994. There are two types of service retirement available for plan members: the Defined Benefit Plan and the Monetary Credit Plan, in which members can choose a single lump sum payment or annuity at retirement.

Legislators' – Legislators' was established in 1947; its members consist of state legislators, constitutional officers, and legislative statutory officers. The PEPR closed Legislators' to new participants effective January 1, 2013.

Benefits Provided: All employees in a covered class of employment who work on a half-time basis or more are eligible to participate. The benefits for the defined benefit plans are based on a member's years of service, age, final compensation, and a benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service. Benefits are established in accordance with the provisions of the Judges' Retirement Law, Judges' Retirement System II Law, and Legislators' Retirement Law. Additional information is available in the Actuarial Valuation Report for each plan, which may be found on CalPERS' website at www.CalPERS.ca.gov.

Judges' – The four basic types of retirement are:

- Service Retirement – Members must be at least age 60 with 20 years of service or age 70 with at least 10 years of service.
- Deferred Retirement – Vested members are eligible for deferred retirement at any age with at least five years of service.
- Disability Retirement (non-work related) – There is no age requirement, but there may be a service requirement depending on when the member became a judge. The retirement allowance is 65% of a judge's final salary, or 75% of his or her final salary if the judge has 20 or more years of service.
- Disability Retirement (work-related) – There is no age or service requirement if the disability is a result of work-related injury or disease. The retirement allowance is the same as non-work related disability retirement.
- Death Benefits – Beneficiaries may receive 25% of a current active judge's salary for life if the judge was not eligible for retirement. Beneficiaries receive one-half of what the retirement allowance would have been if the judge was retired on the date of death.

Judges’ II – The four basic types of retirement are:

- Service Retirement – Judges must be at least age 65 with 20 years of service or age 70 with a minimum of five years of service to receive the defined benefit plan. Judges must have at least five years of service to receive the monetary credit plan.
- Disability Retirement (non-work related) – Judges who have five years of service and become permanently disabled because of a mental or physical disability may apply to the Commission on Judicial Performance for disability retirement.
- Disability Retirement (work related) – Judges receive 65% of their average monthly salary earned during the 12 or 36 months preceding their retirement date, regardless of age or length of service.
- Death Benefits – Beneficiaries receive the judge’s monetary credits or three times the annual salary at the time of death, whichever is greater, if the judge was not eligible for retirement. Beneficiaries receive one-half of the retirement pension for life if the judge was retired on the date of death.

Legislators’ – The three basic types of retirement are:

- Service Retirement – Members must be age 60, with four or more years of service credit, or any age with 20 or more years. The retirement age for legislative statutory officers is 55, or any age with 20 years or more of service credit.
- Disability Retirement – Disability retirement uses the same formula as service retirement. There is no reduction for members of the Legislature if retirement is before age 60.
- Death Benefits – Beneficiaries have multiple options depending on whether the member was eligible for retirement or was retired at the time of death.

Employees Covered by Benefit Terms: The June 30, 2020 actuarial valuation reports for each single-employer plan provide information about the number of employees by type covered within the plans. Table 21 shows the number of employees covered by the benefit terms of each of the single-employer plans as of the most recent valuation.

Table 21

Number of Employees by Type Covered by Benefit Terms – Single-employer Plans
June 30, 2020

	<u>Judges’</u>	<u>Judges’ II</u>	<u>Legislators’</u>	<u>Total</u>
Inactive employees or beneficiaries currently receiving benefits	1,730	303	207	2,240
Inactive employees entitled to but not yet receiving benefits	2	2	5	9
Active employees	130	1,627	2	1,759
Total	<u>1,862</u>	<u>1,932</u>	<u>214</u>	<u>4,008</u>

Contributions: As Judges’ is funded on a “pay-as-you-go” basis, the contributions made will be less than the actuarially determined contribution requirement of normal cost plus a 10-year amortization of the unfunded accrued liability. The actual contribution is the estimated amount of benefit payouts during the year. Currently, Judges’ member contributions are 8.0% of pay. In certain situations, employers make member contributions.

Judges' II contribution rates are determined through CalPERS' annual actuarial valuation process as required by section 75600.5(c) of the PERL. Classic members contribute 8.0% of their annual compensation to the plan. The base total normal cost rate for PEPRA new members was re-determined in the June 30, 2020 actuarial valuation as 32.10%. The percentage changes in any given year only once the change to the total normal cost is greater than 1.0% from the base total normal cost. The new member rate should be 50% of the new normal cost rounded to the nearest quarter percentage.

For Legislators', contribution rates are determined through CalPERS' annual actuarial valuation process as required by section 9358 of the PERL. The minimum employer contribution rate under PEPRA is the greater of the actuarially determined employer rate or the employer normal cost.

Table 22 shows the average active employee and the employer contribution rates for each of the single-employer plans as a percentage of annual pay for the measurement period ended June 30, 2020.

Table 22

Contribution Rates – Single-employer Plans

June 30, 2020

	<u>Judges'</u>	<u>Judges' II</u>	<u>Legislators'</u>
Average active employee rate.....	“Pay-	9.177 %	7.425 %
Employer rate of annual payroll.....	as-you-	24.964	35.272
Total	go”	<u>34.141 %</u>	<u>42.697 %</u>

Actuarial Methods and Assumptions: The total pension liability for single-employer plans was measured as of June 30, 2020 (measurement date), by rolling forward the total pension liability determined by the June 30, 2019 actuarial valuations (valuation date), based on the actuarial methods and assumptions shown in Table 23.

Table 23

Actuarial Methods and Assumptions – Single-employer Plans

Valuation date:	June 30, 2019
Actuarial cost method:	Entry age normal in accordance with the requirements of GASB 68
Actuarial assumptions:	
Discount rate	Judges' 2.45%, Judges' II 6.65%, Legislators' 5.25%
Inflation	All single-employer plans – 2.50%
Salary increases	All single-employer plans – 2.75%
Investment rate of return	Judges' 2.45%, Judges' II 6.65%, Legislators' 5.25%, net of pension plan investment without reduction of administrative expense
Mortality	Mortality rates are based on the 2017 CalPERS Experience Study adopted by the CalPERS Board and include 15 years of mortality improvements using the Society of Actuaries 90% of Scale MP 2016.
Post-retirement benefit adjustments (COLAs)	Judges' – 2.75% Judges' II – 2.50% Legislators' – 2.50%

Discount Rate: To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress-tested plans that would most likely result in a discount rate that would differ from the actuarially assumed discount rate. For the single-employer plans, the following rates were used:

Judges' – 2.45%, reflecting the short-term nature of the assets. As the plan is insufficiently funded, CalPERS uses a discount rate of 2.45%, which falls within a reasonable range of yields on 20-year tax-exempt general obligation municipal bonds with an average rating of AA.

Judges' II – 6.65%

Legislators' – 5.25%

With the exception of *Judges'*, which uses a lower rate of return, the information regarding the discount rate and the long-term expected real rate of return described previously for the PERF plans is also applicable to the single-employer plans. GAAP requires that the long-term discount rate should be determined without reduction for pension plan administrative expense.

Table 24 shows long-term expected real rates of return by asset class for Judges' II and Legislators'.

Table 24

Long-term Expected Real Rate of Return by Asset Class – Judges' II and Legislators' Plans

Asset Class	Judges' II	Legislators'	Real Return Years 1 – 10 ¹	Real Return Years 11+ ²
	Current Target Allocation	Current Target Allocation		
Global equity	52.0 %	22.0 %	4.80 %	5.98 %
Global fixed income	32.0	49.0	1.10	2.62
Inflation sensitive	5.0	16.0	0.25	1.46
Commodities	3.0	5.0	1.50	2.87
Real estate	8.0	8.0	3.50	5.00
Total	100.0 %	100.0 %		

¹ An expected inflation rate of 2.00% used for this period.

² An expected inflation rate of 2.92% used for this period.

Changes in Net Pension Liability: Table 25 shows the changes in net pension liability recognized over the measurement period for the single-employer plans.

Table 25

Changes in Net Pension Liability – Single-employer Plans
(amounts in thousands)

	Judges'			Judges' II		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2019 (Valuation Date).....	\$ 3,175,069	\$ 10,169	\$ 3,164,900	\$ 1,699,922	\$ 1,710,089	\$ (10,167)
Changes recognized for the measurement period:						
Service cost	17,026	—	17,026	114,486	—	114,486
Interest on total pension liability	79,719	—	79,719	115,517	—	115,517
Difference between expected and actual experience	(41,794)	—	(41,794)	(2,797)	—	(2,797)
Changes of assumptions	218,684	—	218,684	—	—	—
Employer contributions	—	243,132	(243,132)	—	91,148	(91,148)
Employee contributions	—	2,843	(2,843)	—	35,795	(35,795)
Net investment income	—	884	(884)	—	80,074	(80,074)
Benefit payments, including refunds of employee contributions....	(213,234)	(213,234)	—	(34,547)	(34,547)	—
Administrative expense	—	(2,270)	2,270	—	(2,552)	2,552
Other miscellaneous income	—	2,202	(2,202)	—	—	—
Net changes	60,401	33,557	26,844	192,659	169,918	22,741
Balance at June 30, 2020 (Measurement Date).....	\$ 3,235,470	\$ 43,726	\$ 3,191,744	\$ 1,892,581	\$ 1,880,007	\$ 12,574

Legislators'			Total Single-employer Plans		
Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
\$ 94,144	\$ 114,404	\$ (20,260)	\$ 4,969,135	\$ 1,834,662	\$ 3,134,473
100	—	100	131,612	—	131,612
4,885	—	4,885	200,121	—	200,121
2,320	—	2,320	(42,271)	—	(42,271)
—	—	—	218,684	—	218,684
—	98	(98)	—	334,378	(334,378)
—	22	(22)	—	38,660	(38,660)
—	7,011	(7,011)	—	87,969	(87,969)
(6,939)	(6,939)	—	(254,720)	(254,720)	—
—	(550)	550	—	(5,372)	5,372
—	2	(2)	—	2,204	(2,204)
<u>366</u>	<u>(356)</u>	<u>722</u>	<u>253,426</u>	<u>203,119</u>	<u>50,307</u>
<u>\$ 94,510</u>	<u>\$ 114,048</u>	<u>\$ (19,538)</u>	<u>\$ 5,222,561</u>	<u>\$ 2,037,781</u>	<u>\$ 3,184,780</u>
			Reported in governmental activities	<u>\$</u>	<u>3,184,780</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: Judges’ net pension liability was calculated using a discount rate of 2.45%; Judges’ II used 6.65%; and Legislators’ used 5.25%. Table 26 shows the net pension liability for each single-employer plan, calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

Table 26

Net Pension Liability/Asset Sensitivity – Single-employer Plans

June 30, 2021

(amounts in thousands)

	Current Rate -1%	Current Rate	Current Rate +1%
Judges’ (2.45%)	\$ 3,549,351	\$ 3,191,744	\$ 2,889,090
Judges’ II (6.65%)	243,616	12,574	(175,325)
Legislators’ (5.25%)	(8,183)	(19,538)	(28,750)
Total Single-employer Plans	\$ 3,784,784	\$ 3,184,780	\$ 2,685,015

Pension Plans Fiduciary Net Position: Detailed information about the single-employer plans’ fiduciary net position is available in the separately issued CalPERS financial report.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions: For the single-employer plans, for the fiscal year ended June 30, 2020, the State recognized pension expense of \$350 million. At June 30, 2021, the State reported deferred outflows of resources from contributions made by the State to the single-employer plans subsequent to the measurement date of June 30, 2020, but prior to the fiscal year ended June 30, 2021, which will be recognized as a reduction of the net pension liability in the subsequent year.

Table 27 shows pension expense and sources of deferred outflows and deferred inflows of resources related to each single-employer plan.

Table 27

**Pension Expense and Sources of Deferred Outflows and Deferred Inflows of Resources
Related to Pensions – Single-employer Plans**

June 30, 2021

(amounts in thousands)

	<u>Judges'</u>	<u>Judges' II</u>	<u>Legislators'</u>	<u>Total</u>
Pension Expense	\$ 269,509	\$ 78,807	\$ 2,161	\$ 350,477
Deferred Outflows of Resources:				
Employer contributions subsequent to the measurement date	224,928	78,784	79	303,791
Changes of assumptions	—	34,616	—	34,616
Difference between expected and actual experience	—	21,759	—	21,759
Net difference between projected and actual earnings on pension plan investments	88	16,943	—	17,031
Deferred Inflows of Resources:				
Difference between expected and actual experience	—	(39,566)	—	(39,566)
Changes of assumptions	—	(31,319)	—	(31,319)
Net difference between projected and actual earnings on pension plan investments	—	—	(1,829)	(1,829)

Table 28 shows amounts reported as deferred outflows and deferred inflows of resources related to pensions that will be recognized in pension expense in future years for the single-employer plans. Increases to pension expense are shown as positive amounts and decreases to pension expense are shown as negative amounts.

Table 28

Recognition of Deferred Outflows and Deferred Inflows of Resources – Single-employer Plans

(amounts in thousands)

<u>Year Ending June 30</u>	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>		<u>Total</u>
	<u>Judges'</u>		<u>Judges' II</u>	<u>Legislators'</u>	
2022	\$ 245	\$	(5,794)	\$ (366)	\$ (5,915)
2023	18		1,165	(569)	614
2024	(128)		4,622	(654)	3,840
2025	(47)		7,923	(240)	7,636
2026	—		(4,596)	—	(4,596)
Thereafter	—		(887)	—	(887)

B. California State Teachers' Retirement System

The State reports a net pension liability, deferred outflows and deferred inflows of resources, and expenses as a result of its statutory requirement to contribute to the State Teachers' Retirement Fund as a non-employer contributing entity.

Plan Description: CalSTRS administers the State Teachers' Retirement Fund, which is an employee benefit trust fund created to finance the State Teachers' Retirement Plan (STRP). The STRP is a cost-sharing multiple-employer defined benefit pension plan that provides retirement, disability, and survivor benefits to teachers and certain other employees of the California public school system. Four programs comprise the STRP: the Defined Benefit (DB) Program, the Defined Benefit Supplement (DBS) Program, the Cash Balance Benefit (CBB) Program, and the Replacement Benefits (RB) Program. CalSTRS issues a publicly available financial report, which may be found on CalSTRS' website at www.CalSTRS.com.

Benefits Provided: Membership in the DB Program is mandatory for all employees meeting certain statutory requirements. The DB Program provides retirement benefits based on a member's age, final compensation, and years of service credit. In addition, the retirement program provides benefits to members upon disability and to their survivors or beneficiaries upon the death of eligible members. The Teachers' Retirement Law establishes the benefits for the DB Program. The DB Program had 1,800 contributing employers, 430,000 active and 231,000 inactive program members, and 320,000 benefit recipients as of June 30, 2021. The payroll for employees covered by the DB Program for the fiscal year ended June 30, 2020, was approximately \$36.7 billion.

Membership in the DBS Program is automatic for all members of the DB Program. The DBS Program provides benefits based on the amount of funds contributed. Vesting in the DBS Program occurs automatically with vesting in the DB Program. The Teachers' Retirement Law establishes the benefits for the DBS Program. The primary government does not contribute to the DBS Program.

Contributions: The DB Program contribution rates are based on the provisions of AB 1469 and Education Code section 22955.1(b). The Legislature may amend these provisions at any time and submit the amendment to the Governor for approval. The contribution rates for members and employers for the reporting period were 10.21% and 17.10% of creditable compensation, respectively. The General Fund contributed an additional 5.811% of total creditable compensation of the fiscal year ending in the prior calendar year. Contributions will remain at 5.811% in the next year and may increase until fiscal year 2045-46. Accordingly, the State contributed \$3.7 billion for fiscal year 2020-21. CalSTRS' June 30, 2019 Defined Benefit Actuarial Valuation Report may be found on CalSTRS' website at www.CalSTRS.com/files/16a042409/db-valuation-2019.pdf.

The CBB Program is designed for employees of California public schools who are hired to perform creditable service for less than 50% of the full-time equivalent for the position. Employer participation in the CBB Program is optional. However, if the employer elects to offer the CBB Program, then each eligible employee will automatically be covered by the CBB Program, unless the member elects to participate in the DB Program or an alternative plan provided by the employer within 60 days of hire or the election period determined by the employer. At June 30, 2020, the CBB Program had 29 contributing school districts and 41,115 contributing participants.

The RB Program is a qualified excess benefits arrangement for DB Program members that is administered through a separate pension trust apart from the other three STRP programs; it was established in accordance with Internal Revenue Code section 415(m). Internal Revenue Code section 415(b) imposes a dollar limit on the annual retirement benefits an individual may receive from a qualified defined benefit pension plan. Monthly contributions that would otherwise be credited to the DB program are instead credited to the RB Program to fund monthly program costs. Monthly employer contributions are received and paid to members in amounts equal to the benefits not paid as a result of Internal Revenue Code section 415(b), subject to withholding for any applicable income or employment taxes. At June 30, 2020, 343 individuals were receiving benefits from the RB program.

Actuarial Methods and Assumptions: The total pension liability in the June 30, 2019 actuarial valuation (valuation date) was determined using the actuarial methods and assumptions shown in Table 29, applied to the measurement period ended June 30, 2020.

Table 29

Actuarial Methods and Assumptions – CalSTRS

Valuation date	June 30, 2019
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%
Post-retirement benefit increases (COLAs)	2.00% simple

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rate at each age, resulting in increases in future life expectancies. CalSTRS uses base mortality tables customized to best fit the patterns of mortality among its members. The projection scale was set to equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale table, issued by the Society of Actuaries.

Discount Rate: The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases created by AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS' general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in 2020 in conjunction with the most recent experience study. For each future valuation,

CalSTRS’ consulting actuary reviews the return assumption for reasonableness based on the current capital market assumptions.

Table 30 shows the assumed allocation and best estimates of the 20-year geometric real rate of return for each major asset class.

Table 30

Long-term Expected Real Rate of Return by Asset Class – CalSTRS

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Public equity	42.0 %	4.80 %
Fixed Income	12.0	1.30
Real estate	15.0	3.60
Private equity	13.0	6.30
Risk mitigating strategies	10.0	1.80
Inflation sensitive	6.0	3.30
Cash/liquidity	2.0	(0.40)
Total	100.0 %	

Pension Liabilities, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions: CalSTRS’ net pension liability was measured as of June 30, 2020 (measurement date), by applying update procedures and rolling forward the total pension liability determined by the actuarial valuation as of June 30, 2019 (valuation date). The State’s proportion of the net pension liability was based on CalSTRS’ calculated non-employer contributions to the pension plan relative to the total contributions of the State and all participating school districts. Per CalSTRS’ revenue recognition policy, CalSTRS recognizes state contributions for the entire fiscal year at the beginning of each fiscal year. Contributions excluded from the proportionate share per CalSTRS’ policy include employer contributions for retirement incentives, additional service credit, and unused sick leave. As of June 30, 2020, the State’s proportionate share of the CalSTRS’ net pension liability was 34.02%, or \$33.0 billion; this amount is reported in the governmental activities column of the government-wide Statement of Net Position as of June 30, 2021.

As a result of its requirement to contribute to CalSTRS, the State recognized expense of \$5.1 billion for the fiscal year ended June 30, 2021, and reported deferred outflows and deferred inflows of resources as shown in Table 31.

Table 31**Sources of Deferred Outflows and Deferred Inflows of Resources Related to Pensions – CalSTRS**

June 30, 2021

(amounts in thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 3,214,418	\$ —
Net difference between projected and actual earnings on pension plan investments	783,025	—
Difference between expected and actual experiences	58,166	929,630
Proportionate share change	647,879	2,245,869
State contributions subsequent to the measurement date	3,730,902	—
Total	\$ 8,434,390	\$ 3,175,499

The \$3.7 billion reported as deferred outflows of resources resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022.

Table 32 shows amounts reported as deferred outflows and deferred inflows of resources related to pensions that will be recognized in pension expense in future years as a result of the State's requirement to contribute to CalSTRS. Increases to pension expense are shown as positive amounts and decreases to pension expense are shown as negative amounts.

Table 32**Recognition of Deferred Outflows and Deferred Inflows of Resources – CalSTRS**

(amounts in thousands)

Year Ending June 30	Amount
2022	\$ (116,749)
2023	1,011,534
2024	1,158,529
2025	(1,947)
2026	(372,116)
Thereafter	(151,262)

Sensitivity of the State’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: Table 33 shows the State’s proportionate share of the net pension liability calculated using the discount rate of 7.10%, as well as what the State’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.10%) or one percentage point higher (8.10%) than the current rate.

Table 33

Net Pension Liability Sensitivity – CalSTRS

June 30, 2021

(amounts in thousands)

	<u>Current Rate -1%</u>	<u>Current Rate 7.10%</u>	<u>Current Rate +1%</u>
State’s proportionate share of net pension liability	\$ 49,803,402	\$ 32,963,596	\$ 19,059,965

Pension Plan Fiduciary Net Position: Detailed information about CalSTRS’ pension plans’ fiduciary net position is available in the separately issued CalSTRS financial report.

C. Trial Court Pension Plans

Plan Description: The 58 trial courts are reported as part of the primary government. Twenty-two of the trial courts provide pension benefits to their respective employees through cost-sharing multiple-employer defined benefit plans administered by their respective county public employee retirement systems. Thirty-six of the trial courts participate in county retirement plans administered by CalPERS. Of those participating in CalPERS plans, 32 trial courts provide pension benefits to their respective employees through agent multiple-employer defined benefit plans, and one trial court provides pension benefits to its respective employees through a cost-sharing multiple-employer defined benefit plan. Information pertaining to the remaining three trial courts that participate in county retirement plans administered by CalPERS will be presented in future reporting years as available.

Benefits Provided, Contributions, and Employees Covered by Benefit Terms: To obtain information on eligibility terms, benefits provided, contributions, and actuarial assumptions from individual trial court pension actuarial valuation reports, email the State Controller’s Office, State Accounting and Reporting Division at StateGovReports@sco.ca.gov.

Net Pension Liability Actuarial Methods and Assumptions: The net pension liability of 49 trial courts was measured as of each individual plan’s measurement date, by applying update procedures and rolling forward the total pension liability determined by the actuarial valuation as of each individual plan’s valuation date, based on the actuarial methods and assumptions used by each plan. For the 32 agent multiple-employer defined benefit plans, the net pension liability was measured as of June 30, 2020, and valued as of June 30, 2019. For 12 of the cost-sharing multiple-employer defined benefit plans, the net pension liability was measured as of June 30, 2020, and valued as of June 30, 2019. Five of the cost-sharing multiple-employer plans had a measurement date of December 31, 2020; three of these plans had an actuarial valuation date of December 31, 2019, and two had a valuation date of January 1, 2020.

For the remaining six cost-sharing multiple-employer defined benefit trial court pension plans, the net pension liability was measured as of the same date the total pension liability was valued for each individual plan. One of the trial court plans had an actuarial valuation and measurement date of December 31, 2020, and five plans had an actuarial valuation and measurement date of June 30, 2020.

Table 34 shows selected actuarial assumptions for the trial court pension plans, by plan type.

Table 34**Actuarial Methods and Assumptions – Trial Court Pension Plans**

	Agent Multiple-Employer Defined Benefit Pension Plans	Cost-Sharing Multiple-Employer Defined Benefit Pension Plans
Number of Plans:	32	23
Valuation date(s):	June 30, 2019	Twelve plans as of June 30, 2019. Three plans as of December 31, 2019. Two plans as of January 1, 2020. Five plans as of June 30, 2020. One plan as of December 31, 2020.
Actuarial assumptions:		
Discount rate	7.15%	Rates ranging from 6.67% to 7.40%

Discount Rates: The discount rate used to measure the total pension liability of the trial courts that participate in the agent multiple-employer defined benefit pension plan was 7.15%. The discount rates used to measure the total pension liability of each trial court that participates in a cost-sharing multiple employer defined benefit plan ranged from 6.67% to 7.40% as of the respective measurement date.

Pension Accounting Elements: For the trial court pension plans, the State reported total pension liability of \$11.5 billion and fiduciary net position of \$8.8 billion, which resulted in a net pension liability of \$2.7 billion as of June 30, 2021. For the fiscal year ended June 30, 2021, the State recognized pension expense of \$334 million. At June 30, 2021, the State reported deferred outflows of resources of \$1.0 billion and deferred inflows of resources of \$312 million. The reported deferred outflows of resources included \$312 million from pension contributions the trial courts made subsequent to the measurement date. These contributions will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022.

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS

The State provides medical and prescription drug benefits to annuitants and their dependents under the Public Employees' Medical and Hospital Care Act, and dental benefits under the State Employees' Dental Care Act, through the State of California Retiree Health Benefits Program (Retiree Health Benefits Program). The Retiree Health Benefits Program consists of a number of defined benefit other postemployment benefit (OPEB) plans, to which the State contributes as an employer. The State also offers life insurance, long-term care, and vision benefits to retirees; however, because these benefits are completely paid for by the retirees, the State has no liability. The design of health and dental benefit plans can be amended by the CalPERS Board of Administration and the California Department of Human Resources, respectively. CalPERS is a fiduciary component unit of the State, and its financial activity is included in the pension and other employee benefit trust funds column of the fiduciary funds and similar component units' financial statements of this report.

Fifty-eight county superior courts (trial courts) are included in the primary government. The trial courts offer OPEB outside of the Retiree Health Benefits Program and have separately issued actuarial valuation reports. Additional information related to the trial courts is provided in section B.

For the purpose of measuring net OPEB liability, deferred outflows and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net positions of the Retiree Health Benefits Program and the trial court OPEB plans, and changes to the plans' fiduciary net positions, have been determined on the same basis as reported by the plans.

The University of California, a discretely presented component unit, administers the University of California Retiree Health Benefit Trust (UCRHBT), which consists of single-employer OPEB plans that provide medical, dental, and vision benefits to eligible retirees and their dependents. The costs of medical and dental benefits are shared between the University and participating retirees. These costs are funded on a pay-as-you-go basis, and the University does not contribute toward the cost of other benefits available to retirees. The State does not directly contribute to the UCRHBT. Additional information on the UCRHBT can be found in the University's separately issued financial statements on its website at www.ucop.edu.

A. Retiree Health Benefits Program

Plan Description: Employer and retiree contributions to the Retiree Health Benefits Program (the Program) are established and amended by state law for different groups of employees. Through the collective bargaining process and through state law, certain bargaining units, judicial employees, and Exempt, Excluded, and Executive (EEE) employees (valuation groups) have begun prefunding retiree healthcare and dental benefits. Assets are held in separate state subaccounts by valuation group within the California Employers' Retiree Benefit Trust Fund (CERBTF), an agent multiple-employer trust administered by CalPERS for the prefunding of health, dental, and other non-pension benefits. In accordance with California Government Code section 22940, assets accumulated in the CERBTF will be invested and are not available to pay benefits until the earlier of 2046, or the date the funded ratio of the subaccount of a particular valuation group reaches at least 100% of the actuarially determined liability for the valuation group, and then only for the purposes of paying benefits of annuitants and dependents associated with that valuation group.

The Program has 17 different valuation groups that include different categories of employees. Effective July 1, 2018, valuation groups 1, 3, 4, 11, 14, 15, 17, 20 and 21, were consolidated as one actuarial

valuation group, Service Employees International Union (SEIU). Valuation groups that have accumulated prefunding assets in a CERBTf subaccount are reported as separate OPEB plans. As of the June 30, 2021 reporting date, these valuation groups included SEIU as well as Bargaining Units 2, 5, 6, 7, 8, 9, 10, 12, 13, 16, 18, 19, the Judicial Branch, and EEE employees. The OPEB plans for SEIU as well as Bargaining Units 5, 6, 9, and 12 are each reported discretely. The OPEB plans for Bargaining Units 2, 7, 8, 10, 13, 16, 18, 19, the Judicial Branch, and EEE employees are collectively reported as “Other Funded Plans.” The remaining valuation groups (the California State University and Other) for which the State made contributions through the CERBTf on a “pay-as-you-go” basis to fund benefit payments are collectively reported as the “Unfunded Plan.” Prefunding contributions to the CERBTf are nonrefundable, and state employees have no claims or rights to the assets. CalPERS reports on the CERBTf as part of its separately issued annual financial statements, which can be obtained from CalPERS on its website at www.CalPERS.ca.gov.

The OPEB plans have common benefit terms and are valued using common actuarial methods and assumptions, with the exception of certain demographic and economic assumptions that are specific to certain valuation groups. The valuation groups also have different prefunding contribution rates determined through collective bargaining and state law.

Benefits Provided: Benefit terms are governed by state law and can be amended by the Legislature. To be eligible for OPEB benefits, annuitants must retire within 120 days of separation from employment. Survivors of eligible annuitants may also enroll within 60 days of the annuitant’s death. Dependents of annuitants who are enrolled or eligible to enroll at the time of the annuitant’s death qualify for benefits.

Annuitants who qualify for premium-free Medicare Part A, either on their own or through a spouse, must enroll in Medicare Part B coverage as soon as they qualify for Medicare Part A. The annuitant must then enroll in a Medicare supplemental insurance plan sponsored by CalPERS, which lowers the costs of retirees’ health care premiums and provides some coverage beyond Medicare.

Employees Covered by Benefit Terms: Detailed information about the number of employees covered within the OPEB plans is provided in the *State of California Retiree Health Benefits Program GASB Nos. 74 and 75 Actuarial Valuation Report as of June 30, 2020* (June 30, 2020 Actuarial Valuation Report), on the State Controller’s Office website, at www.sco.ca.gov.

Table 35 shows the number of employees covered by the benefit terms.

Table 35

Number of Employees by Type Covered by Benefit Terms – Retiree Health Benefits Program

June 30, 2020

OPEB Plan	Inactive employees or beneficiaries currently receiving benefits	Active Employees	Total
Service Employees International Union (SEIU) Plan	72,935	113,525	186,460
Bargaining Unit 5 Plan	7,049	7,226	14,275
Bargaining Unit 6 Plan	26,005	30,979	56,984
Bargaining Unit 9 Plan	7,787	13,298	21,085
Bargaining Unit 12 Plan	10,166	12,801	22,967
Other Funded Plans	30,858	46,603	77,461
Unfunded Plan	43,350	54,554	97,904
Total	198,150	278,986	477,136

Note: Inactive employees that are entitled to, but not receiving benefits are not currently being tracked.

Contributions: The contribution requirements of plan members and the State are established and may be amended by the Legislature, and can be subject to collective bargaining. In accordance with the California Government Code, the State generally pays 100% of the health insurance premium cost for annuitants, plus 90% of the additional premium required for the enrollment of annuitants’ family members. The State generally pays all or a portion of the dental insurance premium cost for annuitants, depending on the completed years of credited state service at retirement and the dental coverage selected by the annuitant, as specified in the California Government Code. The State funds the cost of providing health and dental insurance to annuitants primarily on a “pay-as-you-go” basis, with a modest amount of prefunding for members of SEIU, Bargaining Units 5, 6, 9, 12, and other funded plans. See Table 38 for details on the fiduciary net positions of the OPEB plans. The maximum 2020 monthly State contribution was \$767 for one-party coverage, \$1,461 for two-party coverage, and \$1,868 for family coverage. For the fiscal year ended June 30, 2020, the State contributed \$3.0 billion toward annuitants’ health and dental benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes for the OPEB plans include the types of benefits provided at the time of each valuation and the established pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used are consistent with a long-term perspective.

For the measurement period ended June 30, 2020 (the measurement date), total OPEB liability for each plan was based on the actuarial methods and assumptions shown in Table 36.

Table 36**Actuarial Methods and Assumptions – Retiree Health Benefits Program**

Valuation date:	June 30, 2020
Actuarial cost method:	Entry age normal in accordance with the requirements of GASB Statement No. 75
Actuarial assumptions:	
Discount rate	Blended rate for each valuation group, consisting of 6.75% when assets are available to pay benefits, otherwise 20-year Municipal G.O. Bond AA Index rate of 2.45%
Inflation	2.25%
Salary increases	Varies by entry age and service
Investment rate of return	6.75%, net of OPEB plan investment expenses but without reduction for OPEB plan administrative expenses
Healthcare cost trend rates	Pre-Medicare coverage: Actual rates for 2021, increasing to 7.50% in 2022, then decreasing 0.50% per year to an ultimate rate of 4.50% for 2028 through 2036, then to 4.25% for 2037 and later years Post-Medicare coverage: Actual rates for 2021, increasing to 7.50% in 2022, then decreasing 0.50% per year to an ultimate rate of 4.50% for 2028 through 2036, then to 4.25% for 2037 and later years Dental coverage: 0.00% for 2021, 2.00% for 2022, 3.00% for 2023, 4.00% for 2024, and 4.25% for 2025 and later years.
Mortality	Derived using CalPERS' membership data for all members

Other demographic assumptions used in the June 30, 2020 valuation were based on the results of the *2017 CalPERS Experience Study and Review of Actuarial Assumptions* report for the period from 1997 to 2015 and included updates to termination, disability, mortality assumptions, and retirement rates. The CalPERS experience study can be obtained from CalPERS' website at www.CalPERS.ca.gov.

Healthcare-related assumptions such as plan participation, aging factors, adjustments for disabled members, and adjustments for children of current retirees and survivors are based on the State of California Retiree Health Benefits Program 2018 Experience Review performed by Gabriel, Roeder, Smith and Company (GRS) for the period from 2014 to 2018. Other healthcare assumptions such as member healthcare plan selection, coverage and continuance, select and ultimate healthcare cost trend rates, and per capita claim costs and expenses, are based on the most current information available. The 2018 GRS Experience Review can be obtained from the State Controller's Office website, at www.sco.ca.gov.

Investment Rate of Return: The long-term expected rate of return on OPEB plan investments was determined by GRS using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. Expected compound (geometric) returns were calculated over a closed period. Based on separate expected real returns for the short-term (first 10 years) and the long-term (11 – 40 years), and an average inflation assumption of 2.25%, a single expected return rate of 6.75% was calculated for the combined short-term and long-term periods. If applied to expected cash flows during that period, the

resulting present value of benefits is expected to be consistent with the present value of benefits that would be determined by applying the short and long-term expected rates to the same cash flows.

Table 37 shows the long-term expected real rate of return by asset class.

Table 37

Long-term Expected Real Rate of Return by Asset Class

Asset Class	Target Asset Allocation	Real Return Years 1 – 10 ¹	Real Return Years 11 – 40 ²
Global Equity	59.0 %	4.80 %	5.98 %
Fixed Income	25.0	1.10	2.62
Treasury Inflation-Protected Securities	5.0	0.25	1.46
Real Estate Investment Trusts	8.0	3.50	5.00
Commodities	3.0	1.50	2.87
Total	100.0 %		

¹ An expected inflation rate of 1.75% used for this period.

² An expected inflation rate of 2.67% used for this period.

Discount Rates: The blended rates used to measure the June 30, 2020 total OPEB liability consist of the 20-year Municipal G.O. Bond AA Index rate of 2.45% as of June 30, 2020, as reported by Fidelity, when prefunding assets are not available to pay benefits, and 6.75% when prefunding assets are available to pay benefits. The cash flow projections used to calculate the blended discount rates were developed assuming that prefunding agreements in which actuarial determined normal costs are shared between employees and the State will continue and that the required contributions will be made on time and as scheduled beginning in 2023 and thereafter. The actuarial valuation as of June 30, 2020 includes the impact of the temporary suspensions of employee contributions under the Personal Leave Program that was in effect during the fiscal years ended June 30, 2021 and June 30, 2022. The prefunding agreements are subject to collective bargaining and legislative approval. Detailed information on the blended discount rates by valuation group is available in the *State of California Retiree Health Benefits Program GASB Nos. 74 and 75 Actuarial Valuation Report as of June 30, 2020*, on the State Controller’s Office website, at www.sco.ca.gov.

Blended rates for the June 30, 2021 valuation will be determined using the Fidelity Index 20-year Municipal G.O. Bond AA Index rate of 1.92% when prefunding assets are not available to pay benefits.

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Changes in Net OPEB Liability: Table 38 shows the changes in net OPEB liability for the OPEB plans, recognized over the measurement period.

Table 38

Changes in Net OPEB Liability

(amounts in thousands)

	SEIU		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2019	\$ 31,597,356	\$ 151,612	\$ 31,445,744
Changes recognized for the measurement period:			
Service cost	1,116,519	—	1,116,519
Interest on total OPEB liability	1,162,741	—	1,162,741
Difference between expected and actual experiences	(720,036)	—	(720,036)
Changes of assumptions	480,992	—	480,992
Employer contributions	—	1,085,000	(1,085,000)
Employee contributions	—	174,235	(174,235)
Net investment income	—	9,788	(9,788)
Benefit payments	(910,765)	(910,765)	—
Administrative expense	—	(148)	148
Net changes	<u>1,129,451</u>	<u>358,110</u>	<u>771,341</u>
Balance at June 30, 2020 (Measurement Date)	<u><u>\$ 32,726,807</u></u>	<u><u>\$ 509,722</u></u>	<u><u>\$ 32,217,085</u></u>

Bargaining Unit 5 Plan			Bargaining Unit 6 Plan		
Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
\$ 5,181,801	\$ 416,319	\$ 4,765,482	\$ 15,983,539	\$ 579,048	\$ 15,404,491
159,410	—	159,410	535,696	—	535,696
204,078	—	204,078	608,903	—	608,903
(64,174)	—	(64,174)	(354,942)	—	(354,942)
466,272	—	466,272	675,803	—	675,803
—	143,840	(143,840)	—	487,266	(487,266)
—	4,061	(4,061)	—	129,540	(129,540)
—	16,069	(16,069)	—	24,249	(24,249)
(84,544)	(84,544)	—	(357,726)	(357,726)	—
—	(217)	217	—	(342)	342
681,042	79,209	601,833	1,107,734	282,987	824,747
\$ 5,862,843	\$ 495,528	\$ 5,367,315	\$ 17,091,273	\$ 862,035	\$ 16,229,238

(continued)

Table 38 (continued)

Changes in Net OPEB Liability (continued)

(amounts in thousands)

	Bargaining Unit 9 Plan		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2019	\$ 4,363,691	\$ 84,788	\$ 4,278,903
Changes recognized for the measurement period:			
Service cost	136,522	—	136,522
Interest on total OPEB liability	159,587	—	159,587
Difference between expected and actual experiences	(55,316)	—	(55,316)
Changes of assumptions	93,540	—	93,540
Employer contributions	—	132,426	(132,426)
Employee contributions	—	31,649	(31,649)
Net investment income	—	3,793	(3,793)
Benefit payments	(100,777)	(100,777)	—
Administrative expense	—	(55)	55
Net changes	<u>233,556</u>	<u>67,036</u>	<u>166,520</u>
Balance at June 30, 2020 (Measurement Date)	<u><u>\$ 4,597,247</u></u>	<u><u>\$ 151,824</u></u>	<u><u>\$ 4,445,423</u></u>

Bargaining Unit 12			Other Funded Plans		
Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
\$ 4,220,828	\$ 63,867	\$ 4,156,961	\$ 15,104,957	\$ 287,739	\$ 14,817,218
134,649	—	134,649	546,766	—	546,766
154,691	—	154,691	570,727	—	570,727
(149,086)	—	(149,086)	(517,882)	—	(517,882)
21,353	—	21,353	305,572	—	305,572
—	154,000	(154,000)	—	496,239	(496,239)
—	26,329	(26,329)	—	124,916	(124,916)
—	2,974	(2,974)	—	13,386	(13,386)
(127,671)	(127,671)	—	(371,323)	(371,323)	—
—	(43)	43	—	(194)	194
<u>33,936</u>	<u>55,589</u>	<u>(21,653)</u>	<u>533,860</u>	<u>263,024</u>	<u>270,836</u>
<u>\$ 4,254,764</u>	<u>\$ 119,456</u>	<u>\$ 4,135,308</u>	<u>\$ 15,638,817</u>	<u>\$ 550,763</u>	<u>\$ 15,088,054</u>

(continued)

Table 38 (continued)

Changes in Net OPEB Liability (continued)

(amounts in thousands)

	Unfunded Plan		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2019	\$ 17,059,797	\$ —	\$ 17,059,797
Changes recognized for the measurement period:			
Service cost	695,884	—	695,884
Interest on total OPEB liability	547,791	—	547,791
Difference between expected and actual experiences	(665,066)	—	(665,066)
Changes of assumptions	583,238	—	583,238
Employer contributions	—	512,702	(512,702)
Employee contributions	—	—	—
Net investment income	—	—	—
Benefit payments	(512,702)	(512,702)	—
Administrative expense	—	—	—
Net changes	649,145	—	649,145
Balance at June 30, 2020 (Measurement Date)	\$ 17,708,942	\$ —	\$ 17,708,942

¹ Includes amounts allocated to related organizations and fiduciary funds. Also includes the difference in net OPEB liability for discretely presented component units with a reporting period ended December 31, 2020; and minor differences related to amounts reported in separately issued financial statements of proprietary funds and discretely presented component units.

Total		
Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
\$ 93,511,969	\$ 1,583,373	\$ 91,928,596
3,325,446	—	3,325,446
3,408,518	—	3,408,518
(2,526,502)	—	(2,526,502)
2,626,770	—	2,626,770
—	3,011,473	(3,011,473)
—	490,730	(490,730)
—	70,259	(70,259)
(2,465,508)	(2,465,508)	—
—	(999)	999
<u>4,368,724</u>	<u>1,105,955</u>	<u>3,262,769</u>
<u>\$ 97,880,693</u>	<u>\$ 2,689,328</u>	<u>\$ 95,191,365</u>

Reported in governmental activities	\$ 75,074,578
Reported in business-type activities	16,959,981
Reported by discretely presented component units	185,475
Not reported in government-wide Statement of Net Position ¹	<u>2,971,331</u>
Total net OPEB liability	<u>\$ 95,191,365</u>
	(concluded)

Sensitivity of the Net OPEB Liability to Changes in Blended Discount Rates: Table 39 shows the net OPEB liability for each plan as of the measurement date, calculated using their respective blended discount rates ranging from 2.45% to 3.38%, as well as what the net OPEB liability would be if it were calculated using rates that are one percentage-point lower or one percentage-point higher than the blended discount rates.

Table 39

Net OPEB Liability Sensitivity to Changes in Blended Discount Rates

June 30, 2021

(amounts in thousands)

OPEB Plan	Blended Rate	Blended	Blended	Blended
		Discount Rates	Discount Rates	Discount Rates
		-1%		+1%
Service Employees International Union (SEIU) Plan	3.08%	\$ 38,131,376	\$ 32,217,085	\$ 27,507,740
Bargaining Unit 5 Plan	3.38%	6,606,563	5,367,315	4,415,312
Bargaining Unit 6 Plan	3.22%	19,618,629	16,229,238	13,602,144
Bargaining Unit 9 Plan	3.08%	5,266,761	4,445,423	3,790,011
Bargaining Unit 12 Plan	3.13%	4,868,571	4,135,308	3,549,455
Other Funded Plans	2.97% to 3.29%	18,001,555	15,088,054	12,791,123
Unfunded Plan	2.45%	20,818,218	17,708,942	15,229,894
Total		\$ 113,311,673	\$ 95,191,365	\$ 80,885,679

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: Table 40 shows the net OPEB liability for each plan as of the measurement date, calculated using the select and ultimate healthcare cost trend rates presented in Table 36, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the healthcare cost trend rates presented in Table 36.

Table 40

Net OPEB Liability Sensitivity to Changes in the Healthcare Cost Trend Rates

June 30, 2021

(amounts in thousands)

OPEB Plan	Healthcare Cost		Healthcare Cost	
	Trend Rates	Trend Rates	Trend Rates	Trend Rates
	-1%		+1%	
Service Employees International Union (SEIU) Plan	\$ 28,126,549	\$ 32,217,085	\$ 37,474,214	
Bargaining Unit 5 Plan	4,495,740	5,367,315	6,512,118	
Bargaining Unit 6 Plan	13,949,803	16,229,238	19,179,689	
Bargaining Unit 9 Plan	3,879,642	4,445,423	5,166,950	
Bargaining Unit 12 Plan	3,633,220	4,135,308	4,771,995	
Other Funded Plans	13,068,714	15,088,054	17,694,908	
Unfunded Plan	15,569,121	17,708,942	20,456,878	
Total	\$ 82,722,789	\$ 95,191,365	\$ 111,256,752	

OPEB Plan Fiduciary Net Position: Detailed information about the OPEB plans' fiduciary net positions is available in the separate report issued by CalPERS, at www.CalPERS.ca.gov.

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB: The State recognized OPEB expense for the OPEB plans of \$3.6 billion for the fiscal year ended June 30, 2021. Deferred outflows of resources are recognized for changes of assumptions, for employer contributions subsequent to the measurement date, and for the difference between expected and actual experience. Deferred inflows of resources are recognized for changes of assumptions and for the difference between expected and actual experience. Net deferred outflows of resources are recognized for the aggregate difference (positive and negative) between projected and actual earnings on the OPEB plans' investments occurring in different measurement periods.

As of June 30, 2021, the State reported OPEB expense and deferred outflows and deferred inflows of resources as shown in Table 41.

Table 41

OPEB Expense and Sources of Deferred Outflows and Deferred Inflows of Resources Related to OPEB

June 30, 2021

(amounts in thousands)

Description	Service Employees International Union (SEIU) Plan	Bargaining Unit 5 Plan	Bargaining Unit 6 Plan	Bargaining Unit 9 Plan
OPEB Expense	\$ 1,111,854	\$ 342,252	\$ 633,135	\$ 105,487
Deferred Outflows of Resources:				
Employer contributions subsequent to the measurement date	1,204,613	87,872	480,133	137,944
Difference between expected and actual experiences	—	29,020	—	—
Changes of assumptions	1,291,874	617,669	1,197,819	179,860
Net difference between projected and actual earnings on OPEB plan investments	7,648	10,380	15,964	2,766
Deferred Inflows of Resources:				
Difference between expected and actual experiences	(2,551,314)	(115,806)	(1,251,278)	(283,352)
Changes of assumptions	(2,018,535)	(275,945)	(728,665)	(255,933)

The \$3.1 billion reported as deferred outflows of resources resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2022.

Bargaining Unit 12 Plan	Other Funded Plans	Unfunded Plan	Total
\$ 84,602	\$ 518,981	\$ 806,529	\$ 3,602,840
160,882	522,778	504,813	3,099,035
—	20,265	17,248	66,533
122,348	669,336	1,085,913	5,164,819
2,232	10,410	—	49,400
(377,205)	(1,304,546)	(1,253,405)	(7,136,906)
(218,431)	(889,215)	(997,612)	(5,384,336)

Table 42 shows amounts for each plan reported as deferred outflows and deferred inflows of resources related to OPEB that will be recognized as OPEB expense in future years. Increases to OPEB expense are shown as positive amounts and decreases to OPEB expense are shown as negative amounts.

Table 42

Recognition of Deferred Outflows and Deferred Inflows of Resources Related to OPEB

(amounts in thousands)

OPEB Plan	Year Ending June 30					
	2022	2023	2024	2025	2026	Thereafter
Service Employees International Union (SEIU) Plan	\$ (971,521)	\$ (971,521)	\$ (860,850)	\$ (479,634)	\$ 33,419	\$ (20,220)
Bargaining Unit 5	12,806	14,298	24,047	84,839	101,390	27,938
Bargaining Unit 6	(334,592)	(333,153)	(226,201)	30,159	80,690	16,937
Bargaining Unit 9	(151,207)	(139,306)	(69,580)	(9,485)	10,377	2,542
Bargaining Unit 12	(172,396)	(155,329)	(97,232)	(22,527)	(17,591)	(5,981)
Other Funded Plans	(430,764)	(408,068)	(339,075)	(188,783)	(85,185)	(41,875)
Unfunded Plan	(372,131)	(425,786)	(339,448)	(121,207)	67,400	43,316
Total	\$ (2,419,805)	\$ (2,418,865)	\$ (1,908,339)	\$ (706,638)	\$ 190,500	\$ 22,657

B. Trial Court OPEB Plans

Plan Description: The 58 trial courts are reported as part of the primary government, but each trial court may utilize a separate OPEB plan, where OPEB is offered to employees, and obtain a separate actuarial valuation report for GASB Statement No. 75 reporting purposes. One trial court (Los Angeles) participates in an agent multiple-employer defined benefit OPEB plan, three trial courts (Alameda, Orange, and San Diego) participate in county administered cost-sharing multiple-employer defined benefit OPEB plans, and fifty trial courts participate in single-employer defined benefit OPEB plans. Four trial courts (Fresno, Mendocino, San Benito, and Stanislaus) do not have an OPEB plan.

Benefits Provided, Contributions, and Employees Covered by Benefit Terms: To obtain information on eligibility terms, benefits provided, contributions, and actuarial assumptions from individual trial court OPEB actuarial valuation reports, email the State Controller’s Office, State Accounting and Reporting Division at StateGovReports@sco.ca.gov.

Net OPEB Liability Actuarial Methods and Assumptions: For two of the trial court valuations, the net OPEB liability was measured as of December 31, 2020 (measurement date), and the remaining 52 valuations had a measurement date of June 30, 2020. One of the courts had an actuarial valuation date of December 31, 2020, and 53 courts were valued as of June 30, 2019.

Table 43 shows selected actuarial assumptions for the trial court OPEB plans, by plan type.

Table 43**Actuarial Methods and Assumptions – Trial Court OPEB Plans**

	Single-Employer Defined Benefit OPEB Plans	Agent Multiple-Employer Defined Benefit OPEB Plan	Cost-Sharing Multiple-Employer Defined Benefit OPEB Plans
Valuation date:	June 30, 2019	June 30, 2019	Two plans as of June 30, 2019. One plan as of December 31, 2020.
Actuarial assumptions:			
Discount rate	Blended and single rates ranging from 2.45% to 7.00%.	Blended rate of 2.74%.	Blended rate of 7.00%
Healthcare cost trend rates	Initial rate of 6.40% in 2020, gradually decreasing to an ultimate rate of 4.00% over 56 years per the Society of Actuaries Getzen model.	Initial rate of 6.40% in 2020, gradually decreasing to an ultimate rate of 4.00% over 56 years per the Society of Actuaries Getzen model.	Initial rates ranging from 6.50 to 7.25%, decreasing gradually to ultimate rates ranging from 4.00% to 4.50% in 2028 and later years.

Discount Rates: The discount rates used to measure the total OPEB liability were based on either a single or a blended rate for each trial court. The blended rates used to measure the June 30, 2020 total OPEB liability consist of the 20-year Municipal G.O. Bond AA Index rate of 2.45% as of June 30, 2020, when prefunding assets are not available to pay benefits, and full funding discount rates ranging from 2.45% to 7.00% when prefunding assets are available to pay benefits. Single rates range from 4.75% to 7.00%. The projections of cash flows used to determine the discount rates assumed that plan contributions will be made according to funding policy, benefits will be paid out of OPEB trusts until assets are depleted, and employer contributions will first be applied to employee service costs in each period.

OPEB Accounting Elements: For the trial court OPEB plans, the State reported total OPEB liability of \$2.2 billion and fiduciary net position of \$267 million, which resulted in a net OPEB liability of \$1.9 billion as of June 30, 2021, reported in governmental activities. For the fiscal year ended June 30, 2021, the State recognized OPEB expense of \$111 million. At June 30, 2021, the State reported deferred outflows of resources of \$244 million and deferred inflows of resources of \$183 million. Deferred outflows of resources included \$66 million from OPEB contributions made subsequent to the measurement date, which will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2022.

NOTE 12: COMMERCIAL PAPER AND OTHER LONG-TERM BORROWINGS

The primary government has two commercial paper borrowing programs: a general obligation commercial paper program and an enterprise fund commercial paper program for the Department of Water Resources. Commercial paper (new issuance or rollover notes that replace maturing new issuances) may be issued at the prevailing market rate, not to exceed 11% for the general obligation and 12% for the Department of Water Resources enterprise fund program, for periods not to exceed 270 days from the date of issuance. The proceeds from the initial issuance of commercial paper are used for voter-approved projects of the general obligation bond program and certain state water projects. For both commercial paper borrowing programs, the commercial paper is retired by the issuance of long-term debt, so commercial paper is considered a noncurrent liability.

To provide liquidity for the programs, the State has entered into revolving credit agreements with credit providers such as commercial banks, which total the maximum authorized issuance of general obligation and enterprise fund commercial paper notes. As of June 30, 2021, there were no borrowings with the banks under the revolving credit agreements. The current “Letter of Credit” agreements for the general obligation commercial paper program authorize the issuance of notes in an aggregate principal amount not to exceed \$2.3 billion. As of June 30, 2021, the general obligation commercial paper program had \$1.2 billion in outstanding commercial paper notes for governmental activities. The current agreements for the enterprise fund commercial paper program authorize the issuance of notes in an aggregate principal amount not to exceed \$1.4 billion. As of June 30, 2021, the enterprise fund commercial paper program had \$338 million in outstanding notes.

The primary government has a bond anticipation note program that consists of borrowing for capital improvements on certain California State University campuses. As of June 30, 2021, \$63 million in outstanding bond anticipation notes existed in anticipation of the primary government issuing revenue bonds to the public.

The University of California, a discretely presented component unit, has a commercial paper program and other uncollateralized borrowings. Additional disclosures for the University’s commercial paper and other long-term borrowings are included in the University’s separately issued financial statements, which can be obtained from the University on its website at www.ucop.edu.

NOTE 13: LEASES

The aggregate amount of lease commitments for facilities and equipment of the primary government in effect as of June 30, 2021, was approximately \$2.7 billion. Primary government leases that are classified as operating leases, in accordance with the applicable standards, contain clauses providing for termination. Operating lease expenditures are recognized as being incurred over the lease term. Operating lease expenditures for the fiscal year ended June 30, 2021, amounted to approximately \$311 million for governmental activities and \$29 million for business-type activities. It is expected that, in the normal course of business, most of these operating leases will be replaced by similar leases.

The total present value of net minimum capital lease payments for the primary government is \$696 million. Note 9, Long-term Obligations, reports current additions and deductions for these capital lease obligations. The California State University, an enterprise fund, and the State Public Works Board (SPWB), an internal service fund, entered into lease-purchase agreements amounting to a present value of net minimum lease payments of \$137 million, which are included in the capital lease commitments. This amount represents 19.7% of the total present value of minimum capital lease payments of the primary government. Also included in the capital lease commitments are lease-purchase agreements to acquire equipment. Total assets related to capital leases have a net carrying value of \$180 million for governmental activities and \$147 million for business-type activities.

The capital lease commitments do not include \$7.6 billion in lease-purchase agreements with SPWB and \$13 million in lease purchase agreements with building authorities that are blended component units. The SPWB and the building authorities acquire or develop office buildings and then lease the facilities to state agencies. Upon expiration of the lease, title passes to the primary government. The costs of the buildings and the related outstanding revenue bonds are reported as governmental activities in the government-wide financial statements. Accordingly, the lease receivables and capital lease obligations associated with these buildings are not included in the government-wide financial statements.

The University of California, a discretely presented component unit, leases land, buildings, and equipment under agreements recorded as operating leases. Additional disclosure for the University's lease obligations is included in its separately issued financial statements that may be found on its website at www.ucop.edu.

Table 44 summarizes future minimum lease commitments of the primary government.

Table 44

Schedule of Future Minimum Lease Commitments – Primary Government
(amounts in thousands)

Year Ending June 30	Governmental Activities		Business-type Activities		Total
	Operating Leases	Capital Leases	Operating Leases	Capital Leases	
2022	\$ 274,058	\$ 193,712	\$ 33,902	\$ 37,388	\$ 539,060
2023	216,746	150,223	21,256	36,353	424,578
2024	159,343	102,918	18,992	34,643	315,896
2025	97,709	81,810	17,277	33,791	230,587
2026	76,865	68,831	15,579	39,038	200,313
2027-2031	84,476	261,263	41,054	153,488	540,281
2032-2036	31,974	141,412	12,899	115,640	301,925
2037-2041	1,395	31,703	10,191	30,506	73,795
2042-2046	659	262	7,063	16,691	24,675
2047-2051	403	—	1,229	9,274	10,906
2052-2056	115	—	—	—	115
2057-2061	44	—	—	—	44
Total minimum lease payments	\$ 943,787	1,032,134	\$ 179,442	506,812	\$ 2,662,175
Less: amount representing interest		672,322		170,731	
Present value of net minimum lease payments		359,812		336,081	
Less: current portion		43,366		20,008	
Capital lease obligation, net of current portion		\$ 316,446		\$ 316,073	

NOTE 14: COMMITMENTS

As of June 30, 2021, the primary government had commitments of \$6.8 billion for certain highway construction projects. These commitments are not included as a liability in the Federal Fund or the Transportation Fund because future expenditures related to these commitments will be reimbursed with \$5.7 billion from proceeds of approved federal grants and \$1.1 billion from local governments. The primary government also had other commitments for which the future expenditures will be reimbursed by the proceeds of approved federal grants of \$951 million for various education programs, \$623 million for terrorism prevention and disaster-preparedness response projects, \$375 million for services provided under various public health programs, \$65 million for community service programs, \$20 million for services provided under the child support program, \$84 million for services under the workforce development program, and \$1.8 billion for housing and community development programs.

The primary government had other commitments, totaling \$15.8 billion, that are not included as a liability on the Balance Sheet or the Statement of Net Position. The \$15.8 billion in commitments includes grant agreements totaling approximately \$9.1 billion to reimburse other entities for construction projects for school building aid, parks, transportation-related infrastructure, housing, and other improvements; and to reimburse counties and cities for costs associated with various programs. Any assets that have been constructed will not belong to the primary government, whose payments are contingent upon the other entities entering into construction contracts. The \$15.8 billion in commitments includes \$2.9 billion for undisbursed loan commitments to qualified agencies for clean water projects and \$1.1 billion in undisbursed loan commitments for various programs aimed at providing housing and emergency shelter to persons in need.

The \$15.8 billion in commitments also includes contracts of \$1.0 billion for the construction of water projects and the purchase and transmission of power that are not included as a liability on the Statement of Net Position of the Water Resources Fund. Included in this amount are certain power purchase, sale, and exchange contracts. The primary government had commitments of \$827 million for CSU construction projects. In addition, CSU participates in forward-purchase contracts of electricity. As of June 30, 2021, CSU's obligation under these special purchase arrangements requires it to purchase at fixed prices an estimated total of \$9 million in electricity through December 2022. The primary government also had commitments of \$14 million to veterans for the purchase of properties under contracts of sale. The California State Lottery Commission had commitments of \$860 million for gaming and telecommunication systems and services. These are long-term projects, and all of the contracts' needs may not have been defined. The projects will be funded with existing and future program resources or with the proceeds of revenue and general obligation bonds.

As of June 30, 2021, the primary government encumbered expenditures of \$5.0 billion for the General Fund, \$4.5 billion for the Transportation Fund, \$4.1 billion for the Environmental and Natural Resources Fund, \$12 million for the Health Care Related Programs Fund, and \$1.7 billion for the nonmajor governmental funds. See Note 2A, Budgeting and Budgetary Control, for an explanation of the primary government's policy concerning encumbrances.

As of June 30, 2021, the discretely presented and fiduciary component units had other commitments that were not included as liabilities on the corresponding Statement of Net Position. Additional disclosure for the University of California's commitments is included in its separately issued financial statements, which may be found on its website at www.ucop.edu. Additional disclosure for the California Housing Finance Agency's (CalHFA) commitments is included in its separately issued financial statements, which may be found on its website at www.CalHFA.ca.gov. Additional disclosure for the California Public Employees' Retirement System's (CalPERS) commitments is included in its separately issued financial statements, which may be found on its website at www.CalPERS.ca.gov. Additional disclosure for the California State Teachers' Retirement System's (CalSTRS) commitments is included in its separately issued financial statements, which may be found on its website at www.CalSTRS.com.

NOTE 15: GENERAL OBLIGATION BONDS

The State Constitution permits the primary government to issue general obligation bonds for specific purposes and in such amounts as approved by a two-thirds vote of both houses of the Legislature and by a majority of voters in a general or direct primary election. The debt service for general obligation bonds is appropriated from the General Fund. Under the State Constitution, the General Fund is used first to support the public school system and public institutions of higher education; the General Fund can then be used to service the debt on outstanding general obligation bonds. Enterprise funds and certain other funds reimburse the General Fund for any debt service that it provides on their behalf. General obligation bonds that are directly related to, and are expected to be paid from, the resources of enterprise funds are included as a liability of such funds in the financial statements. However, the General Fund may be liable for the payment of any principal and interest on these bonds that is not met from the resources of such enterprise funds.

As of June 30, 2021, the State had \$70.8 billion in outstanding general obligation bonds related to governmental activities and \$587 million related to business-type activities. In addition, \$34.9 billion in long-term general obligation bonds had been authorized but not issued, of which \$34.0 billion is related to governmental activities and \$971 million is related to business-type activities. The total amount authorized but not issued includes \$12.0 billion authorized by the applicable finance committees for issuance in the form of commercial paper notes. Of this amount, \$1.2 billion in general obligation indebtedness in the form of commercial paper notes was not yet retired by long-term bonds.

A. Variable-rate General Obligation Bonds

The State issues both fixed and variable-rate general obligation bonds. As of June 30, 2021, the State had \$1.5 billion in variable-rate general obligation bonds outstanding, consisting of \$237 million in daily-rate bonds with credit enhancement, \$630 million in weekly-rate bonds with credit enhancement, and \$625 million in weekly- or monthly- index floating rate bonds without credit enhancement. The interest rates associated with the credit-enhanced bonds are determined by the remarketing agents, or for the Series 2020A by an electronic bidding system through a market agent, to be the lowest rate that would allow the bonds to sell on the effective date of such rate at a price (without regard to accrued interest) equal to 100% of the principal amount. The interest rates associated with the unenhanced index floating rate bonds are determined either by a rate based on the Securities Industry and Financial Markets Association (SIFMA) Index rate or a predetermined percentage of the London Interbank Offered Rate (LIBOR) then in effect plus a pre-determined spread. The interest on variable-rate bonds is generally paid on the first business day of each calendar month.

The credit-enhanced bonds are secured by letters of credit that secure payment of principal and interest on the bonds and, as applicable, payment of purchase price upon tender by the holder. The State has entered into different credit agreements with various banks (credit providers) for one or more series of credit-enhanced bonds. Under these credit agreements, the credit providers agree to pay all principal and interest payments to the bondholders up to a commitment amount identified in the applicable credit agreement; the State is then required to reimburse the credit providers for the amounts paid. In return, the credit providers are compensated with commitment fees that are calculated as a percentage of the applicable commitment amount. The bondholders have the right to tender the bonds on any business day if the bonds are in a daily-rate mode or a weekly-rate mode where the rate is set by an electronic bidding system through a market agent and weekly if the bonds are in a weekly-rate mode set through a remarketing agent. Upon a tender, the remarketing agent or market agent, as applicable, will attempt to remarket the tendered bond to a new investor. If the remarketing of the tendered bond is unsuccessful,

the bond will be purchased by the applicable credit provider and become a bank bond and accrue interest at higher rates, which cannot exceed 11% as permitted by law until remarketed, redeemed, or paid at maturity. If a bond cannot be remarketed and remains a bank bond for a period ranging from 90 days to 180 days, the bond will be subject to amortization payments in equal installments under the terms stated in the applicable credit agreement. The amortization period may exceed the expiration date of the applicable credit agreement. A bank bond may be remarketed at any time during the amortization period. There were no bank bonds during fiscal year 2020-21.

The letters of credit for the Series 2003 variable-rate bonds have expiration dates of March 25, 2022; August 26, 2022; and August 28, 2023. The letter of credit for the Series 2004 variable-rate bonds has an expiration date of January 16, 2024. The letters of credit for the Series 2005 variable-rate bonds have expiration dates of April 22, 2022; September 22, 2023; and January 12, 2024. The letter of credit for the Series 2020A variable-rate bond has an expiration date of November 18, 2022. The Series 2013B and 2013E index floating rate bonds have scheduled mandatory purchase dates on December 1, 2022 and December 1, 2023, respectively. The Series 2017C index floating rate bonds have a scheduled mandatory purchase date on April 1, 2022.

Sinking fund deposits for the variable-rate general obligation bonds are set aside in a sinking fund at the beginning of each fiscal year; such deposits are required and will continue for each fiscal year with scheduled sinking fund payments. The deposits set aside in any fiscal year may be applied, with approval of the State Treasurer and the appropriate bond finance committees, to the redemption or purchase and retirement of any other general obligation bonds (bonds other than the bonds to which the sinking fund deposits relate) then outstanding. If a sinking fund deposit is not applied by January 31 of that fiscal year to such other bonds, the State Treasurer will select the related variable-rate general obligation bonds that will be redeemed in whole or in part on an interest payment date in that fiscal year. The required sinking fund deposits were set aside for fiscal year 2020-21.

B. Mandatory Tender Bonds

As of June 30, 2021, the State had \$625 million in outstanding index floating rate general obligation bonds with scheduled mandatory tender dates (discussed in Section A). On their respective scheduled mandatory tender dates, these bonds are subject to mandatory tender for purchase at a price equal to 100% of the principal amount, plus accrued interest, without premium, unless the bonds have been called for redemption or remarketed on or prior to that day. These bonds have scheduled mandatory tender dates on April 1, 2022; December 1, 2022; and December 1, 2023. In the event bonds are not redeemed or there is an unsuccessful remarketing of all the outstanding bonds for a particular scheduled mandatory tender date, there is no event of default, however, the bonds will enter into a delayed remarketing period and accrue interest at a higher effective interest rate, in most cases gradually increasing on a stepped basis until they are remarketed, redeemed, or paid at maturity. Bonds in this delayed remarketing period can be redeemed or remarketed on any business day, with limited prior notice. Current state laws limit interest rates to 11% per annum.

C. Build America Bonds

As of June 30, 2021, the State had \$11.9 billion in taxable various-purpose general obligation bonds outstanding that were issued as “Build America Bonds” under the American Recovery and Reinvestment Act of 2009 (ARRA) signed into law on February 17, 2009. The bonds have scheduled maturity dates between 2021 and 2040. Pursuant to ARRA, the State receives a cash subsidy payment from the

U. S. Treasury equal to 35% of the interest payable by the State on the Build America Bonds on or near each interest payment date. Subsequent federal legislation reduced the Build America Bonds subsidy by 5.9% for the federal fiscal year ending September 30, 2020, and by 5.7% for the federal fiscal year ending September 30, 2021. The cash payment does not constitute a full faith and credit guarantee of the federal government, but is required to be paid by the U. S. Treasury under ARRA. The subsidy payments are deposited into the State's General Fund.

D. Debt Service Requirements

Table 45 shows the debt service requirements for all general obligation bonds as of June 30, 2021. The estimated debt service requirements for the \$1.5 billion variable-rate general obligation bonds are calculated using the actual interest rates in effect on June 30, 2021. For mandatory tender bonds, the debt service requirements shown in Table 45 are based on the assumption that the interest rate will remain in effect until the applicable reset dates and that the bonds will be fully redeemed on their scheduled maturity dates. The amounts include scheduled mandatory sinking fund redemptions but do not reflect any interest subsidy under the Build America Bonds program or any other offsets to general fund costs of debt service.

Table 45

Schedule of Debt Service Requirements for General Obligation Bonds (amounts in thousands)

Year Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 3,504,180	\$ 3,440,829	\$ 6,945,009	\$ 47,375	\$ 17,574	\$ 64,949
2023	3,219,890	3,278,873	6,498,763	3,200	16,909	20,109
2024	3,138,985	3,139,905	6,278,890	2,145	16,890	19,035
2025	3,131,250	3,002,727	6,133,977	7,770	16,810	24,580
2026	3,208,950	2,858,354	6,067,304	4,380	16,723	21,103
2027 - 2031	16,945,435	12,057,743	29,003,178	156,100	73,560	229,660
2032 - 2036	16,055,465	8,271,227	24,326,692	111,715	48,902	160,617
2037 - 2041	13,488,390	4,104,248	17,592,638	66,180	37,009	103,189
2042 - 2046	5,563,910	1,125,984	6,689,894	119,970	22,521	142,491
2047 - 2051	2,581,000	219,908	2,800,908	68,015	3,810	71,825
Total	\$ 70,837,455	\$ 41,499,798	\$ 112,337,253	\$ 586,850	\$ 270,708	\$ 857,558

E. General Obligation Bond Defeasances

1. Current Year Activity

On September 9, 2020, the primary government issued \$1.6 billion in general obligation bonds to current refund \$2.0 billion in outstanding fixed and variable-rate general obligation bonds with principal redemptions scheduled in the fiscal years ended June 30, 2021 to 2041. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased overall debt service by \$568 million and resulted in an economic gain of \$504 million. The economic gain is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at 1.39% per year over the life of the new bonds.

On November 3, 2020, the primary government issued \$548 million in general obligation bonds to current refund \$663 million in outstanding general obligation bonds with principal redemptions scheduled in the fiscal years ended June 30, 2023 to 2024, 2026 to 2033, and 2035 to 2036. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased overall debt service by \$218 million and resulted in an economic gain of \$199 million. The economic gain is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at 1.35% per year over the life of the new bonds.

On March 23, 2021, the primary government issued \$964 million in general obligation bonds to current refund \$1.2 billion in outstanding variable-rate general obligation bonds with principal redemptions scheduled in the fiscal years ended June 30, 2021 to 2034. As a result, the refunded bonds were defeased and redeemed, and the liability for those bonds has been removed from the financial statements. The purpose of this refunding was to convert variable-rate debt into fixed-rate debt to effect a favorable reorganization of the debt structure of the State.

On April 15, 2021, the primary government issued \$60 million in general obligation bonds to advance refund \$64 million in outstanding general obligation bonds with principal redemptions scheduled in the fiscal years ended June 30, 2029, and 2031. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased overall debt service by \$18 million and resulted in an economic gain of \$16 million. The economic gain is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at 1.80% per year over the life of the new bonds.

2. Outstanding Balance

In the current and prior years, the primary government placed the proceeds of the refunding bonds and other resources in a special irrevocable escrow trust account with the State Treasury to provide for all future debt service payments on defeased bonds. The assets of the trust accounts and liability for defeased bonds are not included in the State's financial statements. As of June 30, 2021, the outstanding balance of defeased general obligation bonds was approximately \$64 million.

NOTE 16: REVENUE BONDS

A. Governmental Activities

The California Alternative Energy and Advanced Transportation Financing Authority is authorized to issue Clean Renewable Energy Bonds to fund the acquisition and installation of certain transportation-related solar energy facilities located throughout the State. These bonds finance activity in the Transportation Fund and are included in the governmental activities column of the government-wide Statement of Net Position.

The California Health Facilities Financing Authority (CHFFA) is authorized to issue No Place Like Home Program Senior Revenue Bonds to provide permanent supportive housing for persons experiencing homelessness or chronic homelessness, or who are at-risk for chronic homelessness, and who are in need of mental health services. These bonds are secured by and payable from a portion of Proposition 63 Tax Transfers. The primary government has no legal liability for the payment of principal and interest on these revenue bonds. Total principal and interest remaining on the bonds are

\$1.0 billion, payable through 2035. Interest paid in the current year totaled \$16 million. These bonds are included in the governmental activities column of the government-wide Statement of Net Position.

The Golden State Tobacco Securitization Corporation (GSTSC), a blended component unit, as authorized by state law, has issued asset-backed bonds to purchase 100% of the State's rights to future revenues from the Master Settlement Agreement with participating tobacco companies. These bonds are secured by and payable solely from future Tobacco Settlement Revenue and interest earned on that revenue. The primary government has no legal liability for the payment of principal and interest on the bonds. The Legislature has annually granted a General Fund appropriation for payment of debt service in the event tobacco settlement revenues and other available amounts prove insufficient to make these payments during the next fiscal year. However, the use of the appropriated monies has never been required. Total principal and interest remaining on all asset-backed bonds is \$12.7 billion, payable through 2047. All of the Tobacco Settlement Revenue and interest has been pledged in support of these asset-backed bonds. Principal and interest paid in the current year totaled \$530 million, while Tobacco Settlement Revenue and interest earned totaled \$471 million. These bonds are included in the governmental activities column of the government-wide Statement of Net Position.

Under state law, the State Public Works Board (SPWB), an agency that accounts for its activity in the Public Buildings Construction Fund, an internal service fund, and certain building authorities may issue revenue bonds. These bonds are issued for the purpose of designing, acquiring, or constructing state buildings, related improvements, and equipment. Leases with state agencies pay the principal and interest on the revenue bonds issued by the Public Buildings Construction Fund and building authorities. The General Fund has no legal liability for the payment of principal and interest on these revenue bonds. Total principal and interest remaining on the bonds is \$11.8 billion, payable through 2046. These revenue bonds are included in the governmental activities column of the government-wide Statement of Net Position.

For the specific debt service coverage ratios, refer to the Schedule of Pledged Revenue Coverage in the Statistical Section.

B. Business-type Activities

Revenue bonds that are directly related to, and are expected to be paid from, the resources of enterprise funds are included in the accounts of such funds. Principal and interest on revenue bonds are payable from the pledged revenues of the respective funds of agencies that issued the bonds. The General Fund has no legal liability for payment of principal and interest on revenue bonds. For specific debt service coverage ratios, refer to the Schedule of Pledged Revenue Coverage in the Statistical Section.

Revenue bonds to acquire, construct, or renovate state facilities or to refund outstanding revenue bonds in advance of maturity are issued for water resources, financing of electric power purchases for resale to utility customers, state university campuses, and certain nonmajor enterprise funds.

Revenue bonds related to two enterprise funds contain provisions that define events of default related to punctuality of the payment of the outstanding principal and interest, which could result in acceleration of debt payments.

C. Discretely Presented Component Units

The University of California issues revenue bonds to finance various auxiliary, administrative, academic, medical center, and research facilities. The revenue bonds are not collateralized by any encumbrance, mortgage, or other pledge of property except pledged revenues, and do not constitute general obligations of the University. For more information regarding revenue bonds, current year defeasances, and outstanding defeasances of the University, refer to its separately issued financial report for fiscal year 2020-21, which may be found on its website at www.ucop.edu.

Under state law, the California Housing Finance Agency (CalHFA) issues fixed-rate and variable-rate revenue bonds to fund loans to qualified borrowers for single-family houses and multifamily developments. Variable-rate debt is typically related to remarketed rates or common indices, such as the Securities Industry and Financial Markets Association (SIFMA) or the London Interbank Offered Rate (LIBOR) and is reset periodically. As of June 2021, CalHFA redeemed all outstanding variable rate debt. CalHFA issues both federally taxable and tax-exempt bonds. The bonds issued by CalHFA are payable solely from and collateralized by revenues and other pledged assets. For more information regarding revenue bonds, current year defeasances, and outstanding defeasances of the CalHFA, refer to its separately issued financial report for fiscal year 2020-21, which may be found on its website at www.CalHFA.ca.gov.

Table 46 shows outstanding revenue bonds of the primary government and the discretely presented component units.

Table 46**Schedule of Revenue Bonds Payable**

June 30, 2021

(amounts in thousands)

Primary government**Governmental activities**

Transportation Fund	\$	1,278
Public Buildings Construction Fund		8,805,729
Nonmajor governmental funds:		
Golden State Tobacco Securitization Corporation Fund		6,279,817
No Place Like Home Program		870,505
Building authorities		40,910
Total governmental activities		15,998,239

Business-type activities

Electric Power Fund		777,000
Water Resources Fund		3,763,125
California State University		8,557,601
Nonmajor enterprise funds		1,708,919
Total business-type activities		14,806,645

Total primary government**30,804,884****Discretely presented component units**

University of California		28,818,950
California Housing Finance Agency		312,037
Nonmajor component units		852,750
Total discretely presented component units		29,983,737

Total revenue bonds payable**\$ 60,788,621**

Table 47 shows the debt service requirements for fixed-rate and variable-rate bonds. It excludes unamortized premiums and discounts that are included in Table 46.

Table 47

Schedule of Debt Service Requirements for Revenue Bonds

(amounts in thousands)

Year Ending June 30	Primary Government				Discretely Presented	
	Governmental Activities		Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest *
2022.....	\$ 744,466	\$ 665,628	\$ 1,361,475	\$ 538,396	\$ 562,943	\$ 1,189,081
2023.....	611,896	633,957	516,045	485,642	617,275	1,162,230
2024.....	679,529	616,777	544,515	463,087	660,668	1,138,392
2025.....	687,114	592,025	554,855	441,164	1,093,779	1,112,670
2026.....	706,356	565,743	549,265	419,072	1,226,423	1,072,460
2027-2031.....	3,631,834	2,304,110	2,866,190	1,754,116	5,417,779	4,784,483
2032-2036.....	3,017,080	1,422,480	2,707,375	1,167,711	4,216,413	3,788,798
2037-2041.....	1,944,350	692,650	1,483,280	727,057	4,363,414	2,743,701
2042-2046.....	791,240	401,636	1,432,810	415,394	3,838,944	1,738,210
2047-2051.....	2,382,313	2,415,142	1,149,165	145,512	3,291,285	1,019,751
2052-2056.....	—	—	295,820	24,598	309,466	613,852
2057-2121.....	—	—	—	—	2,680,986	4,608,069
Total.....	\$ 15,196,178	\$ 10,310,148	\$ 13,460,795	\$ 6,581,749	\$ 28,279,375	\$ 24,971,697

* Includes interest on variable-rate bonds based on rates in effect on June 30, 2021.

D. Revenue Bond Defeasances

1. Current Year – Governmental Activities

During the 2020-21 fiscal year, the SPWB issued \$31 million in lease revenue refunding bonds. The bond proceeds were used to refund \$41 million in outstanding lease revenue bonds. The net proceeds of the refunding bonds, along with additional resources, were deposited in an escrow account to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liabilities for those bonds have been removed from the financial statements. The refunding decreased debt service payments by \$11 million and resulted in an economic gain of \$9 million. The lease revenue bonds are reported in the Public Buildings Construction Fund, an internal service fund.

During the 2020-21 fiscal year, the GSTSC issued \$437 million in Enhanced Tobacco Settlement Asset-Backed refunding bonds. The bond proceeds were used to advance refund \$363 million in outstanding Enhanced Tobacco Settlement Asset-Backed bonds. The net proceeds of the refunding bonds, along with additional resources, were deposited in an escrow account to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liabilities for those bonds have been removed from the financial statements. The refunding decreased debt service payments by \$48 million and resulted in an economic gain of \$28 million.

2. Current Year – Business-type Activities

In September 2020, the California State University issued \$446 million in systemwide revenue bonds to advance refund certain outstanding systemwide revenue bonds. Portions of the proceeds from the refunding bonds were deposited in escrow accounts to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased debt service payments by \$71 million and resulted in an economic gain of \$64 million.

In September 2020, The Department of Water Resources deposited its own existing resources in an escrow account to provide for all future debt service payments for \$221 million in outstanding power supply revenue bonds. As a result, the bonds are considered defeased and the liabilities for those bonds have been removed from the financial statements. The defeasance resulted in a loss of \$8 million.

3. Outstanding Balances

In current and prior fiscal years, the primary government placed the proceeds of the refunding bonds and other resources in irrevocable trust accounts to provide for all future debt service requirements. Accordingly, the assets and liabilities for these defeased bonds are not included in the financial statements. As of June 30, 2021, the outstanding balance of defeased revenue bonds was \$1.4 billion for business-type activities. Of this amount, the outstanding balance of bonds that were defeased using the State's own existing resources was \$14 million. All defeased revenue bonds for governmental activities were redeemed by June 30, 2021.

NOTE 17: RISK MANAGEMENT

The primary government has elected, with a few exceptions, to be self-insured against loss or liability. The primary government generally does not maintain reserves. Losses are covered by appropriations from each fund responsible for payment in the year in which the payment occurs. The State is permissively self-insured and, barring any extraordinary catastrophic event, the potential amount of loss faced by the State is not considered material in relation to the primary government's financial position. Generally, the exceptions are when a bond resolution or a contract requires the primary government to purchase commercial insurance for coverage against property loss or liability. There have been no significant reductions in insurance coverage from the prior year. In addition, no insurance settlement in the last three years has exceeded insurance coverage. All claim payments are on a "pay-as-you-go" basis, with workers' compensation benefits for self-insured agencies initially being paid by the State Compensation Insurance Fund.

The discounted liability for unpaid self-insurance claims of the primary government is estimated to be \$5.0 billion as of June 30, 2021. This estimate is primarily based on actuarial reviews of the State's workers' compensation program and includes indemnity payments to claimants, as well as all other costs of providing workers' compensation benefits, such as medical care and rehabilitation. The estimate also includes the liability for unpaid services fees, industrial disability leave benefits, and incurred-but-not-reported amounts. The estimated total liability of approximately \$6.9 billion is discounted to \$5.0 billion using a 3.5% interest rate. Of the total discounted liability, \$525 million is a current liability, of which \$384 million is included in the General Fund, \$136 million in the special revenue funds, and \$5 million in the internal service funds. The remaining \$4.4 billion is reported as other noncurrent liabilities in the government-wide Statement of Net Position.

The University of California, a discretely presented component unit, is self-insured or insured through a wholly-owned captive insurance company. Additional disclosures for the University’s risk management and self-insurance claims liability are included in its separately issued financial statements, which can be obtained from the University on its website at www.ucop.edu.

Table 48 shows the changes in the self-insurance claims liability for the primary government.

Table 48

Schedule of Changes in Self-insurance Claims

Year Ended June 30
(amounts in thousands)

	2021	2020
Unpaid claims, beginning	\$ 4,688,013	\$ 4,436,720
Incurred claims	831,985	777,605
Claim payments	(566,278)	(526,312)
Unpaid claims, ending	\$ 4,953,720	\$ 4,688,013

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NOTE 18: INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

Short-term interfund receivables and payables result from the time lag between the dates on which goods and services are delivered and the dates on which payments between entities are made. In addition, interfund borrowing, mainly from nonmajor governmental funds, is used to meet temporary imbalances of receipts and disbursements in the General Fund.

Table 49 shows the amounts due from and due to other funds.

Table 49

Schedule of Due From Other Funds and Due To Other Funds

June 30, 2021

(amounts in thousands)

Due From	Due To				
	General Fund	Transportation Fund	Environmental and Natural Resources Fund	Health Care Related Programs Fund	Nonmajor Governmental Fund
Governmental funds					
General Fund	\$ —	\$ —	\$ —	\$ —	\$ 882,520
Federal Fund	17,110,627	1,425,860	90,397	44,186	35,605
Transportation Fund	195,583	—	—	—	554,553
Environmental and Natural Resources Fund	141,160	2,401	—	—	11,164
Health Care Related Programs Fund	1,928,157	—	14	—	4,266
Nonmajor governmental funds	489,379	205	5,895	47,678	47,393
Total governmental funds	19,864,906	1,428,466	96,306	91,864	1,535,501
Enterprise funds					
Electric Power Fund	3	—	—	—	—
Water Resources Fund	—	—	—	—	—
State Lottery Fund	607	—	—	—	494,332
Nonmajor enterprise funds	2,208	22	18,582	—	595
Total enterprise funds	2,818	22	18,582	—	494,927
Internal service funds	32,557	15,792	5,570	—	20,683
Total due from other funds	\$ 19,900,281	\$ 1,444,280	\$ 120,458	\$ 91,864	\$ 2,051,111

Due To

State Lottery Fund	Unemployment Programs Fund	California State University Fund	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total Due To Other Funds
\$ —	\$ 156,681	\$ 4,580	\$ —	\$ 266,165	\$ 822,673	\$ 2,132,619
—	44,197	—	19,042	55,279	—	18,825,193
—	—	—	—	11,881	—	762,017
—	—	—	1,989	25,921	—	182,635
—	—	—	—	5,240	—	1,937,677
—	—	—	457	79,982	—	670,989
—	200,878	4,580	21,488	444,468	822,673	24,511,130
—	—	—	—	11	—	14
—	—	—	—	94,844	—	94,844
—	—	—	—	—	—	494,939
—	—	—	—	15	—	21,422
—	—	—	—	94,870	—	611,219
763	2,307	—	880	190,406	398	269,356
\$ 763	\$ 203,185	\$ 4,580	\$ 22,368	\$ 729,744	\$ 823,071	\$ 25,391,705

Interfund receivables and payables are the result of interfund loans that are not expected to be repaid within one year. In addition to the temporary interfund cash-flow borrowing shown in Table 49, annual enacted budgets provide for long-term loans from many of the State’s special funds—mainly the Environmental and Natural Resources Fund, Health Care Related Programs Funds, and nonmajor governmental funds—to the General Fund.

In fiscal year 2017-18, a supplemental employer contribution was made to the California Public Employees’ Retirement System (CalPERS) to help reduce the State’s net pension liability. The supplemental employer contribution was funded through a cash loan from borrowable deposits in the State’s internal investment pool—mainly from the Environmental and Natural Resources Fund and nonmajor governmental funds. The General Fund and other funds that normally contribute to CalPERS and benefit from the supplemental contribution will repay the loan and replenish the internal investment pool deposits. The table below includes an outstanding balance of \$2.5 billion of interfund loans. There is an additional \$135 million reported as loans receivable from entities outside of the State’s primary government.

Table 50 shows the primary government’s interfund receivables and payables.

Table 50

Schedule of Interfund Receivables and Payables

June 30, 2021

(amounts in thousands)

Interfund Receivables	Interfund Payables			
	General Fund	Transportation Fund	Environmental and Natural Resources Fund	Health Care Related Programs Fund
Governmental funds				
General Fund	\$ —	\$ 206,034	\$ 1,897,980	\$ 319,074
Transportation Fund	—	—	—	—
Environmental and Natural Resources Fund	229,289	10,000	—	—
Nonmajor governmental funds	18,752	1,448	—	—
Total governmental funds	248,041	217,482	1,897,980	319,074
Enterprise funds				
Electric Power Fund	—	10	74	15
Water Resources Fund	—	2,395	17,259	3,403
State Lottery Fund	—	540	3,890	767
California State University Fund	—	5,587	40,252	7,936
Nonmajor enterprise funds	21,720	76	547	108
Total enterprise funds	21,720	8,608	62,022	12,229
Internal service funds	2,601,945	2,649	19,083	3,762
Total interfund receivables	\$ 2,871,706	\$ 228,739	\$ 1,979,085	\$ 335,065

Interfund Payables						
Nonmajor Governmental Funds	Water Resources Fund	Unemployment Programs Fund	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total Interfund Payables
\$ 1,369,561	\$ —	\$ 301,512	\$ 21,101	\$ 19,613	\$ 42,927	\$ 4,177,802
20,000	—	—	—	690	—	20,690
—	—	—	—	2,601	—	241,890
—	—	—	—	—	—	20,200
1,389,561	—	301,512	21,101	22,904	42,927	4,460,582
31	—	20	—	—	3	153
7,254	—	4,683	95	10	667	35,766
1,635	—	1,056	21	2	150	8,061
16,919	—	10,922	221	24	1,556	83,417
230	—	148	3	—	22	22,854
26,069	—	16,829	340	36	2,398	150,251
8,022	158,092	5,178	105	18,351	737	2,817,924
\$ 1,423,652	\$ 158,092	\$ 323,519	\$ 21,546	\$ 41,291	\$ 46,062	\$ 7,428,757

The amounts shown as due from primary government and due to component units represent short-term receivables and payables between the primary government and component units resulting from the time lag between the dates on which goods and services are provided and received and the dates on which payments between entities are made.

Table 51 shows the amounts due from the primary government and due to component units.

Table 51

Schedule of Due From Primary Government and Due To Component Units

June 30, 2021

(amounts in thousands)

Due From	Due To University of California
Governmental funds	
General Fund	\$ 235,010
Transportation Fund	6,248
Nonmajor governmental funds	28,548
Total governmental funds	269,806
Total due from primary government	\$ 269,806

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B. Interfund Transfers

Transfers move money collected by one fund to another fund, which then disburses it as required by law. The General Fund and certain other funds transfer money to support various programs accounted for in other funds. The largest transfer from the General Fund was \$3.9 billion to the California State University, an enterprise fund. The General Fund also transferred \$2.8 billion to nonmajor governmental funds, mainly for support of trial courts and local governments. The Transportation Fund transferred \$1.7 billion in weight fee revenues to the Transportation Debt Service Fund, a nonmajor governmental fund, for transportation-related debt service costs. The Federal Fund transferred \$1.1 billion to the General Fund for administration of the Unemployment Insurance Program.

Table 52 shows interfund transfers of the primary government.

Table 52

Schedule of Interfund Transfers

June 30, 2021

(amounts in thousands)

Transferred From	Transferred To		
	General Fund	Transportation Fund	Environmental and Natural Resources Fund
Governmental funds			
General Fund	\$ —	\$ 610	\$ 99,385
Federal Fund	1,057,907	848	17,500
Transportation Fund	25,312	—	10,442
Environmental and Natural Resources Fund	81,103	1,117	—
Health Care Related Programs Fund	6,038	—	—
Nonmajor governmental funds	192,315	22	23,999
Total governmental funds	1,362,675	2,597	151,326
Internal service funds	16,390	—	—
Total transfers from other funds	\$ 1,379,065	\$ 2,597	\$ 151,326

Transferred To					
Health Care Related Programs Fund	Nonmajor Governmental Funds	California State University Fund	Nonmajor Enterprise Funds	Internal Service Funds	Total Transfers To Other Funds
\$ 120,761	\$ 2,788,238	\$ 3,851,664	\$ —	\$ 29,462	\$ 6,890,120
17	32,758	—	2	88	1,109,120
—	1,702,885	—	—	—	1,738,639
—	30,271	—	—	—	112,491
—	37	—	—	—	6,075
3,979	172,633	—	—	—	392,948
124,757	4,726,822	3,851,664	2	29,550	10,249,393
—	24,286	—	—	—	40,676
\$ 124,757	\$ 4,751,108	\$ 3,851,664	\$ 2	\$ 29,550	\$ 10,290,069

NOTE 19: FUND BALANCES, NET POSITION DEFICITS, AND ENDOWMENTS

A. Fund Balances

Table 53 shows the composition of the governmental fund balances.

Table 53

Schedule of Fund Balances by Function

June 30, 2021

(amounts in thousands)

	General Fund	Federal Fund	Transportation Fund	Environmental and Natural Resources Fund	Health Care Related Programs Fund	Nonmajor Governmental Funds
Nonspendable						
Long-term interfund receivables	\$ 2,871,706	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term loans receivable	6,905	—	—	—	—	—
Other	—	—	—	—	—	10,238
Total nonspendable	2,878,611	—	—	—	—	10,238
Restricted						
General government	21,212	22,949	—	5,262	1	5,721,935
Education	180,936	106	1,226	—	323,064	997,394
Health and human services	246,357	257	—	83,189	1,561,535	3,163,842
Natural resources and environmental protection	481	680	—	6,059,304	—	296,759
Business, consumer services, and housing	1,653	259,587	231,450	22,892	—	4,911,951
Transportation	—	—	9,505,029	—	—	40,576
Corrections and rehabilitation	137,978	—	—	—	—	73,013
Budget stabilization	12,339,422	—	—	—	—	—
Total restricted	12,928,039	283,579	9,737,705	6,170,647	1,884,600	15,205,470
Committed						
General government	190,950	—	—	19,654	—	488,680
Education	10,300	—	—	—	—	77,467
Health and human services	454,513	—	63	—	49,124	211,677
Natural resources and environmental protection	5,272	—	3	8,573,966	—	488,531
Business, consumer services, and housing	—	—	—	86,722	—	113,105
Transportation	—	—	46,726	—	—	4,407
Corrections and rehabilitation	7,316	—	—	—	—	550
Total committed	668,351	—	46,792	8,680,342	49,124	1,384,417
Assigned						
General government	575,902	—	—	—	—	45,543
Education	31,676	—	—	—	—	—
Health and human services	1,648,903	—	—	—	—	—
Natural resources and environmental protection	1,968,595	—	—	—	—	—
Business, consumer services, and housing	393,279	—	—	—	—	—
Transportation	3,282	—	—	—	—	—
Corrections and rehabilitation	316,480	—	—	—	—	—
Total assigned	4,938,117	—	—	—	—	45,543
Unassigned	52,731,990	(8,822,239)	—	—	—	—
Total fund balances	\$ 74,145,108	\$ (8,538,660)	\$ 9,784,497	\$ 14,850,989	\$ 1,933,724	\$ 16,645,668

B. Net Position Deficits

Table 54 shows the net position deficit balances.

Table 54

Schedule of Net Position Deficits

June 30, 2021

(amounts in thousands)

	Governmental Funds	Internal Service Funds	Enterprise Funds
Federal Fund	\$ 8,538,660	\$ —	\$ —
Architecture Revolving Fund	—	109,384	—
Service Revolving Fund	—	1,034,345	—
Technology Services Revolving Fund	—	452,820	—
Water Resources Revolving Fund	—	16,382	—
Other Internal Service Programs Fund	—	820,740	—
State Lottery Fund	—	—	138,433
Unemployment Programs Fund	—	—	32,887,073
California State University Fund	—	—	17,329,201
Total net position deficits	\$ 8,538,660	\$ 2,433,671	\$ 50,354,707

C. Discretely Presented Component Unit Endowments and Gifts

The University of California, a discretely presented component unit, administers certain restricted nonexpendable, restricted expendable, and unrestricted endowments that are included in the related net position categories of the government-wide and fund financial statements. As of June 30, 2021, the value of restricted endowments and gifts totaled \$26.1 billion, and unrestricted endowments and gifts totaled \$8.5 billion. The University's policy is to retain realized and unrealized appreciation on investments with the endowment after an annual income distribution. The net appreciation available to meet future spending needs upon approval by the Board of Regents amounted to \$3.9 billion at June 30, 2021. The portion of investment returns earned on endowments and distributed each year to support current operations is based on a rate approved by the Board of Regents. In addition, the California State University Auxiliary Organizations and the University of California Hastings College of the Law, nonmajor component units, have restricted nonexpendable and restricted expendable endowments of \$1.7 billion and \$21 million, respectively.

NOTE 20: DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

In the fund financial statements, governmental funds reported deferred inflows of resources of \$2.9 billion as this amount represents revenues that are earned and measurable, but not available within 12 months of the end of the reporting period.

Table 55 shows the detail of the deferred outflows of resources and deferred inflows of resources reported in the government-wide Statement of Net Position. For descriptions of the deferred outflows and deferred inflows of resources transactions, see Note 1.L.

Table 55

Schedule of Deferred Outflows and Deferred Inflows of Resources

June 30, 2021

(amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Deferred outflows of resources:				
Loss on refunding of debt	\$ 806,367	\$ 214,588	\$ 1,020,955	\$ 291,372
Decrease in fair value of hedging derivative instruments	—	—	—	154,182
Net pension liability	19,260,646	1,801,193	21,061,839	3,373,694
Net other postemployment benefits liability	6,854,067	1,582,620	8,436,687	5,991,334
Deferred asset retirement obligation	—	—	—	73,141
Other deferred outflows	—	—	—	4,538
Total deferred outflows of resources	\$ 26,921,080	\$ 3,598,401	\$ 30,519,481	\$ 9,888,261
Deferred inflows of resources:				
Gain on refunding of debt	\$ 423,524	\$ 4,354	\$ 427,878	\$ 7,964
Service concession arrangements	33,516	—	33,516	237,787
Irrevocable split-interest agreements	—	—	—	359,994
Net pension liability	3,953,019	128,554	4,081,573	11,222,087
Net other postemployment benefits liability	9,916,913	2,476,988	12,393,901	5,676,120
Other deferred inflows	—	1,890,345	1,890,345	353,857
Total deferred inflows of resources	\$ 14,326,972	\$ 4,500,241	\$ 18,827,213	\$ 17,857,809

NOTE 21: NO COMMITMENT DEBT

The California Housing Finance Agency (CalHFA), a major component unit, issued conduit debt to provide financial assistance for the acquisition, construction, and development of multifamily rental housing. As of June 30, 2021, the CalHFA had \$3.1 billion of conduit debt obligations outstanding, which is not debt of the State.

Certain debt of the nonmajor component units is issued to finance activities such as the promotion of renewable energy sources and financing for economic development projects. This debt is secured by the credit of private and public entities and is administered by trustees independent of the State. As of June 30, 2021, these component units had approximately \$4.6 billion of debt outstanding, which is not debt of the State.

NOTE 22: CONTINGENT LIABILITIES

A. Litigation

The primary government is a party to numerous legal proceedings, many of which are not unusual for governmental operations. To the extent they existed, the following legal proceedings were accrued as a liability in the government-wide financial statements: those decided against the primary government before June 30, 2021; those in progress as of June 30, 2021, and settled or decided against the primary government as of March 23, 2023; and those having a high probability of resulting in a decision against the primary government as of March 23, 2023 and for which amounts could be estimated. In the governmental fund financial statements, the portion of the liability that is expected to be paid within the next 12 months is recorded as a liability in the fund from which payment will be made. In the proprietary fund financial statements, the entire liability is recorded in the fund from which payment will be made.

In addition, the primary government is involved in certain other legal proceedings that, if decided against the primary government, may impair its revenue sources or require it to make significant expenditures. Because of the prospective nature of these proceedings, no provision for the potential liability has been made in the financial statements.

Following are descriptions of the more significant lawsuits pending against the primary government:

A writ petition, *Bekkerman et al. v. California Department of Tax and Fee Administration (formerly the California Board of Equalization)*, was filed against the primary government challenging the validity of a California Department of Tax and Fee Administration (CDTFA) sales tax regulation (California Code of Regulations, Title 18, section 1585) that requires the sales tax charged on a mobile telephone to be based on the full retail price of the phone, rather than any discounted price that is contingent on a service plan contract. A companion class action has been filed. The primary government filed a demurrer that was sustained on September 5, 2017, which resulted in the dismissal of the state defendants from the class action. The plaintiffs appealed that order and subsequently dismissed that appeal voluntarily. In the writ action, plaintiffs amended the writ petition to add class action claims for refunds of sales tax. On September 14, 2018, the court granted the State's motion to strike the class action claims for refunds from the writ petition. CDTFA filed an answer to the amended petition on September 20, 2018. In the writ action, the Court granted the writ on September 4, 2020, and ordered that Rule 1585 may not be applied to bundled sales in which the retailer is also the service carrier. The State appealed on March 17, 2021, and plaintiff's cross-appealed on April 6, 2021. On September 20, 2021, the Court of Appeal granted a stay of judgement in the writ of action pending appeal. CDTFA's opening brief was filed May 11, 2022. Briefing is scheduled to conclude on or about May 25, 2023. If the sales tax regulation is invalidated, the companion class action could lead to an order requiring CDTFA to refund approximately \$1.0 billion in sales tax collections.

The primary government is a defendant in two similar cases: *Atkins v. State of California* and *Reyes v. State of California*, alleging that Senate Bill (SB) 98 and SB 820 unfairly restrict new enrollment at charter schools by requiring schools to be funded according to their average daily attendance during the 2019-20 fiscal year, and by requiring charter schools to offer 175 days of instruction compared to 180 days for public schools. The plaintiffs allege that the bills violate various provisions of the California Constitution, including students' rights to education, equal protection, and due process. SB 98 was amended by SB 820, and the amended law provides that fiscal year 2020-21 budgets be used to

determine fiscal year 2020-21 funding for the plaintiffs' schools instead of the 2019-20 average daily attendance. The plaintiff for the *Atkins v. State of California* case amended the complaint and filed the amended complaint on October 9, 2020. On May 4, 2021, petitioners and respondents filed cross opening briefs addressing the merits of the case. By stipulation, the briefing in *Atkins v. State of California* will be case dispositive and in *Reyes v. State of California* will be non-evidentiary. Hearings were set for July 2, 2021. The parties briefed the merits of the case and the court ruled without an evidentiary hearing. On July 27, 2021, the court issued a final decision in favor of respondents on all claims. Respondents lodged a proposed judgment on August 10, 2021. On October 15, 2021, plaintiffs appealed. To date, the parties have completed their appellate briefing and await oral argument. The estimated range of loss is not possible to ascertain at this time.

The primary government is a defendant in a case, *People of the State of California (Butte County D.A.) v. Department of Water Resources*, regarding the claims that the debris deposited into the Feather River due to the failure of the Oroville Dam spillway in 2017 was harmful to fish and wildlife. This case is one of eight coordinated cases concerning the Oroville Dam spillway failure. A motion for summary judgment was granted on December 18, 2020. The appellate record is being prepared prior to the appellant's opening brief being filed. It is uncertain when the appeal will resolve and whether the matter will be remanded to the trial court for trial. The summary judgment is currently on appeal. Appellant's reply brief is due April 13, 2023. The Butte County District Attorney seeks to impose \$34.0 billion to \$51.0 billion in civil penalties for alleged pollution that violates Fish and Game Code section 5650.

The primary government is a defendant in a case, *Francis Bechtel, et al. v. Department of Water Resources*, which is one of seven coordinated cases related to the failure of the Oroville Dam spillway in 2017. The plaintiffs sought class certification for damages arising out of the mandatory evacuation order issued by the Butte County Sheriff. Class discovery has been completed. Class certification motions were denied and were appealed by the Bechtel plaintiffs only. The court of appeal upheld the trial court's denial of class certification on March 15, 2022. The remaining plaintiffs, two former-class representatives, did not participate in the required settlement discussions. It is uncertain if the class representatives' personal claims will go to trial. The estimated range of loss is not possible to ascertain at this time.

The primary government is a defendant in a case, *Perea, et al. v. Dooley, et al*, The petitioners sued the primary government alleging that reimbursements paid to providers under the Medi-Cal program are too low and therefore impaired access to care and services for Medi-Cal patients. The petitioners argue that this constitutes discrimination against Latinos, senior citizens, and persons with disabilities. The petitioners do not seek damages but seek prospective declaratory and injunctive relief that would require the State to increase the reimbursement rates paid to providers by the Medi-Cal program. The State filed a demurrer to petitioners' Third and First Amended Complaints in 2019. A hearing for the First Amended Complaint was held on February 13, 2020. The Third Amended Complaint was overruled on June 21, 2019, and the matter was actively litigated until April 2020, when the parties stipulated to a stay in light of the COVID-19 pandemic. The stay was lifted on April 10, 2021, and the parties have resumed prepounding and responding to written discovery. A demurrer for the First Amended Complaint was scheduled for a hearing on November 24, 2020; however, following the court's tentative favorable ruling to the State prior to the hearing, the petitioner proceeded in pro per, and filed a series of Americans with Disabilities Act accommodation requests that continued until December 2020. A demurrer hearing was scheduled for September 14, 2021. On October 25, 2021, judgment was entered in favor of defendants. The deadline for petitioners to move for class certification was December 10, 2021. Defendants filed their motion for judgment on the pleadings on November 19, 2021. Plaintiffs filed their

opposition on December 6, 2021 and the State's reply brief was filed on December 10, 2021. The hearing on the motion for judgment on the pleadings and the next case management conference was continued to February 2, 2022. On June 29, 2022, the Superior Court issued judgment in favor of defendants. On August 19, 2022, petitioners' filed their notice of appeal. Appellants filed their opening brief on February 14, 2023 and the State's opposition brief is due on May 15, 2023. The estimated impact to prospective rates is not possible to ascertain at this time. The estimated potential loss in the case of *Perea, et al. v. Dooley, et al.*, is more than \$1.0 billion annually.

The primary government was a defendant in the following cases: *Anthem Blue Cross v. David Maxwell-Jolly, et al.*; *Molina Family Health Plan v. Department of Health Care Services*; and *Health Net of California v. Department of Health Care Services* regarding application of budget reduction factors to managed-care capitated rates. These cases were settled on a contingent basis based on the plans' profitability. The estimated combined total potential loss is more than \$400 million based on three separate settlement agreements that were entered into in 2013 and 2014.

The primary government is a defendant in three similar cases: *Metropolitan Water District of Southern California, et al. v. Dept. of Fish and Wildlife, et al.*; *State Water Contractors, et al. v. Dept. of Fish and Wildlife, et al.*; *San Bernardino Valley Municipal Water Dist. v. Cal. Dept. of Water Resources, et al.* The plaintiffs filed lawsuits against the primary government seeking to rescind an incidental take permit under the California Endangered Species Act issued by Department of Fish and Wildlife to DWR concerning its operation of the State Water Project, and to rescind DWR's environmental review of the same under the California Environmental Quality Act. The plaintiffs also claimed that DWR breached its water supply contracts by accepting the permit. One plaintiff asserts that the permit constitutes taking without just compensation. Five other consolidated cases are seeking non-contract-based (writ of mandamus) relief. DWR and the Department of Fish and Wildlife are preparing the administrative records relative to their administrative decisions that are being challenged. On May 7, 2021, the court granted DWR's motion to bifurcate the writ of mandamus claims from the non-writ of mandamus claims, and ordered the writ of mandamus claims tried first. Discovery is stayed until after completion of the writ of mandamus trial. No trial date has been set for the writ of mandamus trial, and the administrative records are not yet certified. The estimated range of loss is not possible to ascertain at this time. One plaintiff has estimated damages at \$100 million, and the other plaintiffs have not estimated their claimed damages.

The primary government is a defendant in a case, *Amalgamated Transit Union International, et al. v. U.S. Department of Labor, et al.* Under federal law, as a condition of receiving certain federal transit grants, transit agencies must demonstrate to the Department of Labor's (DOL) satisfaction that they provide fair and equitable labor arrangements for transit workers, including arrangements that ensure the "continuation of collective bargaining rights." After California enacted PEPR in 2012, DOL issued a certification decision finding that PEPR interfered with the continuation of transit workers' bargaining rights. The State successfully challenged this determination as violating the Administrative Procedure Act, and the Eastern District of California permanently enjoined DOL from relying on PEPR as a basis to deny grants to two transit agencies. In 2019, DOL began certifying grants in conformity with the district court's orders. A transit union objected to these certifications and filed the pending case, asking the same federal judge to reconsider the earlier ruling and reach the opposite conclusion. The State of California intervened in the case to defend DOL's certification decision. The parties filed and briefed cross-motions for summary judgment, but after the change in presidential administrations in 2020, DOL sought and obtained a voluntary remand of proceedings so it could reconsider its position. In October 2021, DOL issued a new decision reverting to its prior view that PEPR precludes certification under

section 13(c) of the Urban Mass Transportation Act of 1964. The October 2021 reconsideration again finds, in spite of the court's prior contrary rulings, that PEPRAs interfere with the collective bargaining rights of transit workers. The reconsideration states that DOL will decline to certify any future grant applications from local transit agencies who are subject to PEPRAs. Media reports have estimated the anticipated loss to California transit agencies of funds under the American Rescue Plan Act to be around \$2.5 billion, along with around \$9.5 billion of anticipated funds under the Infrastructure Improvement and Jobs Act. The State recently filed a cross-complaint against DOL challenging the reconsidered certification decision as arbitrary and capricious in violation of the Administrative Procedure Act, and it obtained a preliminary injunction staying implementation of the reconsidered determination pending the issuance of a final decision on the merits. The Attorney General represents the State of California. The State expeditiously asserted cross-claims challenging the reconsidered determination and moved quickly to stay its implementation. The State will vigorously pursue its cross claims through dispositive motions and, if necessary, on appeal. The State moved for leave to file a cross-complaint on November 12, 2021; leave was granted on December 3, 2021, with the cross-complaint deemed filed. The Court preliminarily enjoined implementation of the reconsidered determination on December 20, 2021. Cross-motions for summary judgment were heard on February 11, 2022. On December 28, 2022, the court granted the State's cross-motion for summary judgment, finding that (1) DOL exceeded its authority by adopting a categorical rule precluding certification; (2) DOL violated the Administrative Procedure Act by ignoring evidence that PEPRAs do not interfere with the collective bargaining rights of transit workers; and (3) DOL's interpretation and application of the Urban Mass Transportation Act of 1964 lack support in the text and legislative history of the statute, and are arbitrary and capricious. On February 22, 2023, the district court entered final judgment including a permanent injunction preventing DOL from relying on PEPRAs as a basis not to certify grants. The plaintiff and possibly DOL are expected to appeal the judgment. If upheld by the courts, DOL's policy could cost California transit agencies several billion dollars in federal grant funds each year.

The primary government is a defendant in a case, *Bear Mountain Development Company, LLC v. State of California*, for breach of contract regarding cancellation of a contract for delivery of Personal Protective Equipment (PPE). The State filed a demurrer on August 13, 2021. The court heard the demurrer on December 15, 2021 and the demurrer was granted with leave to amend. On July 27, 2022, the court heard the State's second demurrer to the Second Amended Complaint, and the demurrer was overruled. The State filed an answer to the Third Amended Complaint and filed a cross complaint alleging fraud and misrepresentation. Plaintiff demurred to the State's cross complaint. On March 9, 2023, the court overruled the demurrer to the fraud cause of action. The court sustained the demurrer to the negligent misrepresentation cause of action with leave to amend. The case is currently in discovery and the State plans to file a motion for summary judgment. No trial date has been set. The plaintiff is seeking damages of \$799 million for the State's cancellation of a contract for delivery of PPE.

The primary government is a defendant in a case, *California Rental Housing Association v. Gavin Newsom*. The plaintiff is an association representing over 19,000 landlords that own more than 536,000 units throughout the state, challenging the State's temporary eviction moratorium during the COVID-19 pandemic. The plaintiffs allege that the moratorium violated the Due Process Clause, the Contract Clause, and the Takings Clause of the United States Constitution. The trial court dismissed the case as moot, and the plaintiff appealed. The estimated range of loss is not possible to ascertain at this time.

The primary government is a defendant in a case, *Harkey-Kirk, et al. v. California Department of Public Health*, for alleged disclosure of private medical information after plaintiffs sought and received prenatal

testing for the detection of birth defects facilitated by the California Department of Public Health's Prenatal Screening Program (PNS Program). Following the testing, the PNS Program mailed correspondence to the plaintiffs' mailing addresses they voluntarily provided to the PNS Program for the purpose of receiving communications regarding their testing. In the correspondence, the program used its statutorily given name in its return address: Prenatal Screening Program. Plaintiffs allege anyone viewing the correspondence would be apprised of their pregnancy, and therefore seek damages for alleged violations under the Confidentiality of Medical Information Act (CMIA). Following the granting of the primary government's motion for judgement, the plaintiff filed an amended complaint deleting dismissed causes of action. The State's demurrer to the First Amended Complaint was overruled as to plaintiff's CMIA and constitutional causes of action. The State filed an answer on March 1, 2021. On December 9, 2021, the class was certified to include: "All persons enrolled as patients in Defendant's prenatal screening program who were sent U.S. Mail by Defendant California Department of Public Health with an address driver containing the phrase 'Prenatal Screening Program,' in an envelope with a plastic window, at any time from four years prior to the filing of this action." The State filed a motion for summary judgment on the remaining two causes of action. On July 19, 2022, the Court granted the State's motion for summary judgment as to the constitutional cause of action, but denied summary judgment as to the CMIA cause of action. The only remaining cause of action is under the CMIA. The State's new motion for summary judgment regarding the CMIA claim is pending with a hearing scheduled for April 21, 2023. The CMIA allows for nominal damages of \$1,000 per violation. However, the size of the class has not yet been determined. Assuming the class goes forward as currently defined, damages under the CMIA could total well over a billion dollars. Further, in their prayer for relief, plaintiffs seek not only the nominal damages available under the CMIA, but also general, special, and consequential damages and attorneys' fees. In light of plaintiffs' broad, nonspecific requests for relief and the unknown class size, an estimated range of loss is not possible to ascertain at this time.

B. Federal Audit Exceptions

The primary government receives substantial funding from the federal government in the form of grants and other federal assistance. The primary government, the University of California, California Housing Finance Agency (CalHFA), and certain nonmajor discretely presented component units are entitled to these resources only if they comply with the terms and conditions of the grants and contracts and with the applicable federal laws and regulations; they may spend these resources only for eligible purposes. If audits disclose exceptions, the primary government, the University, CalHFA, and certain nonmajor discretely presented component units may incur a liability to the federal government.

NOTE 23: SUBSEQUENT EVENTS

The following information describes significant events that occurred subsequent to June 30, 2021, but prior to the date of the auditor's report.

A. Debt Issuances

In July 2021, the California State University (CSU) issued \$1.9 billion in revenue bonds to finance and refinance projects; to acquire, construct, improve, and renovate certain CSU facilities; to refund certain outstanding system-wide revenue bonds; and to pay related issuance costs.

In August 2021 and October 2022, the primary government issued a total of \$364 million in veterans home purchase revenue bonds to build bond reserve accounts and to finance the purchase of homes and farms for California military veterans.

In September and November 2021, and March, September, October, and November 2022 and March 2023, the primary government issued a total of \$11.6 billion in general obligation bonds to fund various capital projects and other voter-approved costs related to K-12 schools and higher education facilities, transportation improvements and high-speed rail, water quality and environmental protection, and other public purposes; to pay certain commercial paper notes as they mature; to refund certain outstanding bonds; and to pay related issuance costs.

In September and December 2021 and December 2022, the Golden State Tobacco Securitization Corporation, a blended component unit, issued a total of \$6.2 billion in tobacco settlement asset-backed bonds to refund a portion of its outstanding asset-backed bonds, build bond reserve accounts, and pay related issuance costs.

In October and November 2021, and April 2022, the State Public Works Board issued a total of \$1.2 billion in lease revenue bonds to finance and refinance the design and construction costs of various projects; to refund and defease outstanding lease revenue bonds; to reimburse interim loans; to fund capitalized interest; to fund reserve fund contributions, if necessary; and to pay related issuance costs.

In March 2022, the California Health Facilities Financing Authority issued \$1.1 billion in revenue bonds under the No Place Like Home Program to provide housing for persons experiencing homelessness, chronic homelessness, or who are in need of mental health services, and to pay issuance costs.

In April and August 2022 and February 2023, the University of California, a major component unit, through its conduit, issued a total of \$6.3 billion in revenue bonds to finance or refinance certain capital projects of the University, to refund outstanding bonds, and to pay related issuance costs.

In September 2022, the Department of Water Resources issued \$248 million in revenue bonds to fund construction of water system projects; to repay commercial papers; to refund certain outstanding water system revenue bonds; to fund a deposit to the debt service reserve account; and to pay related issuance costs.

In December 2022 and January 2023, the California Infrastructure and Economic Development Bank (I-Bank), a component unit, issued \$649 million in Infrastructure State Revolving bonds to advance refund and defease a portion of its outstanding bonds, to fund construction projects, and to pay related issuance costs. In December 2022, I-Bank also issued \$16 million in lease revenue bonds to fund construction projects and to pay related issuance costs.

B. Other

In the November 8, 2022 general election, voters passed Proposition 28 authorizing additional funding for arts and music education in all K-12 public schools (including charters schools), with a greater proportion going to schools with more economically disadvantaged students. This will result in increased state education costs of approximately \$1.0 billion annually.

California continues to face longer, more severe fire seasons, with five of the 20 largest wildfires in state history occurring in 2021. The 2021 fire season saw approximately 7,400 fires and 2.6 million acres burned. Although the 2022 fire season saw more fires recorded, it was less catastrophic, with approximately 7,500 fires and just under 363,000 acres burned.

The United State federal government has already provided California with over \$43.0 billion in combined recovery funds through the American Rescue Plan Act of 2021 (ARPA), to cover costs incurred by the state between March 3, 2021, and December 31, 2024, to mitigate the impacts of the COVID-19 pandemic. Of the \$43.0 billion, \$27.0 billion has been allocated to the Coronavirus State Fiscal Recovery Fund (SFRF) to help California build back a stronger, more equitable economy and address the disproportionate negative economic impacts of the pandemic to low-wage earners. Funds from the SFRF have been used to address public health impacts, address negative economic impacts, invest in broadband infrastructure projects, and replace lost state revenue.

California continues to experience large gaps between significant precipitation events that are vital to the state's water supply. The 2022-23 Budget allocates a total of \$5.2 billion over four years to respond to long-term water resilience. Additionally, the Budget includes a one-time investment of \$2.8 billion to support immediate drought relief efforts, advance drinking water and clean water projects, support dam safety and flood management, and support agricultural water conservation.

In July 2021, the California Public Employees' Retirement System (CalPERS) Board of Administration voted to lower the discount rate for the PERF from 7.00% to 6.80%, effective for the June 30, 2022, measurement date for pensions. All other factors aside, the impact of this change would increase the State's net pension liability reported in its financial statements for the fiscal year ended June 30, 2023.

In August 2022, the State's contracted actuary published the *State of California Retiree Health Benefits Program GASB Nos. 74 and 75 Actuarial Valuation Report as of June 30, 2021*, which will be used to measure the State's net OPEB liability as of June 30, 2022. Based on the Actuarial Valuation Report, the State will report a net OPEB liability as of June 30, 2022 of \$95.5 billion, an increase of \$319 million over the net OPEB liability reported as of June 30, 2021. The report is available on the State Controller's Office website, at www.sco.ca.gov.

In March 2022, the CalPERS Board of Administration voted to lower the CERBT Strategy 1 long-term investment return assumption from 6.75% to 6.00%, effective for the June 30, 2021, measurement date for OPEB. All other factors aside, the impact of this change in assumption would increase the State's net OPEB liability reported in its financial statements for the fiscal year ended June 30, 2022.

California's demand for unemployment insurance benefits required the State to borrow larger than normal amounts from the U.S. Department of Labor during the COVID-19 pandemic. As of June 30, 2021, the State had \$19.8 billion in such loans, which were used to cover the deficits in the Unemployment Programs Fund and continue to provide payment benefits to California workers. Subsequent to June 30, 2021, the State paid down approximately \$1.1 billion in outstanding loans with the U.S. Department of Labor, to a balance of approximately \$18.7 billion as of March 23, 2023.

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Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios

For the Past Seven Fiscal Years¹

(amounts in thousands)

	2014 ³	2015 ³
PUBLIC EMPLOYEES' RETIREMENT FUND PLANS		
STATE MISCELLANEOUS²		
Total pension liability		
Service cost	\$ 1,477,762	\$ 1,576,695
Interest on total pension liability	6,670,928	6,970,837
Differences between expected and actual experience	—	693,639
Changes of assumptions	—	—
Benefit payments, including refunds of employee contributions	(4,844,631)	(5,098,222)
Net change in total pension liability	3,304,059	4,142,949
Total pension liability – beginning	88,885,115	92,189,174
Total pension liability – ending (a)	\$ 92,189,174	\$ 96,332,123
Plan fiduciary net position		
Contributions – employer	\$ 2,156,312	\$ 2,608,785
Contributions – employee	766,896	771,046
Net investment income	10,370,838	1,505,042
Benefit payments, including refunds of employee contributions	(4,844,631)	(5,098,222)
Net plan to plan resource movement	—	(354)
Administrative expense	(86,473)	(76,678)
Other miscellaneous income/(expense)	—	—
Net change in plan fiduciary net position	8,362,942	(290,381)
Plan fiduciary net position – beginning	60,017,620	68,380,562
Plan fiduciary net position – ending (b)	\$ 68,380,562	\$ 68,090,181
State's net pension liability – ending (a) – (b)	\$ 23,808,612	\$ 28,241,942
Plan fiduciary net position as a percentage of the total pension liability	74.17 %	70.68 %
Covered payroll	\$ 10,019,739	\$ 10,640,884
State's net pension liability as a percentage of covered payroll	237.62 %	265.41 %

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

² This schedule includes amounts attributable to related organizations, fiduciary component units, and discretely presented component units, which are not part of the primary government.

³ The date in the column heading represents the end of the measurement period of the net pension liability, which is one year prior to the reporting period.

	2016 ³	2017 ³	2018 ³	2019 ³	2020 ³
	\$ 1,668,682	\$ 1,927,531	\$ 1,953,761	\$ 2,042,862	\$ 2,125,738
	7,220,961	7,381,049	7,571,997	7,970,572	8,288,391
	(101,381)	(387,041)	445,743	2,032,459	742,481
	—	5,667,561	(1,377,556)	—	—
	(5,346,864)	(5,572,707)	(5,865,849)	(6,190,738)	(6,513,916)
	3,441,398	9,016,393	2,728,096	5,855,155	4,642,694
	96,332,123	99,773,521	108,789,914	111,518,010	117,373,165
	\$ 99,773,521	\$ 108,789,914	\$ 111,518,010	\$ 117,373,165	\$ 122,015,859
	\$ 2,818,406	\$ 3,094,941	\$ 7,044,360	\$ 3,777,484	\$ 5,008,537
	801,023	843,772	870,402	942,980	1,005,830
	339,588	7,329,859	6,127,761	5,163,147	4,138,143
	(5,346,864)	(5,572,707)	(5,865,849)	(6,190,738)	(6,513,916)
	(1,154)	(2,737)	(1,340)	(1,344)	(4,213)
	(41,497)	(98,419)	(112,592)	(57,163)	(118,050)
	—	—	(213,815)	185	—
	(1,430,498)	5,594,709	7,848,927	3,634,551	3,516,331
	68,090,181	66,659,683	72,254,392	80,103,319	83,737,870
	\$ 66,659,683	\$ 72,254,392	\$ 80,103,319	\$ 83,737,870	\$ 87,254,201
	\$ 33,113,838	\$ 36,535,522	\$ 31,414,691	\$ 33,635,295	\$ 34,761,658
	66.81 %	66.42 %	71.83 %	71.34 %	71.51 %
	\$ 11,189,932	\$ 11,591,576	\$ 12,254,527	\$ 12,913,195	\$ 13,579,610
	295.93 %	315.19 %	256.35 %	260.47 %	255.98 %

(continued)

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

For the Past Seven Fiscal Years¹

(amounts in thousands)

	2014 ³	2015 ³
PUBLIC EMPLOYEES' RETIREMENT FUND PLANS		
STATE INDUSTRIAL²		
Total pension liability		
Service cost	\$ 92,324	\$ 100,006
Interest on total pension liability	241,278	257,527
Differences between expected and actual experience	—	26,976
Changes of assumptions	—	—
Benefit payments, including refunds of employee contributions	(146,977)	(157,029)
Net change in total pension liability	186,625	227,480
Total pension liability – beginning	3,181,282	3,367,907
Total pension liability – ending (a)	\$ 3,367,907	\$ 3,595,387
Plan fiduciary net position		
Contributions – employer	\$ 88,516	\$ 107,238
Contributions – employee	44,459	49,482
Net investment income	423,076	62,385
Benefit payments, including refunds of employee contributions	(146,977)	(157,029)
Net plan to plan resource movement	—	30
Administrative expense	(3,583)	(3,252)
Other miscellaneous income/(expense)	—	—
Net change in plan fiduciary net position	405,491	58,854
Plan fiduciary net position – beginning	2,420,958	2,826,449
Plan fiduciary net position – ending (b)	\$ 2,826,449	\$ 2,885,303
State's net pension liability – ending (a) – (b)	\$ 541,458	\$ 710,084
Plan fiduciary net position as a percentage of the total pension liability	83.92 %	80.25 %
Covered payroll	\$ 532,490	\$ 577,711
State's net pension liability as a percentage of covered payroll	101.68 %	122.91 %

	2016 ³	2017 ³	2018 ³	2019 ³	2020 ³
\$	107,868	\$ 124,792	\$ 119,521	\$ 127,006	\$ 131,508
	273,308	290,058	301,134	324,909	343,896
	7,009	21,516	(19,063)	106,233	24,610
	—	245,450	(54,062)	—	—
	(167,359)	(177,654)	(190,683)	(205,544)	(220,912)
	220,826	504,162	156,847	352,604	279,102
	3,595,387	3,816,213	4,320,375	4,477,222	4,829,826
\$	3,816,213	\$ 4,320,375	\$ 4,477,222	\$ 4,829,826	\$ 5,108,928
\$	116,730	\$ 123,163	\$ 241,062	\$ 148,494	\$ 244,773
	52,775	54,114	58,404	61,338	65,268
	14,444	322,150	272,379	233,027	191,982
	(167,359)	(177,654)	(190,683)	(205,544)	(220,912)
	216	(141)	268	(754)	(1,037)
	(1,758)	(4,282)	(5,014)	(2,558)	(5,383)
	—	—	(9,522)	8	—
	15,048	317,350	366,894	234,011	274,691
	2,885,303	2,900,351	3,217,701	3,584,595	3,818,606
\$	2,900,351	\$ 3,217,701	\$ 3,584,595	\$ 3,818,606	\$ 4,093,297
\$	915,862	\$ 1,102,674	\$ 892,627	\$ 1,011,220	\$ 1,015,631
	76.00 %	74.48 %	80.06 %	79.06 %	80.12 %
\$	625,220	\$ 643,295	\$ 695,014	\$ 728,609	\$ 765,840
	146.49 %	171.41 %	128.43 %	138.79 %	132.62 %

(continued)

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

For the Past Seven Fiscal Years¹

(amounts in thousands)

	2014 ³	2015 ³
PUBLIC EMPLOYEES' RETIREMENT FUND PLANS		
STATE SAFETY²		
Total pension liability		
Service cost	\$ 402,902	\$ 422,634
Interest on total pension liability	663,219	734,333
Differences between expected and actual experience	—	(4,150)
Changes of assumptions	—	—
Benefit payments, including refunds of employee contributions	(429,353)	(469,275)
Net change in total pension liability	636,768	683,542
Total pension liability – beginning	8,682,750	9,626,597 *
Total pension liability – ending (a)	\$ 9,319,518	\$ 10,310,139
Plan fiduciary net position		
Contributions – employer	\$ 339,232	\$ 393,925
Contributions – employee	196,148	215,482
Net investment income	1,162,050	175,677
Benefit payments, including refunds of employee contributions	(429,353)	(469,275)
Net plan to plan resource movement	—	499
Administrative expense	(9,945)	(9,200)
Other miscellaneous income/(expense)	—	—
Net change in plan fiduciary net position	1,258,132	307,108
Plan fiduciary net position – beginning	6,583,260	7,841,392
Plan fiduciary net position – ending (b)	\$ 7,841,392	\$ 8,148,500
State's net pension liability – ending (a) – (b)	\$ 1,478,126	\$ 2,161,639
Plan fiduciary net position as a percentage of the total pension liability	84.14 %	79.03 %
Covered payroll	\$ 1,901,235	\$ 2,003,777
State's net pension liability as a percentage of covered payroll	77.75 %	107.88 %

* Restated

<u>2016³</u>	<u>2017³</u>	<u>2018³</u>	<u>2019³</u>	<u>2020³</u>
\$ 438,147	\$ 497,129	\$ 504,383	\$ 536,173	\$ 553,316
786,096	827,412	877,944	951,075	1,012,593
(2,235)	(109,901)	(21,592)	227,078	16,473
—	673,183	(41,225)	—	—
(502,427)	(538,735)	(578,504)	(626,451)	(677,362)
719,581	1,349,088	741,006	1,087,875	905,020
10,310,139	11,029,720	12,378,808	13,119,814	14,207,689
\$ 11,029,720	\$ 12,378,808	\$ 13,119,814	\$ 14,207,689	\$ 15,112,709
\$ 401,108	\$ 433,232	\$ 774,759	\$ 523,076	\$ 747,441
221,615	231,364	245,021	257,071	267,822
42,258	926,106	797,214	691,911	575,732
(502,427)	(538,735)	(578,504)	(626,451)	(677,362)
548	295	532	1,482	3,907
(4,966)	(12,264)	(14,565)	(7,524)	(16,047)
—	—	(27,658)	24	—
158,136	1,039,998	1,196,799	839,589	901,493
8,148,500	8,306,636	9,346,634	10,543,433	11,383,022
\$ 8,306,636	\$ 9,346,634	\$ 10,543,433	\$ 11,383,022	\$ 12,284,515
\$ 2,723,084	\$ 3,032,174	\$ 2,576,381	\$ 2,824,667	\$ 2,828,194
75.31 %	75.51 %	80.36 %	80.12 %	81.29 %
\$ 2,100,295	\$ 2,167,429	\$ 2,339,642	\$ 2,468,018	\$ 2,566,403
129.65 %	139.90 %	110.12 %	114.45 %	110.20 %

(continued)

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

For the Past Seven Fiscal Years¹

(amounts in thousands)

	2014 ³	2015 ³
PUBLIC EMPLOYEES' RETIREMENT FUND PLANS		
STATE PEACE OFFICERS AND FIREFIGHTERS²		
Total pension liability		
Service cost	\$ 816,836	\$ 838,628
Interest on total pension liability	2,622,406	2,759,982
Differences between expected and actual experience	—	288,526
Changes of assumptions	—	—
Benefit payments, including refunds of employee contributions	(1,568,738)	(1,697,676)
Net change in total pension liability	1,870,504	2,189,460
Total pension liability – beginning	34,655,771	36,219,196 *
Total pension liability – ending (a)	\$ 36,526,275	\$ 38,408,656
Plan fiduciary net position		
Contributions – employer	\$ 959,741	\$ 1,146,192
Contributions – employee	331,956	366,419
Net investment income	3,964,754	584,142
Benefit payments, including refunds of employee contributions	(1,568,738)	(1,697,676)
Net plan to plan resource movement	—	194
Administrative expense	(33,334)	(30,069)
Other miscellaneous income/(expense)	—	—
Net change in plan fiduciary net position	3,654,379	369,202
Plan fiduciary net position – beginning	22,713,610	26,367,989
Plan fiduciary net position – ending (b)	\$ 26,367,989	\$ 26,737,191
State's net pension liability – ending (a) – (b)	\$ 10,158,286	\$ 11,671,465
Plan fiduciary net position as a percentage of the total pension liability	72.19 %	69.61 %
Covered payroll	\$ 3,030,525	\$ 3,115,287
State's net pension liability as a percentage of covered payroll	335.20 %	374.65 %

* Restated

<u>2016³</u>	<u>2017³</u>	<u>2018³</u>	<u>2019³</u>	<u>2020³</u>
\$ 861,694	\$ 980,897	\$ 1,011,482	\$ 1,044,955	\$ 1,062,486
2,902,900	3,018,186	3,185,628	3,381,608	3,547,687
18,316	(286,527)	354,089	664,430	172,204
—	2,608,752	(25,104)	—	—
(1,822,841)	(1,938,027)	(2,065,007)	(2,209,557)	(2,359,940)
<u>1,960,069</u>	<u>4,383,281</u>	<u>2,461,088</u>	<u>2,881,436</u>	<u>2,422,437</u>
38,408,656	40,368,725	44,752,006	47,213,094	50,094,530
<u>\$ 40,368,725</u>	<u>\$ 44,752,006</u>	<u>\$ 47,213,094</u>	<u>\$ 50,094,530</u>	<u>\$ 52,516,967</u>
\$ 1,265,145	\$ 1,427,240	\$ 3,068,270	\$ 1,665,872	\$ 3,220,740
381,185	399,946	421,662	437,937	462,370
137,927	2,954,170	2,522,044	2,175,528	1,812,785
(1,822,841)	(1,938,027)	(2,065,007)	(2,209,557)	(2,359,941)
114	1,628	(104)	350	735
(16,295)	(39,395)	(45,950)	(23,765)	(49,832)
—	—	(87,261)	77	—
<u>(54,765)</u>	<u>2,805,562</u>	<u>3,813,654</u>	<u>2,046,442</u>	<u>3,086,857</u>
26,737,191	26,682,426	29,487,988	33,301,642	35,348,084
<u>\$ 26,682,426</u>	<u>\$ 29,487,988</u>	<u>\$ 33,301,642</u>	<u>\$ 35,348,084</u>	<u>\$ 38,434,941</u>
<u>\$ 13,686,299</u>	<u>\$ 15,264,018</u>	<u>\$ 13,911,452</u>	<u>\$ 14,746,446</u>	<u>\$ 14,082,026</u>
66.10 %	65.89 %	70.53 %	70.56 %	73.19 %
\$ 3,241,895	\$ 3,416,627	\$ 3,557,011	\$ 3,676,854	\$ 3,904,615
422.17 %	446.76 %	391.10 %	401.06 %	360.65 %

(continued)

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

For the Past Seven Fiscal Years¹

(amounts in thousands)

	2014 ³	2015 ³
PUBLIC EMPLOYEES' RETIREMENT FUND PLANS		
CALIFORNIA HIGHWAY PATROL		
Total pension liability		
Service cost	\$ 191,730	\$ 198,665
Interest on total pension liability	724,474	764,348
Differences between expected and actual experience	—	75,593
Changes of assumptions	—	—
Benefit payments, including refunds of employee contributions	(460,991)	(487,061)
Net change in total pension liability	455,213	551,545
Total pension liability – beginning	9,604,872	10,060,085
Total pension liability – ending (a)	\$ 10,060,085	\$ 10,611,630
Plan fiduciary net position		
Contributions – employer	\$ 277,702	\$ 351,197
Contributions – employee	83,161	85,791
Net investment income	1,005,007	146,782
Benefit payments, including refunds of employee contributions	(460,991)	(487,061)
Net plan to plan resource movement	—	(214)
Administrative expense	(8,417)	(7,600)
Other miscellaneous income/(expense)	—	—
Net change in plan fiduciary net position	896,462	88,895
Plan fiduciary net position – beginning	5,759,985	6,656,447
Plan fiduciary net position – ending (b)	\$ 6,656,447	\$ 6,745,342
State's net pension liability – ending (a) – (b)	\$ 3,403,638	\$ 3,866,288
Plan fiduciary net position as a percentage of the total pension liability	66.17 %	63.57 %
Covered payroll	\$ 765,283	\$ 809,610
State's net pension liability as a percentage of covered payroll	444.76 %	477.55 %

	2016 ³	2017 ³	2018 ³	2019 ³	2020 ³
	\$ 210,619	\$ 237,064	\$ 248,531	\$ 257,384	\$ 266,192
	809,691	833,062	878,113	926,056	974,410
	125,614	(158,392)	103,283	135,148	120,496
	—	721,972	12,213	—	—
	(516,723)	(543,456)	(579,080)	(612,298)	(651,832)
	629,201	1,090,250	663,060	706,290	709,266
	10,611,630	11,240,831	12,331,081	12,994,141	13,700,431
	\$ 11,240,831	\$ 12,331,081	\$ 12,994,141	\$ 13,700,431	\$ 14,409,697
	\$ 375,928	\$ 426,603	\$ 978,060	\$ 507,055	\$ 559,585
	86,111	91,116	95,482	100,080	103,159
	33,918	747,272	639,591	556,379	450,669
	(516,723)	(543,456)	(579,080)	(612,298)	(651,832)
	292	1,050	330	265	638
	(4,111)	(9,923)	(11,583)	(6,090)	(12,800)
	—	—	(21,997)	20	—
	(24,585)	712,662	1,100,803	545,411	449,419
	6,745,342	6,720,757	7,433,419	8,534,222	9,079,633
	\$ 6,720,757	\$ 7,433,419	\$ 8,534,222	\$ 9,079,633	\$ 9,529,052
	\$ 4,520,074	\$ 4,897,662	\$ 4,459,919	\$ 4,620,798	\$ 4,880,645
	59.79 %	60.28 %	65.68 %	66.27 %	66.13 %
	\$ 808,032	\$ 851,427	\$ 884,197	\$ 933,689	\$ 948,000
	559.39 %	575.23 %	504.40 %	494.90 %	514.84 %

(continued)

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

For the Past Seven Fiscal Years¹

(amounts in thousands)

	2014 ³	2015 ³
SINGLE-EMPLOYER PLANS		
JUDGES'		
Total pension liability		
Service cost.....	\$ 27,581	\$ 27,841
Interest on total pension liability.....	140,256	133,181
Differences between expected and actual experience.....	—	57,568
Changes of assumptions.....	—	158,646
Benefit payments, including refunds of employee contributions.....	(193,935)	(201,868)
Net change in total pension liability.....	(26,098)	175,368
Total pension liability – beginning.....	3,383,310	3,357,212
Total pension liability – ending (a).....	\$ 3,357,212	\$ 3,532,580
Plan fiduciary net position		
Contributions – employer.....	\$ 191,148	\$ 180,910
Contributions – employee.....	7,248	3,877
Net investment income.....	59	88
Benefit payments, including refunds of employee contributions.....	(193,935)	(201,867)
Administrative expense.....	(1,141)	(1,227)
Other miscellaneous income/(expense).....	—	2,198
Net change in plan fiduciary net position.....	3,379	(16,021)
Plan fiduciary net position – beginning.....	53,820	57,199
Plan fiduciary net position – ending (b).....	\$ 57,199	\$ 41,178
State's net pension liability – ending (a) – (b).....	\$ 3,300,013	\$ 3,491,402
Plan fiduciary net position as a percentage of the total pension liability.....	1.70 %	1.17 %
Covered payroll.....	\$ 163,574	\$ 28,770
State's net pension liability as a percentage of covered payroll.....	2017.44 %	12135.56 %

	2016 ³	2017 ³	2018 ³	2019 ³	2020 ³
\$	29,314	\$ 22,733	\$ 19,131	\$ 20,073	\$ 17,026
	107,514	115,067	109,395	99,427	79,720
	(59,421)	(366,200)	(121,259)	86,873	(41,794)
	384,306	(107,670)	(20,879)	153,651	218,684
	(199,349)	(200,440)	(207,823)	(221,954)	(213,234)
	262,364	(536,510)	(221,435)	138,070	60,402
	3,532,580	3,794,944	3,258,434	3,036,999	3,175,069
\$	3,794,944	\$ 3,258,434	\$ 3,036,999	\$ 3,175,069	\$ 3,235,471
\$	192,287	\$ 204,475	\$ 199,241	\$ 195,903	\$ 243,132
	3,559	3,398	3,061	2,679	2,843
	193	424	846	1,166	885
	(199,349)	(200,440)	(207,823)	(221,954)	(213,234)
	(642)	(1,771)	(2,106)	(10,032)	(2,270)
	2,568	2,395	(1,863)	2,776	2,202
	(1,384)	8,481	(8,644)	(29,462)	33,558
	41,178	39,794	48,275	39,631	10,169
\$	39,794	\$ 48,275	\$ 39,631	\$ 10,169	\$ 43,727
\$	3,755,150	\$ 3,210,159	\$ 2,997,368	\$ 3,164,900	\$ 3,191,744
	1.05 %	1.48 %	1.30 %	0.32 %	1.35 %
\$	23,537	\$ 26,102	\$ 24,007	\$ 22,117	\$ 16,017
	15954.24 %	12298.52 %	12485.39 %	14309.81 %	19927.23 %

(continued)

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

For the Past Seven Fiscal Years¹

(amounts in thousands)

	2014 ³	2015 ³
SINGLE-EMPLOYER PLANS		
JUDGES' II		
Total pension liability		
Service cost.....	\$ 78,670	\$ 79,641
Interest on total pension liability.....	61,044	69,128
Differences between expected and actual experience.....	—	(17,319)
Changes of assumptions.....	—	(16,619)
Benefit payments, including refunds of employee contributions.....	(8,950)	(14,041)
Net change in total pension liability.....	130,764	100,790
Total pension liability – beginning.....	837,198	967,962
Total pension liability – ending (a).....	\$ 967,962	\$ 1,068,752
Plan fiduciary net position		
Contributions – employer.....	\$ 57,027	\$ 65,629
Contributions – employee.....	20,413	22,242
Net investment income.....	150,168	(2,402)
Benefit payments, including refunds of employee contributions.....	(8,950)	(14,041)
Administrative expense.....	(785)	(1,127)
Other miscellaneous income/(expense).....	—	—
Net change in plan fiduciary net position.....	217,873	70,301
Plan fiduciary net position – beginning.....	795,967	1,013,840
Plan fiduciary net position – ending (b).....	\$ 1,013,840	\$ 1,084,141
State's net pension liability/(asset) – ending (a) – (b).....	\$ (45,878)	\$ (15,389)
Plan fiduciary net position as a percentage of the total pension liability.....	104.74 %	101.44 %
Covered payroll.....	\$ 40,476	\$ 180,230
State's net pension liability as a percentage of covered payroll.....	-113.35 %	-8.54 %

	2016 ³	2017 ³	2018 ³	2019 ³	2020 ³
\$	86,635	\$ 97,679	\$ 95,843	\$ 103,791	\$ 114,486
	78,412	85,654	91,418	103,889	115,517
	(4,546)	(26,382)	(26,875)	30,292	(2,797)
	—	69,233	(41,763)	—	—
	(21,704)	(22,406)	(31,795)	(36,204)	(34,547)
	138,797	203,778	86,828	201,768	192,659
	1,068,752	1,207,549	1,411,327	1,498,154	1,699,922
\$	1,207,549	\$ 1,411,327	\$ 1,498,155	\$ 1,699,922	\$ 1,892,581
\$	65,839	\$ 67,102	\$ 79,699	\$ 84,099	\$ 91,147
	24,598	25,076	27,514	31,375	35,796
	20,810	115,057	101,820	106,781	80,074
	(21,704)	(22,406)	(31,795)	(36,204)	(34,547)
	(732)	(1,682)	(2,370)	(1,477)	(2,552)
	—	—	(5,451)	—	—
	88,811	183,147	169,417	184,574	169,918
	1,084,141	1,172,952	1,356,099	1,525,515	1,710,089
\$	1,172,952	\$ 1,356,099	\$ 1,525,516	\$ 1,710,089	\$ 1,880,007
\$	34,597	\$ 55,228	\$ (27,361)	\$ (10,167)	\$ 12,574
	97.13 %	96.09 %	101.83 %	100.60 %	99.34 %
\$	192,739	\$ 192,786	\$ 202,433	\$ 220,742	\$ 246,968
	17.95 %	28.65 %	-13.52 %	-4.61 %	5.09 %

(continued)

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

For the Past Seven Fiscal Years¹

(amounts in thousands)

	2014 ³	2015 ³
SINGLE-EMPLOYER PLANS		
LEGISLATORS'		
Total pension liability		
Service cost	\$ 732	\$ 769
Interest on total pension liability	6,465	6,268
Differences between expected and actual experience	—	(4,246)
Changes of assumptions	—	(2,654)
Benefit payments, including refunds of employee contributions	(7,482)	(9,087)
Net change in total pension liability	(285)	(8,950)
Total pension liability – beginning	115,806	115,521
Total pension liability – ending (a)	\$ 115,521	\$ 106,571
Plan fiduciary net position		
Contributions – employer	\$ 565	\$ 590
Contributions – employee	113	105
Net investment income	15,372	(94)
Benefit payments, including refunds of employee contributions	(7,482)	(9,087)
Administrative expense	(362)	(399)
Other miscellaneous income/(expense)	—	—
Net change in plan fiduciary net position	8,206	(8,885)
Plan fiduciary net position – beginning	122,148	130,354
Plan fiduciary net position – ending (b)	\$ 130,354	\$ 121,469
State's net pension liability/(asset) – ending (a) – (b)	\$ (14,833)	\$ (14,898)
Plan fiduciary net position as a percentage of the total pension liability	112.84 %	113.98 %
Covered payroll	\$ 1,471	\$ 1,397
State's net pension liability as a percentage of covered payroll	-1008.36 %	-1066.43 %

	2016 ³	2017 ³	2018 ³	2019 ³	2020 ³
\$	608	\$ 639	\$ 542	\$ 268	\$ 100
	5,978	5,291	4,987	4,873	4,885
	(3,530)	(5,998)	(2,061)	(427)	2,320
	—	7,857	(2,529)	—	—
	(7,407)	(7,249)	(6,918)	(7,350)	(6,939)
	(4,351)	540	(5,979)	(2,636)	366
	106,571	102,220	102,760	96,780	94,144
\$	102,220	\$ 102,760	\$ 96,781	\$ 94,144	\$ 94,510
\$	549	\$ 517	\$ 467	\$ 250	\$ 98
	96	94	82	92	22
	4,545	5,047	5,486	7,860	7,011
	(7,407)	(7,249)	(6,918)	(7,350)	(6,939)
	(202)	(575)	(670)	(324)	(550)
	—	—	(1,454)	—	2
	(2,419)	(2,166)	(3,007)	528	(356)
	121,469	119,050	116,884	113,876	114,404
\$	119,050	\$ 116,884	\$ 113,877	\$ 114,404	\$ 114,048
\$	(16,830)	\$ (14,124)	\$ (17,096)	\$ (20,260)	\$ (19,538)
	116.46 %	113.74 %	117.66 %	121.52 %	120.67 %
\$	1,298	\$ 1,270	\$ 1,121	\$ 684	\$ 284
	-1296.61 %	-1112.13 %	-1525.07 %	-2961.99 %	-6879.58 %
					(concluded)

Schedule of State Pension Contributions

For the Past Seven Fiscal Years¹

(amounts in thousands)

	2015	2016
PUBLIC EMPLOYEES' RETIREMENT FUND PLANS		
STATE MISCELLANEOUS²		
Actuarially determined contribution.....	\$ 2,421,157	\$ 2,718,895
Contributions in relation to the actuarially determined contribution.....	(2,583,400)	(2,814,126)
Contribution deficiency (excess).....	\$ (162,243)	\$ (95,231)
Covered payroll.....	\$ 10,655,117	\$ 11,197,607
Contributions as a percentage of covered payroll.....	24.25 %	25.13 %
STATE INDUSTRIAL²		
Actuarially determined contribution.....	\$ 92,024	\$ 103,293
Contributions in relation to the actuarially determined contribution.....	(104,769)	(116,594)
Contribution deficiency (excess).....	\$ (12,745)	\$ (13,301)
Covered payroll.....	\$ 577,713	\$ 625,220
Contributions as a percentage of covered payroll.....	18.14 %	18.65 %
STATE SAFETY²		
Actuarially determined contribution.....	\$ 341,509	\$ 368,444
Contributions in relation to the actuarially determined contribution.....	(387,508)	(404,595)
Contribution deficiency (excess).....	\$ (45,999)	\$ (36,151)
Covered payroll.....	\$ 2,003,716	\$ 2,100,289
Contributions as a percentage of covered payroll.....	19.34 %	19.26 %
STATE PEACE OFFICERS AND FIREFIGHTERS²		
Actuarially determined contribution.....	\$ 1,086,102	\$ 1,197,160
Contributions in relation to the actuarially determined contribution.....	(1,148,597)	(1,263,436)
Contribution deficiency (excess).....	\$ (62,495)	\$ (66,276)
Covered payroll.....	\$ 3,115,364	\$ 3,241,763
Contributions as a percentage of covered payroll.....	36.87 %	38.97 %

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

² This schedule includes amounts attributable to related organizations, fiduciary component units, and discretely presented component units, which are not part of the primary government.

2017	2018	2019	2020	2021
\$ 3,078,232	\$ 3,397,736	\$ 3,631,721	\$ 4,006,672	\$ 4,324,789
(3,098,305)	(3,482,291)	(3,794,379)	(5,032,209)	(3,791,620)
\$ (20,073)	\$ (84,555)	\$ (162,658)	\$ (1,025,537)	\$ 533,169
\$ 11,591,576	\$ 12,254,527	\$ 12,913,195	\$ 13,579,610	\$ 12,909,399
26.73 %	28.42 %	29.38 %	37.06 %	29.37 %
\$ 116,880	\$ 131,131	\$ 134,969	\$ 153,724	\$ 166,535
(123,789)	(141,832)	(148,790)	(245,757)	(128,407)
\$ (6,909)	\$ (10,701)	\$ (13,821)	\$ (92,033)	\$ 38,128
\$ 643,295	\$ 695,014	\$ 728,609	\$ 765,840	\$ 706,128
19.24 %	20.41 %	20.42 %	32.09 %	18.18 %
\$ 400,379	\$ 435,662	\$ 466,765	\$ 526,375	\$ 553,298
(431,991)	(481,479)	(531,360)	(759,505)	(473,147)
\$ (31,612)	\$ (45,817)	\$ (64,595)	\$ (233,130)	\$ 80,151
\$ 2,167,429	\$ 2,339,642	\$ 2,468,018	\$ 2,566,403	\$ 2,367,960
19.93 %	20.58 %	21.53 %	29.59 %	19.98 %
\$ 1,343,177	\$ 1,462,630	\$ 1,581,049	\$ 1,755,306	\$ 1,871,841
(1,431,851)	(1,573,299)	(1,667,839)	(3,234,348)	(1,312,046)
\$ (88,674)	\$ (110,669)	\$ (86,790)	\$ (1,479,042)	\$ 559,795
\$ 3,416,627	\$ 3,557,011	\$ 3,676,854	\$ 3,904,615	\$ 3,629,097
41.91 %	44.23 %	45.36 %	82.83 %	36.15 %

(continued)

Schedule of State Pension Contributions (continued)

For the Past Seven Fiscal Years¹
(amounts in thousands)

	<u>2015</u>	<u>2016</u>
PUBLIC EMPLOYEES' RETIREMENT FUND PLANS		
CALIFORNIA HIGHWAY PATROL		
Actuarially determined contribution.....	\$ 323,393	\$ 363,634
Contributions in relation to the actuarially determined contribution.....	(352,139)	(377,534)
Contribution deficiency (excess).....	<u>\$ (28,746)</u>	<u>\$ (13,900)</u>
Covered payroll.....	\$ 809,610	\$ 808,032
Contributions as a percentage of covered payroll.....	43.49 %	46.72 %
SINGLE-EMPLOYER PLANS		
JUDGES'		
Actuarially determined contribution.....	\$ 1,884,555	\$ 463,073
Contributions in relation to the actuarially determined contribution.....	(3,598)	(3,252)
Contribution deficiency (excess).....	<u>\$ 1,880,957</u>	<u>\$ 459,821</u>
Covered payroll.....	\$ 167,542	\$ 29,771
Contributions as a percentage of covered payroll.....	2.15 %	10.92 %
JUDGES' II		
Actuarially determined contribution.....	\$ 63,193	\$ 58,362
Contributions in relation to the actuarially determined contribution.....	(59,982)	(60,476)
Contribution deficiency (excess).....	<u>\$ 3,211</u>	<u>\$ (2,114)</u>
Covered payroll.....	\$ 41,458	\$ 186,505
Contributions as a percentage of covered payroll.....	144.68 %	32.43 %
LEGISLATORS'		
Actuarially determined contribution.....	\$ 260	\$ 141
Contributions in relation to the actuarially determined contribution.....	(544)	(549)
Contribution deficiency (excess).....	<u>\$ (284)</u>	<u>\$ (408)</u>
Covered payroll.....	\$ 1,397	\$ 1,298
Contributions as a percentage of covered payroll.....	38.94 %	42.30 %

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$ 414,975	\$ 447,376	\$ 484,056	\$ 532,159	\$ 574,509
(426,014)	(478,354)	(514,683)	(560,538)	(530,587)
\$ (11,039)	\$ (30,978)	\$ (30,627)	\$ (28,379)	\$ 43,922
\$ 851,427	\$ 884,197	\$ 933,689	\$ 948,000	\$ 882,119
50.04 %	54.10 %	55.12 %	59.13 %	60.15 %
\$ 448,636	\$ 438,156	\$ 415,110	\$ 414,849	\$ 366,446
(202,368)	(197,017)	(194,189)	(241,993)	(224,928)
\$ 246,268	\$ 241,139	\$ 220,921	\$ 172,856	\$ 141,518
\$ 23,822	\$ 27,003	\$ 25,748	\$ 16,017	\$ 13,444
849.50 %	729.61 %	754.19 %	1,510.85 %	1,673.07 %
\$ 66,951	\$ 79,181	\$ 75,862	\$ 81,782	\$ 88,439
(55,965)	(73,916)	(76,155)	(83,872)	(78,784)
\$ 10,986	\$ 5,265	\$ (293)	\$ (2,090)	\$ 9,655
\$ 195,066	\$ 199,438	\$ 217,112	\$ 246,968	\$ 233,316
28.69 %	37.06 %	35.08 %	33.96 %	33.77 %
\$ —	\$ 20	\$ —	\$ 101	\$ 84
(516)	(467)	(261)	(100)	(79)
\$ (516)	\$ (447)	\$ (261)	\$ 1	\$ 5
\$ 1,270	\$ 1,121	\$ 684	\$ 284	\$ 267
40.63 %	41.66 %	38.16 %	35.21 %	29.59 %

(continued)

Schedule of State Pension Contributions (continued)

For the Past Seven Fiscal Years¹

(amounts in thousands)

Notes to Required Supplementary Information for the most recent fiscal year presented:

Public Employees' Retirement Fund (PERF) and Single-Employer Plans

Actual contribution amounts:	Based on statutorily required contributions as outlined in California Government Code section 20683.2, which dictates that any excess employer contributions due to increased employee contributions must be allocated to the unfunded liability.
Covered payroll:	Pensionable earnings provided by the employer.
Valuation date:	Actuarially determined contribution rates were calculated as of June 30, 2019.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal
Amortization method	See each plan's June 30, 2018 Actuarial Valuation Report.
Asset valuation method	PERF – Fair value of assets; for details see plan's June 30, 2018 Actuarial Valuation Report. Judges' – Market value of assets Judges' II – Market value of assets Legislators' – Market value of assets
Inflation	PERF – 2.50% Judges' – 2.50% Judges' II – 2.50% Legislators' – 2.50%
Salary increases	PERF – varies by entry age and service Judges' – 2.75% Judges' II – 2.75% Legislators' – 2.75%
Payroll growth	PERF – 2.75% Judges' – 2.75% Judges' II – 2.75% Legislators' – 2.75%
Investment rate of return	Net of pension plan investment expenses and administrative expenses; includes inflation: PERF – 7.00%, which is used for contribution purposes Judges' – 2.45% Judges' II – 6.50% Legislators' – 5.00%
Retirement age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	Mortality rates are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015 adopted by the CalPERS Board and post-retirement mortality rates include 15 years of projected mortality improvements using 90% of Scale MP-2016 published by the Society of Actuaries.

(concluded)

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Schedule of the State's Proportionate Share of Net Pension Liability – CalSTRS

For the Past Seven Fiscal Years¹

(amounts in thousands)

	2014 ²	2015 ²
State's proportion of CalSTRS' net pension liability	37.65 %	34.59 %
State's proportionate share of CalSTRS' net pension liability	\$ 22,001,531	\$ 23,289,391
Plan fiduciary net position as a percentage of the total pension liability	76.52 %	74.02 %

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

² The date in the column heading represents the end of the measurement period of the net pension liability, which is one year prior to the reporting period.

Schedule of the State's Contributions – CalSTRS

For the Past Seven Fiscal Years¹

(amounts in thousands)

	2015	2016
Statutorily required contribution	\$ 1,486,004	\$ 1,935,288
Contributions in relation to the statutorily required contribution	1,486,004	1,935,288
Annual contribution deficiency/(excess)	\$ —	\$ —

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

Notes to Required Supplementary Information for the most recent fiscal year presented:

State's Participation in CalSTRS

Actual contribution amounts:	Based on statutorily required contributions as outlined in California Education Code sections 22954, 22955 and 22955.1, as well as California Public Resources Code section 6217. Additionally, contributions for fiscal year 2020-21 include a supplemental contribution of \$297 million for the State, pursuant to Senate Bill 90.
Valuation date:	Actuarially determined contribution rates were calculated as of June 30, 2019.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal
Amortization method/period	Level percent of payroll, closed/open period, 30 years remaining amortization period
Asset valuation method	Adjustment to market value
Consumer price inflation	2.75%
Payroll growth	3.50%
Investment rate of return	For calculating the actuarially determined contribution: 7.00%, net of pension plan investment and administrative expenses For calculating total pension liability: 7.10%, net of pension plan investment expenses, but gross of administrative expenses
Interest on accounts	3.00%
Post-retirement benefit increases (COLAs)	2.00% simple

2016²	2017²	2018²	2019²	2020²
36.28 %	37.17 %	36.41 %	35.30 %	34.02 %
\$ 29,343,626	\$ 34,374,816	\$ 33,462,419	\$ 31,880,645	\$ 32,963,596
70.04 %	69.46 %	70.99 %	72.56 %	71.82 %

2017	2018	2019	2020	2021
\$ 2,472,993	\$ 2,790,444	\$ 3,082,316	\$ 4,446,836	\$ 3,730,902
2,472,993	2,790,444	3,082,316	4,446,836	3,730,902
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

Schedule of Changes in Net OPEB Liability and Related Ratios

For the Past Fiscal Years¹

(amounts in thousands)

	2019 ^{2,6}	2020 ²
RETIREE HEALTH BENEFITS PROGRAM		
SERVICE EMPLOYEES INTERNATIONAL UNION (SEIU)³		
Total OPEB liability		
Service cost	\$ 1,078,364	\$ 1,116,519
Interest on total OPEB liability	1,201,673	1,162,741
Differences between expected and actual experiences ⁵	(525,007)	(720,036)
Changes in assumptions	1,213,332	480,992
Benefit payments	(856,494)	(910,765)
Net change in total OPEB liability	2,111,868	1,129,451
Total OPEB liability – beginning	29,485,488	31,597,356
Total OPEB liability – ending (a)	\$ 31,597,356	\$ 32,726,807
Plan fiduciary net position		
Contributions – employer	\$ 856,494	\$ 910,765
Contributions – prefunding	71,712	174,235
Contributions – employee	71,712	174,235
Net investment income	8,202	9,788
Benefit payments	(856,494)	(910,765)
Administrative expense	(14)	(148)
Other expenses	—	—
Net change in plan fiduciary net position	151,612	358,110
Plan fiduciary net position – beginning	—	151,612
Plan fiduciary net position – ending (b)	\$ 151,612	\$ 509,722
State’s net OPEB liability – ending (a) – (b)	\$ 31,445,744	\$ 32,217,085
Plan fiduciary net position as a percentage of the total OPEB liability	0.48 %	1.56 %
Covered payroll	\$ 7,317,203	\$ 7,701,525
State’s net OPEB liability as a percentage of covered payroll	429.75 %	418.32 %

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

² The date in the column heading represents the end of the measurement period of the net OPEB liability, which is one year prior to the reporting period.

³ This schedule includes amounts attributable to related organizations, fiduciary component units, and discretely presented component units, which are not part of the primary government.

⁴ The valuation groups that comprise the Unfunded and Other Funded plans shifted from the prior year.

⁵ Includes differences between projected pay-as-you-go contributions, based on expected benefit payments, disclosed in the *State of California Retiree Health Benefits Program - GASB Nos. 74 and 75 Actuarial Valuation Report as of June 30, 2020*, and the actual pay-as-you-go contributions allocated to plans.

⁶ This is the first year the SEIU valuation group is presented as it began prefunding in the 2018-19 measurement period and shifted from the Unfunded plan from the prior year.

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

For the Past Fiscal Years¹

(amounts in thousands)

	2017 ²	2018 ²
RETIREE HEALTH BENEFITS PROGRAM		
BARGAINING UNIT 5 PLAN		
Total OPEB liability		
Service cost	\$ 168,057	\$ 146,042
Interest on total OPEB liability	179,397	195,713
Differences between expected and actual experiences ⁵	—	(108,271)
Changes in assumptions	(474,646)	(137,150)
Benefit payments	(95,517)	(77,897)
Net change in total OPEB liability	(222,709)	18,437
Total OPEB liability – beginning	4,764,812	4,542,103
Total OPEB liability – ending (a)	\$ 4,542,103	\$ 4,560,540
Plan fiduciary net position		
Contributions – employer	\$ 95,517	\$ 77,897
Contributions – prefunding	77,454	59,697
Contributions – employee	12,783	4,089
Net investment income	21,109	20,988
Benefit payments	(95,517)	(77,897)
Administrative expense	(95)	(144)
Other expenses	(290)	—
Net change in plan fiduciary net position	110,961	84,630
Plan fiduciary net position – beginning	135,701	246,662
Plan fiduciary net position – ending (b)	\$ 246,662	\$ 331,292
State’s net OPEB liability – ending (a) – (b)	\$ 4,295,441	\$ 4,229,248
Plan fiduciary net position as a percentage of the total OPEB liability	5.43 %	7.26 %
Covered payroll	\$ 866,040	\$ 895,430
State’s net OPEB liability as a percentage of covered payroll	495.99 %	472.31 %

* Restated

<u>2019²</u>	<u>2020²</u>
\$ 140,545	\$ 159,410
199,637	204,078
41,288	(64,174)
318,292	466,272
(78,501)	(84,544)
621,261	681,042
4,560,540	5,181,801
\$ 5,181,801	\$ 5,862,843
\$ 78,501	\$ 84,544
57,567	59,296
3,943	4,061
23,834	16,069
(78,501)	(84,544)
(77)	(217)
—	—
85,267	79,209
331,052 *	416,319
\$ 416,319	\$ 495,528
\$ 4,765,482	\$ 5,367,315
8.03 %	8.45 %
\$ 942,765	\$ 958,694
505.48 %	559.86 %

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

For the Past Fiscal Years¹

(amounts in thousands)

	2017 ²	2018 ²
RETIREE HEALTH BENEFITS PROGRAM		
BARGAINING UNIT 6 PLAN		
Total OPEB liability		
Service cost	\$ 609,551	\$ 531,916
Interest on total OPEB liability	574,853	634,360
Differences between expected and actual experiences ⁵	—	(1,186,530)
Changes in assumptions	(1,637,897)	(164,236)
Benefit payments	(325,344)	(327,604)
Net change in total OPEB liability	(778,837)	(512,094)
Total OPEB liability – beginning	15,990,189	15,211,352
Total OPEB liability – ending (a)	\$ 15,211,352	\$ 14,699,258
Plan fiduciary net position		
Contributions – employer	\$ 325,344	\$ 327,604
Contributions – prefunding	146,933	65,245
Contributions – employee	23,181	65,245
Net investment income	15,089	17,235
Benefit payments	(325,344)	(327,604)
Administrative expense	(48)	(128)
Other expenses	—	—
Net change in plan fiduciary net position	185,155	147,597
Plan fiduciary net position – beginning	—	185,155
Plan fiduciary net position – ending (b)	\$ 185,155	\$ 332,752
State’s net OPEB liability – ending (a) – (b)	\$ 15,026,197	\$ 14,366,506
Plan fiduciary net position as a percentage of the total OPEB liability	1.22 %	2.26 %
Covered payroll	\$ 2,653,404	\$ 2,726,616
State’s net OPEB liability as a percentage of covered payroll	566.30 %	526.90 %

* Restated

<u>2019²</u>	<u>2020²</u>
\$ 503,829	\$ 535,696
622,325	608,903
(460,414)	(354,942)
912,754	675,803
(294,213)	(357,726)
1,284,281	1,107,734
14,699,258	15,983,539
\$ 15,983,539	\$ 17,091,273

\$ 294,213	\$ 357,726
106,592	129,540
106,592	129,540
33,447	24,249
(294,213)	(357,726)
(94)	(342)
—	—
246,537	282,987
332,511 *	579,048
\$ 579,048	\$ 862,035

\$ 15,404,491	\$ 16,229,238
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3.62 %	5.04 %
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\$ 2,819,233	\$ 2,989,457
546.41 %	542.88 %

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

For the Past Fiscal Years¹

(amounts in thousands)

	2017 ²	2018 ²
RETIREE HEALTH BENEFITS PROGRAM		
BARGAINING UNIT 9 PLAN³		
Total OPEB liability		
Service cost	\$ 166,173	\$ 142,954
Interest on total OPEB liability	154,495	174,062
Differences between expected and actual experiences ⁵	—	(334,650)
Changes in assumptions	(475,991)	(200,549)
Benefit payments	(82,449)	(85,278)
Net change in total OPEB liability	(237,772)	(303,461)
Total OPEB liability – beginning	4,640,159	4,402,387
Total OPEB liability – ending (a)	\$ 4,402,387	\$ 4,098,926
Plan fiduciary net position		
Contributions – employer	\$ 82,449	\$ 85,278
Contributions – prefunding	35,210	5,688
Contributions – employee	—	5,688
Net investment income	3,630	3,246
Benefit payments	(82,449)	(85,278)
Administrative expense	(11)	(22)
Other expenses	—	—
Net change in plan fiduciary net position	38,829	14,600
Plan fiduciary net position – beginning	—	38,829
Plan fiduciary net position – ending (b)	\$ 38,829	\$ 53,429
State’s net OPEB liability – ending (a) – (b)	\$ 4,363,558	\$ 4,045,497
Plan fiduciary net position as a percentage of the total OPEB liability	0.88 %	1.30 %
Covered payroll	\$ 1,366,302	\$ 1,376,743
State’s net OPEB liability as a percentage of covered payroll	319.37 %	293.85 %

* Restated

<u>2019²</u>	<u>2020²</u>
\$ 127,060	\$ 136,522
165,399	159,587
(88,806)	(55,316)
145,634	93,540
(84,522)	(100,777)
264,765	233,556
4,098,926	4,363,691
\$ 4,363,691	\$ 4,597,247

\$ 84,522	\$ 100,777
13,311	31,649
13,311	31,649
4,789	3,793
(84,522)	(100,777)
(14)	(55)
—	—
31,397	67,036
53,391 *	84,788
\$ 84,788	\$ 151,824

\$ 4,278,903	\$ 4,445,423
---------------------	---------------------

1.94 %	3.30 %
--------	--------

\$ 1,502,529	\$ 1,596,949
284.78 %	278.37 %

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

For the Past Fiscal Years¹

(amounts in thousands)

	2017 ²	2018 ²
RETIREE HEALTH BENEFITS PROGRAM		
BARGAINING UNIT 12 PLAN³		
Total OPEB liability		
Service cost	\$ 167,689	\$ 146,732
Interest on total OPEB liability	154,036	172,744
Differences between expected and actual experiences ⁵	—	(362,455)
Changes in assumptions	(433,966)	(166,573)
Benefit payments	(110,860)	(114,235)
Net change in total OPEB liability	(223,101)	(323,787)
Total OPEB liability – beginning	4,540,951	4,317,850
Total OPEB liability – ending (a)	\$ 4,317,850	\$ 3,994,063
Plan fiduciary net position		
Contributions – employer	\$ 110,860	\$ 114,235
Contributions – prefunding	1,076	8,280
Contributions – employee	1,076	8,280
Net investment income	872	1,051
Benefit payments	(110,860)	(114,235)
Administrative expense	(4)	(9)
Other expenses	—	—
Net change in plan fiduciary net position	3,020	17,602
Plan fiduciary net position – beginning	7,186	10,206
Plan fiduciary net position – ending (b)	\$ 10,206	\$ 27,808
State’s net OPEB liability – ending (a) – (b)	\$ 4,307,644	\$ 3,966,255
Plan fiduciary net position as a percentage of the total OPEB liability	0.24 %	0.70 %
Covered payroll	\$ 627,283	\$ 676,752
State’s net OPEB liability as a percentage of covered payroll	686.71 %	586.07 %

* Restated

<u>2019²</u>	<u>2020²</u>
\$ 129,311	\$ 134,649
162,948	154,691
(97,510)	(149,086)
152,849	21,353
(120,833)	(127,671)
226,765	33,936
3,994,063	4,220,828
\$ 4,220,828	\$ 4,254,764

\$ 120,833	\$ 127,671
16,268	26,329
16,268	26,329
3,552	2,974
(120,833)	(127,671)
(9)	(43)
—	—
36,079	55,589
27,788 *	63,867
\$ 63,867	\$ 119,456

\$ 4,156,961	\$ 4,135,308
---------------------	---------------------

1.51 %	2.81 %
--------	--------

\$ 723,964	\$ 748,801
574.19 %	552.26 %

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

For the Past Fiscal Years¹

(amounts in thousands)

	2017 ²	2018 ^{2,4}
RETIREE HEALTH BENEFITS PROGRAM		
OTHER FUNDED PLANS³		
Total OPEB liability		
Service cost	\$ 92,991	\$ 501,028
Interest on total OPEB liability	74,923	523,258
Differences between expected and actual experiences ⁵	—	(1,033,520)
Changes in assumptions	(197,059)	(304,299)
Benefit payments	(46,820)	(288,774)
Net change in total OPEB liability	(75,965)	(602,307)
Total OPEB liability – beginning	2,116,405	12,699,917
Total OPEB liability – ending (a)	\$ 2,040,440	\$ 12,097,610
Plan fiduciary net position		
Contributions – employer	\$ 46,820	\$ 288,774
Contributions – prefunding	10,442	32,759
Contributions – employee	2,323	32,759
Net investment income	1,589	5,578
Benefit payments	(46,820)	(288,774)
Administrative expense	(7)	(47)
Other expenses	—	—
Net change in plan fiduciary net position	14,347	71,049
Plan fiduciary net position – beginning	4,836	57,956 *
Plan fiduciary net position – ending (b)	\$ 19,183	\$ 129,005
State’s net OPEB liability – ending (a) – (b)	\$ 2,021,257	\$ 11,968,605
Plan fiduciary net position as a percentage of the total OPEB liability	0.94 %	1.07 %
Covered payroll	\$ 851,868	\$ 3,469,855
State’s net OPEB liability as a percentage of covered payroll	237.27 %	344.93 %

* Restated

<u>2019^{2,4}</u>	<u>2020²</u>
\$ 528,502	\$ 546,766
581,170	570,727
(221,816)	(517,882)
506,543	305,572
(364,207)	(371,323)
1,030,192	533,860
14,074,765	15,104,957
\$ 15,104,957	\$ 15,638,817
\$ 364,207	\$ 371,323
71,376	124,916
71,376	124,916
16,116	13,386
(364,207)	(371,323)
(43)	(194)
—	—
158,825	263,024
128,914 *	287,739
\$ 287,739	\$ 550,763
\$ 14,817,218	\$ 15,088,054
1.90 %	3.52 %
\$ 4,162,765	\$ 4,363,200
355.95 %	345.80 %

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

For the Past Fiscal Years¹

(amounts in thousands)

	2017 ²	2018 ^{2,4}
RETIREE HEALTH BENEFITS PROGRAM		
UNFUNDED PLAN³		
Total OPEB liability		
Service cost	\$ 2,805,040	\$ 2,008,794
Interest on total OPEB liability	2,112,139	1,959,522
Differences between expected and actual experiences ⁵	—	(4,164,211)
Changes in assumptions	(6,610,919)	(1,766,620)
Benefit payments	(1,457,705)	(1,352,652)
Net change in total OPEB liability	(3,151,445)	(3,315,167)
Total OPEB liability – beginning	64,144,931	50,334,009
Total OPEB liability – ending (a)	\$ 60,993,486	\$ 47,018,842
Plan fiduciary net position		
Contributions – employer	\$ 1,457,705	\$ 1,352,652
Contributions – prefunding	—	—
Contributions – employee	—	—
Net investment income	—	—
Benefit payments	(1,457,705)	(1,352,652)
Administrative expense	—	—
Other expenses	—	—
Net change in plan fiduciary net position	—	—
Plan fiduciary net position – beginning	—	—
Plan fiduciary net position – ending (b)	\$ —	\$ —
State’s net OPEB liability – ending (a) – (b)	\$ 60,993,486	\$ 47,018,842
Plan fiduciary net position as a percentage of the total OPEB liability	— %	— %
Covered payroll	\$ 12,525,617	\$ 10,825,049
State’s net OPEB liability as a percentage of covered payroll	486.95 % (concluded)	434.35 % (concluded)

<u>2019^{2,4,6}</u>	<u>2020²</u>
\$ 651,082	\$ 695,884
576,896	547,791
(41,161)	(665,066)
863,523	583,238
(546,742)	(512,702)
1,503,598	649,145
15,556,199	17,059,797
\$ 17,059,797	\$ 17,708,942
\$ 546,742	\$ 512,702
—	—
—	—
—	—
(546,742)	(512,702)
—	—
—	—
—	—
\$ —	\$ —
\$ 17,059,797	\$ 17,708,942
— %	— %
\$ 3,366,371	\$ 3,536,386
506.77 %	500.76 %
(concluded)	(concluded)

Schedule of OPEB Contributions

For the Past Fiscal Years¹

(amounts in thousands)

	<u>2018</u>	<u>2019³</u>
RETIREE HEALTH BENEFITS PROGRAM		
SERVICE EMPLOYEES INTERNATIONAL UNION PLAN²		
Actuarially determined contribution	\$ —	\$ —
Contributions in relation to the actuarially determined contribution	—	—
Contribution deficiency	<u>\$ —</u>	<u>\$ —</u>
Covered payroll	\$ —	\$ —
Contributions as a percentage of covered payroll	—	—
BARGAINING UNIT 5 PLAN		
Actuarially determined contribution	\$ 204,361	\$ 210,625
Contributions in relation to the actuarially determined contribution	(184,456)	(137,475)
Contribution deficiency	<u>\$ 19,905</u>	<u>\$ 73,150</u>
Covered payroll	\$ 915,549	\$ 942,765
Contributions as a percentage of covered payroll	20.15 %	14.58 %
BARGAINING UNIT 6 PLAN		
Actuarially determined contribution	\$ 743,757	\$ 671,262
Contributions in relation to the actuarially determined contribution	(503,636)	(445,061)
Contribution deficiency	<u>\$ 240,121</u>	<u>\$ 226,201</u>
Covered payroll	\$ 2,805,093	\$ 2,819,233
Contributions as a percentage of covered payroll	17.95 %	15.79 %
BARGAINING UNIT 9 PLAN²		
Actuarially determined contribution	\$ 207,027	\$ 191,109
Contributions in relation to the actuarially determined contribution	(125,471)	(102,971)
Contribution deficiency	<u>\$ 81,556</u>	<u>\$ 88,138</u>
Covered payroll	\$ 1,444,410	\$ 1,502,529
Contributions as a percentage of covered payroll	8.69 %	6.85 %

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

² This schedule includes amounts attributable to related organizations, fiduciary component units, and discretely presented component units, which are not part of the primary government.

³ The valuation groups that comprise the Unfunded and Other Funded plans shifted from the prior year.

<u>2020³</u>	<u>2021³</u>
\$ 1,543,231	\$ 1,584,331
(1,077,554)	(1,204,613)
<u>\$ 465,677</u>	<u>\$ 379,718</u>
\$ 7,701,525	\$ 9,192,501
13.99 %	13.10 %
\$ 229,183	\$ 240,749
(139,230)	(87,872)
<u>\$ 89,953</u>	<u>\$ 152,877</u>
\$ 958,694	\$ 969,073
14.52 %	9.07 %
\$ 676,241	\$ 772,683
(477,342)	(480,133)
<u>\$ 198,899</u>	<u>\$ 292,550</u>
\$ 2,989,457	\$ 2,786,526
15.97 %	17.23 %
\$ 194,353	\$ 212,002
(131,031)	(137,944)
<u>\$ 63,322</u>	<u>\$ 74,058</u>
\$ 1,596,949	\$ 2,021,661
8.21 %	6.82 %

Schedule of OPEB Contributions (continued)

For the Past Fiscal Years¹

(amounts in thousands)

	<u>2018</u>	<u>2019³</u>
RETIREE HEALTH BENEFITS PROGRAM		
BARGAINING UNIT 12 PLAN²		
Actuarially determined contribution	\$ 217,883	\$ 197,202
Contributions in relation to the actuarially determined contribution	(119,368)	(137,758)
Contribution deficiency	<u>\$ 98,515</u>	<u>\$ 59,444</u>
Covered payroll	\$ 663,143	\$ 723,870
Contributions as a percentage of covered payroll	18.00 %	19.03 %
OTHER FUNDED PLANS²		
Actuarially determined contribution	\$ 109,630	\$ 608,960
Contributions in relation to the actuarially determined contribution	(61,064)	(366,050)
Contribution deficiency	<u>\$ 48,566</u>	<u>\$ 242,910</u>
Covered payroll	\$ 900,567	\$ 3,595,234
Contributions as a percentage of covered payroll	6.78 %	10.18 %
UNFUNDED PLAN²		
Actuarially determined contribution	\$ 3,199,223	\$ 2,552,923
Contributions in relation to the actuarially determined contribution	(1,547,989)	(1,493,023)
Contribution deficiency	<u>\$ 1,651,234</u>	<u>\$ 1,059,900</u>
Covered payroll	\$ 13,241,681	\$ 11,391,811
Contributions as a percentage of covered payroll	11.69 %	13.11 %

<u>2020³</u>	<u>2021³</u>
\$ 198,316	\$ 203,358
(153,368)	(160,882)
<u>\$ 44,948</u>	<u>\$ 42,476</u>
\$ 748,801	\$ 673,098
20.48 %	23.90 %
\$ 707,352	\$ 756,965
(492,373)	(522,778)
<u>\$ 214,979</u>	<u>\$ 234,187</u>
\$ 4,363,200	\$ 4,132,800
11.28 %	12.65 %
\$ 977,820	\$ 944,654
(512,702)	(504,813)
<u>\$ 465,118</u>	<u>\$ 439,841</u>
\$ 3,536,386	\$ 832,893
14.50 %	60.61 %

Schedule of OPEB Contributions (continued)

For the Past Fiscal Year

(amounts in thousands)

Notes to Required Supplementary Information for the most recent fiscal year presented:

Retiree Health Benefits Program

Covered payroll:	Pensionable earnings provided by employer
Valuation date:	Actuarially determined contribution rates were calculated as of June 30, 2020.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Amortization period	30 years
Asset valuation method	Market value of assets; for details see the June 30, 2020 Actuarial Valuation Report
Inflation	2.25%
Healthcare cost trend rates	Pre-Medicare coverage: Actual rates for 2021, increasing to 7.50% in 2022, then decreasing 0.50% per year to an ultimate rate of 4.50% for 2028 through 2036, then to 4.25% for 2037 and later years. Post-Medicare coverage: Actual rates for 2021, increasing to 7.50% in 2022, then decreasing 0.50% per year to an ultimate rate of 4.50% for 2028 through 2036, then to 4.25% for 2037 and later years. Dental coverage: 0.00% in 2021, 2.00% for 2022, 3.00% for 2023, 4.00% for 2024, and 4.25% for 2025 and thereafter.
Salary increases	Varies by entry age and service
Investment rate of return	6.75%, net of OPEB plan investment expenses but without reduction for OPEB administrative expenses.
Retirement age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	Mortality rates are based on the 2017 CalPERS Experience Study adopted by the CalPERS Board. Post-retirement mortality rates include 15 years of projected on-going mortality improvements using the Society of Actuaries 90% Scale MP 2016.

(concluded)

Infrastructure Assets Using the Modified Approach

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 34, the State uses the modified approach to report the cost of its infrastructure assets (state bridges, roadways, and high-speed rail). Under the modified approach, the State does not report depreciation expense for infrastructure assets but capitalizes all costs that add to the capacity and efficiency of state-owned bridges, roads, and the high-speed rail system. All maintenance and preservation costs are expensed and not capitalized.

A. Infrastructure Asset Reporting Categories

The infrastructure assets reported in the State's financial statements for the fiscal year ending June 30, 2021, are in the following categories and amounts: state highway infrastructure, consisting of completed highway projects totaling \$81.0 billion; land purchased for highway projects totaling \$15.0 billion; infrastructure construction-in-progress (uncompleted highway projects) totaling \$9.4 billion; and high-speed rail system infrastructure, consisting of construction-in-progress (uncompleted rail construction projects) totaling \$4.5 billion.

Donation and Relinquishment: Donation and relinquishment activity affects the inventory of statewide lane miles, land, and/or bridges as adjustments to the infrastructure assets and/or land balance in the State's financial statements. For the fiscal year ending June 30, 2021, there were no donations of infrastructure land, and relinquishments were \$52 million of state highway infrastructure (completed highway projects) and \$10 million of infrastructure land.

B. Condition Baselines and Assessments

1. Bridges

The federal Fixing America's Surface Transportation (FAST) Act required all states to adopt national asset management performance measures to establish nationwide consistency for condition reporting of highway assets. Under the FAST Act, the national performance measure for bridges is total deck area of the structures in good, fair, or poor condition. The inspection data is based on the American Association of State Highway Transportation Officials' *Guide Manual for Bridge Element Inspection* and the *Caltrans Bridge Element Inspection Manual*.

The State's established condition baseline for fiscal year 2020-21 is to have at least 90% of the State's bridge deck area in fair or better condition.

The following table shows the State’s established condition baseline and actual statewide bridge condition for the last three fiscal years:

Fiscal Year Ended June 30	Established Condition¹	Actual Condition
2019	90.0% Fair or Better	95.4% Fair or Better
2020	90.0% Fair or Better	95.7% Fair or Better
2021	90.0% Fair or Better	95.7% Fair or Better

¹The actual statewide bridge conditions should not be lower than the baseline condition established by the State.

The following table provides details on the State’s actual bridge condition as of June 30, 2021:

Condition	Number of Bridges/Tunnels	Deck Area (sq. ft.)	Deck Area (%)
Good	7,133	130,764,637	49.46 %
Fair	5,489	122,549,337	46.34
Poor	485	11,118,344	4.20
Total	13,107	264,432,318	100.00 %

2. Roadways

The State conducts a periodic pavement-condition survey, which evaluates ride quality and structural integrity and identifies the number of distressed lane miles. The State classifies a roadway’s pavement condition by the following descriptions:

- Excellent/good condition – few potholes or cracks
- Fair condition – moderate number of potholes or cracks
- Poor condition – significant or extensive number of potholes or cracks

Statewide lane miles are considered “distressed lane miles” if they are in poor condition. The actual distressed lane miles are compared to the established condition baseline to ensure that the baseline is not exceeded.

The following table shows the State’s established condition baseline and actual distressed lane miles from the last three completed pavement-condition surveys:

Condition Assessment Date²	Established Condition Baseline Distressed Lane Miles (maximum)³	Actual Distressed Lane Miles	Actual Distressed Lane Miles as Percent of Total Lane Miles
August 2019 ³	18,000	6,166	12.3 %
September 2020 ¹	18,000	5,890	11.9
April 2020 ¹	18,000	6,872	13.8

¹ Condition assessment for the State’s established condition baseline and actual distressed lane miles is being reported as of the *State of the Pavement* report publication date.

² The actual statewide distressed lane miles should not exceed the maximum distressed lane miles established by the State.

³ Condition assessment for the State’s established condition baseline and actual distressed lane miles is being reported in the *Automated Pavement Condition Survey* report as of the end of 2020.

The following table provides details on the State’s actual distressed lane miles as of the last completed pavement-condition survey:

Pavement Condition	Lane Miles	Distressed Lane Miles
Excellent/Good	33,376	—
Fair	9,676	—
Poor	6,872	6,872
Total	49,924	6,872

C. Budgeted and Actual Preservation Costs

The estimated budgeted preservation costs represent the preservation projects approved by the California Transportation Commission and the State’s scheduled preservation work for each fiscal year. The actual preservation costs represent the cumulative cost to date for the projects approved and work scheduled in each fiscal year.

1. Bridges

The following table shows the State's budgeted and actual preservation cost information for the State's bridges for the most recent and four previous fiscal years:

Fiscal Year Ending June 30	Estimated Budgeted Preservation Costs (in millions)¹	Actual Preservation Costs (in millions)¹
2017	\$ 200	\$ 200
2018	267	266
2019	291	282
2020	225	217
2021	238	152

¹Some prior years were updated based on more current information.

2. Roadways

The following table shows the State's budgeted and actual preservation cost information for the State's roadways for the most recent and four previous fiscal years:

Fiscal Year Ending June 30	Estimated Budgeted Preservation Costs (in millions)¹	Actual Preservation Costs (in millions)¹
2017	\$ 3,943	\$ 3,852
2018	4,036	3,868
2019	5,067	4,552
2020	5,113	4,089
2021	5,247	2,506

¹Some prior years were updated based on more current information.

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Budgetary Comparison Schedule

General Fund and Major Special Revenue Funds

Year Ended June 30, 2021

(amounts in thousands)

	General			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Corporation tax	\$ 16,948,018	\$ 22,590,587	\$ 23,251,943	\$ 661,356
Intergovernmental	—	—	—	—
Cigarette and tobacco taxes	54,739	59,826	59,728	(98)
Insurance gross premiums tax	3,252,886	3,139,292	3,140,954	1,662
Vehicle license fees	39,467	39,896	41,003	1,107
Motor vehicle fuel tax	—	—	—	—
Personal income tax	102,208,381	128,855,688	128,578,663	(277,025)
Retail sales and use taxes	26,508,494	29,072,913	29,063,216	(9,697)
Other major taxes and licenses	385,326	415,742	412,812	(2,930)
Other revenues	4,223,537	2,636,438	2,923,646	287,208
Total revenues	153,620,848	186,810,382	187,471,965	661,583
EXPENDITURES				
Business, consumer services, and housing	1,237,573	879,949	776,282	(103,667)
Transportation	82,235	89,435	82,559	(6,876)
Natural resources and environmental protection	3,309,813	6,259,974	4,593,298	(1,666,676)
Health and human services	39,358,953	50,169,887	42,444,850	(7,725,037)
Corrections and rehabilitation	13,289,571	12,879,865	12,628,707	(251,158)
Education	93,985,037	95,283,742	91,521,223	(3,762,519)
General government:				
Tax relief	397,083	415,001	397,083	(17,918)
Debt service	6,211,890	4,632,973	4,599,634	(33,339)
Other general government	9,526,368	11,969,284	10,319,396	(1,649,888)
Total expenditures	167,398,523	182,580,110	167,363,032	(15,217,078)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	—	—	13,384,402	—
Transfers to other funds	—	—	(6,414,395)	—
Other additions (deductions)	—	—	1,424,034	—
Total other financing sources (uses)	—	—	8,394,041	—
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	—	—	28,502,974	—
Fund balances – beginning	—	—	3,436,716 *	—
Fund balances – ending	\$ —	\$ —	\$ 31,939,690	\$ —

* Restated

Federal				Transportation			
Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
Original	Final	Amounts	Final Budget	Original	Final	Amounts	Final Budget
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
221,800,368	221,800,368	221,800,368	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	8,797,556	7,731,291	8,664,985	933,694
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	7,891,142	4,191,933	7,326,209	3,134,276
1,007	1,007	1,007	—	1,371,397	4,175,318	416,320	(3,758,998)
221,801,375	221,801,375	221,801,375	—	18,060,095	16,098,542	16,407,514	308,972
1,861,588	1,861,588	1,861,588	—	125,008	119,072	116,706	(2,366)
4,129,804	4,129,804	4,129,804	—	12,290,619	13,881,828	12,771,251	(1,110,577)
316,576	316,576	316,576	—	196,795	184,582	181,333	(3,249)
87,811,267	87,811,267	87,811,267	—	16,876	16,737	15,987	(750)
65,134	65,134	65,134	—	—	—	—	—
26,715,686	26,715,686	26,715,686	—	7,876	9,822	9,322	(500)
—	—	—	—	—	—	—	—
—	—	—	—	1,918	2,139	908	(1,231)
4,316,590	4,316,590	4,316,590	—	164,244	614,775	606,269	(8,506)
125,216,645	125,216,645	125,216,645	—	12,803,336	14,828,955	13,701,776	(1,127,179)
—	—	27,016,223	—	—	—	20,374,086	—
—	—	(123,600,931)	—	—	—	(22,828,368)	—
—	—	1	—	—	—	109,791	—
—	—	(96,584,707)	—	—	—	(2,344,491)	—
—	—	23	—	—	—	361,247	—
—	—	614	—	—	—	8,772,640 *	—
\$ —	\$ —	\$ 637	\$ —	\$ —	\$ —	\$ 9,133,887	\$ —

(continued)

Budgetary Comparison Schedule (continued)

General Fund and Major Special Revenue Funds

Year Ended June 30, 2021

(amounts in thousands)

	Environmental and Natural Resources			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Corporation tax	\$ —	\$ —	\$ —	\$ —
Intergovernmental	—	—	—	—
Cigarette and tobacco taxes	—	—	—	—
Insurance gross premiums tax	—	—	—	—
Vehicle license fees	—	—	—	—
Motor vehicle fuel tax	—	—	—	—
Personal income tax	—	—	—	—
Retail sales and use taxes	—	—	—	—
Other major taxes and licenses	185,137	185,137	185,137	—
Other revenues	6,998,928	6,998,928	6,998,928	—
Total revenues	7,184,065	7,184,065	7,184,065	—
EXPENDITURES				
Business, consumer services, and housing	212,836	212,274	208,142	(4,132)
Transportation	1,377,713	1,379,389	1,379,267	(122)
Natural resources and environmental protection	5,729,229	7,555,153	5,927,181	(1,627,972)
Health and human services	58,214	59,589	40,689	(18,900)
Corrections and rehabilitation	—	—	—	—
Education	3,015	3,014	507	(2,507)
General government:				
Tax relief	—	—	—	—
Debt service	31	20	20	—
Other general government	204,286	287,611	273,517	(14,094)
Total expenditures	7,585,324	9,497,050	7,829,323	(1,667,727)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	—	—	688,212	—
Transfers to other funds	—	—	(1,335,348)	—
Other additions (deductions)	—	—	1,247,123	—
Total other financing sources (uses)	—	—	599,987	—
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	—	—	(45,271)	—
Fund balances – beginning	—	—	14,095,557 *	—
Fund balances – ending	\$ —	\$ —	\$ 14,050,286	\$ —

* Restated

Health Care Related Programs			
Budgeted Amounts		Actual Amounts	Variance with Final Budget
Original	Final		
\$ —	\$ —	\$ —	\$ —
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
2,769,935	2,769,935	2,769,935	—
8,984,324	8,984,324	8,984,324	—
11,754,259	11,754,259	11,754,259	—
—	—	—	—
—	—	—	—
166	228	166	(62)
11,559,576	11,580,013	11,562,760	(17,253)
—	—	—	—
108,264	108,264	108,264	—
—	—	—	—
—	8	8	—
16,328	16,328	16,328	—
11,684,334	11,704,841	11,687,526	(17,315)
—	—	4,861	—
—	—	(107,088)	—
—	—	596,127	—
—	—	493,900	—
—	—	560,633	—
—	—	2,761,608 *	—
\$ —	\$ —	\$ 3,322,241	\$ —

(concluded)

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

June 30, 2021

(amounts in thousands)

	Major Special Revenue Funds				
	General	Federal	Transportation	Environmental and Natural Resources	Health Care Related Programs
Budgetary fund balance reclassified into GAAP statement fund structure	\$ 31,939,690	\$ 637	\$ 9,133,887	\$ 14,050,286	\$ 3,322,241
Basis difference:					
Interfund receivables	2,863,706	—	63,258	786,823	100,000
Loans receivable	25,354	259,693	—	446,694	23,000
Interfund payables	(4,218,385)	—	(742,544)	(378,985)	(3,219)
Escheat property	(1,242,544)	—	—	—	—
Tax revenues	11,119,800	—	—	—	—
Fund classification changes	13,702,373	27,061,197	—	—	—
Other	21,875,471	—	2,116,559	15,326	—
Timing difference:					
Liabilities budgeted in subsequent years	(1,920,357)	(35,860,187)	(786,663)	(69,155)	(1,508,298)
GAAP fund balance – ending	\$ 74,145,108	\$ (8,538,660)	\$ 9,784,497	\$ 14,850,989	\$ 1,933,724

Notes to the Required Supplementary Information

Budgetary Comparison Schedule

The State annually reports its financial condition based on a Generally Accepted Accounting Principles (GAAP) basis and on the State’s budgetary provisions (budgetary basis). The Budgetary Comparison Schedule for the General Fund and Major Special Revenue Funds reports the original budget, the final budget, the actual expenditures, and the variance between the final budget and the actual expenditures, using the budgetary basis of accounting.

On the budgetary basis, individual appropriations are charged as expenditures when commitments for goods and services are incurred. However, for financial reporting purposes, the State reports expenditures based on the year in which goods and services are received. The Budgetary Comparison Schedule includes all of the current year expenditures for the General Fund and major special revenue funds as well as related appropriations that typically are legislatively authorized annually, continually, or by project. While the encumbrances relate to all programs’ expenditures on a budgetary basis, adjustments for encumbrances are made under “other general government,” except for Environmental and Natural Resources where adjustments for encumbrances are made under each program’s expenditures.

The Budgetary Comparison Schedule is not presented in this document at the legal level of budgetary control because such a presentation would be extremely lengthy and cumbersome. The State of California prepares a separate report, the Annual Comprehensive Financial Report Supplement, which includes statements that demonstrate compliance with the legal level of budgetary control in accordance

with Government Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Section 2400.121. The supplement includes a comparison of the annual appropriated budget with expenditures at the legal level of control. A copy of the Annual Comprehensive Financial Report Supplement is available upon email request to the State Controller's Office, State Accounting and Reporting Division at StateGovReports@sco.ca.gov.

Reconciliation of Budgetary with GAAP Basis

The reconciliation of budgetary basis fund balances of the General Fund and the major special revenue funds to GAAP basis fund balances is presented on the previous page and the reconciling items are explained in the following paragraphs.

Basis Difference

Interfund Receivables and Loans Receivable: Loans made to other funds or to other governments are normally recorded as either expenditures or transfers on a budgetary basis. However, in accordance with GAAP, these loans are recorded as assets. The adjustments related to interfund receivables caused increases of \$2.9 billion in the General Fund, \$63 million in the Transportation Fund, \$787 million in the Environmental and Natural Resources Fund, and \$100 million in the Health Care Related Programs Fund. The adjustments related to loans receivable caused increases of \$25 million in the General Fund, \$260 million in the Federal Fund, \$447 million in the Environmental and Natural Resources Fund, and \$23 million in the Health Care Related Programs Fund.

Interfund Payables: Loans received from other funds are normally recorded as transfers on a budgetary basis. However, in accordance with GAAP, these loans are recorded as liabilities. The adjustments related to interfund payables caused decreases of \$4.2 billion in the General Fund, \$743 million in the Transportation Fund, \$379 million in the Environmental and Natural Resources Fund, and \$3 million in the Health Care Related Programs Fund.

Escheat Property: A liability for the estimated amount of escheat property expected to ultimately be reclaimed and paid is not reported on a budgetary basis. The liability is required to be reported on a GAAP basis. This adjustment caused a \$1.2 billion decrease in the General Fund.

Tax Revenues: Estimated tax payments are accrued on a budgetary basis pursuant to Chapter 751, Statutes of 2008; however, in accordance with GAAP, tax payments are accrued based on the portion of estimated net final payments related to the fiscal year. This adjustment caused an increase of \$11.1 billion in the General Fund.

Fund Classification Changes: The fund balance amounts for governmental funds have been reclassified in accordance with governmental accounting standards. These reclassifications caused increases of \$13.7 billion in the General Fund and \$27.1 billion in the Federal Fund. These increases represent the fund balances of funds that are not considered part of the General Fund or the Federal Fund for any budgetary purpose or for the Budgetary/Legal Basis Annual Report.

Other: Certain other adjustments and reclassifications are necessary to present the financial statements in accordance with GAAP. The other adjustments caused an increase of \$21.9 billion in the General Fund, an increase of \$2.1 billion in the Transportation Fund, and an increase of \$15 million in the Environmental and Natural Resources Fund.

Timing Difference

Liabilities Budgeted in Subsequent Years: On a budgetary basis, the primary government does not accrue liabilities for which there is no existing appropriation or no currently available appropriation. The adjustments made to account for these liabilities in accordance with GAAP caused decreases of \$35.9 billion in the Federal Fund, \$1.9 billion in the General Fund, \$1.5 billion in the Health Care Related Programs Fund, \$787 million in the Transportation Fund, and \$69 million in the Environmental and Natural Resources Fund. The large decrease in the Federal Fund consists of \$27.0 billion for coronavirus relief and \$8.9 billion for unemployment programs. The large decrease in the General Fund primarily consists of \$1.4 billion for medical assistance and \$384 million for workers' compensation claims. The decrease in the Health Care Related Programs Fund primarily consists of medical assistance.

Combining Financial Statements and Schedules – Nonmajor and Other Funds



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Nonmajor Governmental Funds

Nonmajor governmental funds account for the State's activities that do not meet the criteria of a major governmental fund. Following are brief descriptions of nonmajor governmental funds.

Special revenue funds account for the proceeds of specific revenue sources, other than debt service or capital projects, that are restricted, committed, or assigned to expenditures for specific purposes.

The **Business and Professions Regulatory and Licensing Fund** accounts for fees and other revenues charged for regulating and licensing specific industries, professions, and vocations.

The **Financing for Local Governments and the Public Fund** accounts for taxes, fees, bond proceeds, and other revenues used to finance the construction and maintenance of parks, jails, and other public and local government programs.

The **Cigarette, Tobacco, and Cannabis Tax Fund** accounts for a surtax on cigarette and tobacco products that is used for various health programs; and cannabis excise and cultivation taxes that are used for various health, youth education, and research programs.

The **Local Revenue and Public Safety Fund** accounts for vehicle license fees and a 1.5625% state sales tax dedicated to local governments for realigning costs from the State to local governments, and a 0.5% state sales tax dedicated to local governments to fund public safety programs.

The **Trial Courts Fund** accounts for the various fees collected by the courts, maintenance-of-effort payments from the counties, transfers in from the General Fund, and trial court operating costs.

The **Golden State Tobacco Securitization Corporation Fund** is a blended component unit that accounts for the receipt of Tobacco Revenue Settlements pledged for the payment of debt service.

Other special revenue programs funds account for all other proceeds of revenue sources, other than debt service or capital projects, that are restricted or committed to expenditures for specific purposes.

Debt service funds account for and report financial resources that are restricted, committed, or assigned for the payment of principal and interest on general long-term obligations.

The **No Place Like Home Fund** accounts for bond proceeds and other revenues used to implement and administer the No Place Like Home Program to reduce homelessness and provide affordable housing for individuals with mental illness.

The **Transportation Debt Service Fund** accounts for Transportation Fund transfers used for the payment of principal and interest related to various transportation-related general obligation bonds.

(continued)

(continued)

Capital projects funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The **Higher Education Construction Fund** accounts for bond proceeds used to construct state colleges and universities.

The **Hospital Construction Fund** accounts for bond proceeds used to construct hospitals.

The **Local Government Construction Fund** accounts for bond proceeds used to construct schools, libraries, and other major capital facilities for local governments.

Building authorities are blended component units created by joint-powers agreements between local governments and the State or other local governments for the purpose of financing the construction of state buildings. The funds account for bond proceeds used to finance and construct state buildings and parking facilities.

Other capital projects funds account for transactions related to resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2021

(amounts in thousands)

	Special Revenue		
	Business and Professions Regulatory and Licensing	Financing for Local Governments and the Public	Cigarette, Tobacco, and Cannabis Tax
ASSETS			
Cash and pooled investments	\$ 1,617,990	\$ 2,862,776	\$ 2,091,688
Investments	—	—	—
Receivables (net)	160,006	151,810	682,714
Due from other funds	20,444	834,427	1,479
Due from other governments	9,074	81	262
Interfund receivables	143,454	116,323	37,481
Loans receivable	135,363	2,726,636	19,442
Other assets	—	—	—
Total assets	\$ 2,086,331	\$ 6,692,053	\$ 2,833,066
LIABILITIES			
Accounts payable	\$ 114,752	\$ 268,353	\$ 208,952
Due to other funds	90,214	195	24,522
Due to component units	—	—	21,251
Due to other governments	24,860	727,195	127,595
Interfund payables	7,129	—	—
Revenues received in advance	50,901	1,056	—
Deposits	—	—	—
Other liabilities	33,686	190	—
Total liabilities	321,542	996,989	382,320
DEFERRED INFLOWS OF RESOURCES	—	—	210,246
Total liabilities and deferred inflows of resources	321,542	996,989	592,566
FUND BALANCES			
Nonspendable	—	—	—
Restricted	1,166,860	5,474,089	2,240,500
Committed	597,929	220,975	—
Assigned	—	—	—
Total fund balances	1,764,789	5,695,064	2,240,500
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,086,331	\$ 6,692,053	\$ 2,833,066

Special Revenue				
Local Revenue and Public Safety	Trial Courts	Golden State Tobacco Securitization Corporation	Other Special Revenue Programs	Total Nonmajor Special Revenue
\$ 3,840,042	\$ 966,201	\$ 440,783	\$ 3,133,416	\$ 14,952,896
—	396,855	92,703	—	489,558
2,861	214,033	210,069	402,881	1,824,374
184,846	77,334	—	545,562	1,664,092
—	47,962	—	39,445	96,824
71,065	49,889	—	1,001,180	1,419,392
33,927	24,873	—	187,039	3,127,280
—	12,976	—	—	12,976
\$ 4,132,741	\$ 1,790,123	\$ 743,555	\$ 5,309,523	\$ 23,587,392
\$ 207,475	\$ 204,110	\$ 267	\$ 407,897	\$ 1,411,806
47,433	46,846	—	87,428	296,638
—	—	—	7,297	28,548
3,782,672	128,818	—	478,219	5,269,359
—	—	—	13,071	20,200
—	68,238	—	69,249	189,444
—	425,220	—	83,600	508,820
—	94,593	—	50,535	179,004
4,037,580	967,825	267	1,197,296	7,903,819
—	—	—	178,794	389,040
4,037,580	967,825	267	1,376,090	8,292,859
—	10,238	—	—	10,238
10,157	719,297	743,288	3,575,237	13,929,428
85,004	47,220	—	358,196	1,309,324
—	45,543	—	—	45,543
95,161	822,298	743,288	3,933,433	15,294,533
\$ 4,132,741	\$ 1,790,123	\$ 743,555	\$ 5,309,523	\$ 23,587,392

(continued)

Combining Balance Sheet (continued)

Nonmajor Governmental Funds

June 30, 2021

(amounts in thousands)

	Debt Service		
	No Place Like Home Debt Service	Transportation Debt Service	Total Nonmajor Debt Service
ASSETS			
Cash and pooled investments	\$ 67,743	\$ —	\$ 67,743
Investments	—	—	—
Receivables (net)	—	—	—
Due from other funds	89	367,315	367,404
Due from other governments	—	—	—
Interfund receivables	—	—	—
Loans receivable	—	—	—
Other assets	—	—	—
Total assets	\$ 67,832	\$ 367,315	\$ 435,147
LIABILITIES			
Accounts payable	\$ 2	\$ —	\$ 2
Due to other funds	16	367,315	367,331
Due to component units	—	—	—
Due to other governments	—	—	—
Interfund payables	—	—	—
Revenues received in advance	—	—	—
Deposits	—	—	—
Other liabilities	—	—	—
Total liabilities	18	367,315	367,333
DEFERRED INFLOWS OF RESOURCES	—	—	—
Total liabilities and deferred inflows of resources	18	367,315	367,333
FUND BALANCES			
Nonspendable	—	—	—
Restricted	67,814	—	67,814
Committed	—	—	—
Assigned	—	—	—
Total fund balances	67,814	—	67,814
Total liabilities, deferred inflows of resources, and fund balances	\$ 67,832	\$ 367,315	\$ 435,147

Capital Projects

Higher Education Construction	Hospital Construction	Local Government Construction	Building Authorities	Other Capital Projects	Total Nonmajor Capital Projects	Total Nonmajor Governmental
\$ 322,238	\$ 108,020	\$ 440,906	\$ 15,896	\$ 232,154	\$ 1,119,214	\$ 16,139,853
—	—	—	—	—	—	489,558
—	5	—	—	301	306	1,824,680
237	2	406	12,327	6,643	19,615	2,051,111
—	—	2,217	—	—	2,217	99,041
—	—	—	—	4,260	4,260	1,423,652
—	—	—	—	147,817	147,817	3,275,097
—	—	—	—	—	—	12,976
\$ 322,475	\$ 108,027	\$ 443,529	\$ 28,223	\$ 391,175	\$ 1,293,429	\$ 25,315,968
\$ —	\$ 177	\$ —	\$ —	\$ 2,708	\$ 2,885	\$ 1,414,693
—	—	3,103	—	3,917	7,020	670,989
—	—	—	—	—	—	28,548
—	1	—	—	141	142	5,269,501
—	—	—	—	—	—	20,200
—	—	—	—	—	—	189,444
—	—	—	—	—	—	508,820
—	—	—	55	6	61	179,065
—	178	3,103	55	6,772	10,108	8,281,260
—	—	—	—	—	—	389,040
—	178	3,103	55	6,772	10,108	8,670,300
—	—	—	—	—	—	10,238
322,475	107,849	440,426	28,168	309,310	1,208,228	15,205,470
—	—	—	—	75,093	75,093	1,384,417
0	—	—	—	—	—	45,543
322,475	107,849	440,426	28,168	384,403	1,283,321	16,645,668
\$ 322,475	\$ 108,027	\$ 443,529	\$ 28,223	\$ 391,175	\$ 1,293,429	\$ 25,315,968

(concluded)

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

Nonmajor Governmental Funds

Year Ended June 30, 2021

(amounts in thousands)

	Special Revenue		
	Business and Professions Regulatory and Licensing	Financing for Local Governments and the Public	Cigarette, Tobacco, and Cannabis Tax
REVENUES			
Personal income taxes.....	\$ —	\$ 2,580,589	\$ —
Sales and use taxes.....	—	—	—
Motor vehicle excise taxes.....	73,386	46,907	—
Other taxes.....	1,343	585,342	2,601,872
Intergovernmental.....	—	—	—
Licenses and permits.....	695,710	18,129	208
Charges for services.....	63,651	1,813	819
Fees.....	1,558,479	573,793	74
Penalties.....	20,928	216	—
Investment and interest.....	13,525	6,758	2,650
Escheat.....	—	—	—
Other.....	11,915	244,146	467
Total revenues	2,438,937	4,057,693	2,606,090
EXPENDITURES			
Current:			
General government.....	871,550	592,146	101,926
Education.....	25,732	7,275	122,979
Health and human services.....	569,045	3,005,118	1,874,193
Natural resources and environmental protection.....	99,059	92,413	24,515
Business, consumer services, and housing.....	721,167	682,185	—
Transportation.....	13,256	116	3,152
Corrections and rehabilitation.....	—	113,288	586
Capital outlay.....	—	—	—
Debt service:			
Bond and commercial paper retirement.....	—	169,930	—
Interest and fiscal charges.....	116	3,245	7
Total expenditures	2,299,925	4,665,716	2,127,358
Excess (deficiency) of revenues over (under) expenditures.....	139,012	(608,023)	478,732
OTHER FINANCING SOURCES (USES)			
General obligation bonds and commercial paper issued.....	—	179,265	—
Revenue bonds issued.....	—	449,545	—
Refunding debt issued.....	—	13,155	—
Payment to refund long-term debt.....	—	—	—
Premium on bonds issued.....	—	18,038	—
Transfers in.....	100,155	958,812	13
Transfers out.....	(41,355)	(242,131)	(52,049)
Total other financing sources (uses)	58,800	1,376,684	(52,036)
Net change in fund balances.....	197,812	768,661	426,696
Fund balances – beginning	1,566,977 *	4,926,403	1,813,804 *
Fund balances – ending	\$ 1,764,789	\$ 5,695,064	\$ 2,240,500

* Restated

Special Revenue				
Local Revenue and Public Safety	Trial Courts	Golden State Tobacco Securitization Corporation	Other Special Revenue Programs	Total Nonmajor Special Revenue
\$ —	\$ —	\$ —	\$ —	\$ 2,580,589
16,036,914	—	—	—	16,036,914
—	—	—	—	120,293
—	—	—	—	3,188,557
—	831,804	—	—	831,804
3,097,599	—	—	113,894	3,925,540
—	54,910	—	288,070	409,263
—	509,408	—	1,393,871	4,035,625
52	248,833	—	219,797	489,826
293,829	5,696	1,126	15,481	339,065
—	4,022	—	—	4,022
45	157,281	470,096	865,890	1,749,840
19,428,439	1,811,954	471,222	2,897,003	33,711,338
3,998,722	3,630,768	535	1,875,751	11,071,398
—	—	—	31,081	187,067
15,408,582	—	—	834,072	21,691,010
15	—	—	63,560	279,562
2	62	—	33,536	1,436,952
—	—	—	1,621	18,145
—	—	—	66	113,940
—	—	—	—	—
—	—	212,215	—	382,145
—	5	330,310	123	333,806
19,407,321	3,630,835	543,060	2,839,810	35,514,025
21,118	(1,818,881)	(71,838)	57,193	(1,802,687)
—	—	—	—	179,265
—	—	—	—	449,545
—	—	437,260	—	450,415
—	—	(363,445)	—	(363,445)
—	—	—	—	18,038
7	1,658,148	—	105,362	2,822,497
—	(9,397)	—	(47,070)	(392,002)
7	1,648,751	73,815	58,292	3,164,313
21,125	(170,130)	1,977	115,485	1,361,626
74,036	992,428	741,311	3,817,948 *	13,932,907
\$ 95,161	\$ 822,298	\$ 743,288	\$ 3,933,433	\$ 15,294,533

(continued)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)

Nonmajor Governmental Funds

Year Ended June 30, 2021

(amounts in thousands)

	Debt Service		Total Nonmajor Debt Service
	No Place Like Home Debt Service	Transportation Debt Service	
REVENUES			
Personal income taxes	\$ —	\$ —	\$ —
Sales and use taxes	—	—	—
Motor vehicle excise taxes	—	—	—
Other taxes	—	—	—
Intergovernmental	—	—	—
Licenses and permits	—	—	—
Charges for services	—	—	—
Fees	—	—	—
Penalties	—	—	—
Investment and interest	457	—	457
Escheat	—	—	—
Other	—	—	—
Total revenues	457	—	457
EXPENDITURES			
Current:			
General government	150	—	150
Education	—	—	—
Health and human services	—	—	—
Natural resources and environmental protection	—	—	—
Business, consumer services, and housing	—	—	—
Transportation	—	—	—
Corrections and rehabilitation	—	—	—
Capital outlay	—	—	—
Debt service:			
Bond and commercial paper retirement	79,495	959,623	1,039,118
Interest and fiscal charges	15,683	743,068	758,751
Total expenditures	95,328	1,702,691	1,798,019
Excess (deficiency) of revenues over (under) expenditures	(94,871)	(1,702,691)	(1,797,562)
OTHER FINANCING SOURCES (USES)			
General obligation bonds and commercial paper issued	—	—	—
Revenue bonds issued	455	—	455
Refunding debt issued	—	—	—
Payment to refund long-term debt	—	—	—
Premium on bonds issued	—	—	—
Transfers in	108,030	1,702,691	1,810,721
Transfers out	—	—	—
Total other financing sources (uses)	108,485	1,702,691	1,811,176
Net change in fund balances	13,614	—	13,614
Fund balances – beginning	54,200	—	54,200
Fund balances – ending	\$ 67,814	\$ —	\$ 67,814

* Restated

Capital Projects

Higher Education Construction	Hospital Construction	Local Government Construction	Building Authorities	Other Capital Projects	Total Nonmajor Capital Projects	Total Nonmajor Governmental
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,580,589
—	—	—	—	—	—	16,036,914
—	—	—	—	—	—	120,293
—	—	—	—	—	—	3,188,557
—	—	—	—	—	—	831,804
—	—	—	—	2,350	2,350	3,927,890
—	—	—	—	—	—	409,263
—	—	—	—	—	—	4,035,625
—	—	—	—	—	—	489,826
862	19	7,704	—	206	8,791	348,313
—	—	—	—	—	—	4,022
—	—	—	—	8,701	8,701	1,758,541
862	19	7,704	—	11,257	19,842	33,731,637
—	64,060	—	—	—	64,060	11,135,608
—	—	1,928,425	—	—	1,928,425	2,115,492
—	—	—	—	—	—	21,691,010
—	—	—	—	2,761	2,761	282,323
—	—	—	—	—	—	1,436,952
—	—	—	—	—	—	18,145
—	—	—	—	—	—	113,940
134,557	584	10,263	—	111,436	256,840	256,840
27,020	39,785	2,246,890	31,580	82,940	2,428,215	3,849,478
644	53	21,888	2,774	136	25,495	1,118,052
162,221	104,482	4,207,466	34,354	197,273	4,705,796	42,017,840
(161,359)	(104,463)	(4,199,762)	(34,354)	(186,016)	(4,685,954)	(8,286,203)
261,560	187,835	2,054,280	—	163,060	2,666,735	2,846,000
—	—	—	—	—	—	450,000
8,815	620	1,237,515	—	775	1,247,725	1,698,140
—	—	—	—	—	—	(363,445)
6,329	9,043	459,375	—	871	475,618	493,656
—	—	—	25,434	92,456	117,890	4,751,108
—	—	(946)	—	—	(946)	(392,948)
276,704	197,498	3,750,224	25,434	257,162	4,507,022	9,482,511
115,345	93,035	(449,538)	(8,920)	71,146	(178,932)	1,196,308
207,130	14,814	889,964	37,088	313,257	1,462,253	15,449,360
\$ 322,475	\$ 107,849	\$ 440,426	\$ 28,168	\$ 384,403	\$ 1,283,321	\$ 16,645,668

(concluded)

Budgetary Comparison Schedule

Nonmajor Governmental Funds¹

Year Ended June 30, 2021

(amounts in thousands)

	Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Cigarette and tobacco taxes	\$ 358,378	\$ 358,378	\$ —
Vehicle license fees	2,348,889	2,348,889	—
Personal income tax	2,580,589	2,580,589	—
Retail sales and use taxes	16,037,006	16,037,006	—
Other major taxes and licenses	20,008	20,008	—
Other revenues	19,412,021	19,412,021	—
Total revenues	40,756,891	40,756,891	—
EXPENDITURES			
Business, consumer services, and housing	3,162,706	2,452,021	(710,685)
Transportation	1,715,846	1,732,591	16,745
Natural resources and environmental protection	461,853	259,935	(201,918)
Health and human services	21,626,054	32,220,990	10,594,936
Corrections and rehabilitation	10,472	10,561	89
Education	1,719,433	1,650,955	(68,478)
General government:			
Tax relief	4,342	4,342	—
Other general government	5,504,742	9,310,958	3,806,216
Total expenditures	34,205,448	47,642,353	13,436,905
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	—	37,068,197	—
Transfers to other funds	—	(34,272,590)	—
Other additions	—	3,155,778	—
Total other financing sources (uses)	—	5,951,385	—
Excess of revenues and other sources over expenditures and other uses	—	(934,077)	—
Fund balances – beginning, restated	—	11,087,112	—
Fund balances – ending	\$ —	\$ 10,153,035	\$ —

¹On a budgetary basis, the State's funds are classified as either governmental cost funds or nongovernmental cost funds. The governmental cost funds include the General Fund, most of the funds that comprise the Transportation Fund and the Environmental and Natural Resources Fund, Health Care Related Programs Fund, and many other funds that make up the nonmajor governmental funds reported in these financial statements. Governmental cost funds derive their revenue from taxes, licenses, and fees that support the general operations of the State. The appropriations of the budgetary basis governmental cost funds form the annual appropriated budget of the State. Nongovernmental cost funds consist of funds that derive their receipts from sources other than general and special taxes, licenses, fees, or state revenues and mainly represent the proprietary and fiduciary funds reported in these financial statements. Expenditures of these funds do not represent a cost of government and most of the nongovernmental cost funds are not included in the annual appropriated budget. Therefore, the expenditures of these funds are not included in this schedule. The Federal Fund is one nongovernmental cost fund that is included in the annual appropriated budget. The Budgetary Comparison Schedule for the General Fund, Federal Fund, Transportation Fund, Environmental and Natural Resources Fund, and Health Care Related Programs Fund is included in the Required Supplementary Information section; the remaining governmental cost funds are reflected in this schedule. Additional information on the budgetary basis of accounting can be found in the Management's Discussion and Analysis, Note 2 – Budgetary and Legal Compliance, notes to the Required Supplementary Information, and in the separately issued Annual Comprehensive Financial Report Supplement.

Internal Service Funds

Internal service funds account for state activities that provide goods and services to other state departments or agencies on a cost reimbursement basis. Following are brief descriptions of the internal service funds.

The **Public Buildings Construction Fund** accounts for rental charges from the lease of public assets and the related lease-purchase revenue bonds.

The **Architecture Revolving Fund** accounts for charges for the costs of architectural services, construction, and improvements.

The **Service Revolving Fund** accounts for charges for printing and procurement services rendered by the Department of General Services for state departments and other public entities.

The **Prison Industries Fund** accounts for charges for goods produced by inmates in state prisons that are sold to state departments and other governmental entities.

The **Financial Information Systems Fund** accounts for charges for the development and subsequent use of the State's new financial information system.

The **Technology Services Revolving Fund** accounts for charges for technology services performed for various state, federal, and local government entities by the Department of Technology.

The **Water Resources Revolving Fund** accounts for charges for administrative services related to water delivery provided by the Department of Water Resources to federal, state, and local government agencies.

Other internal service program funds account for all other goods and services provided to other agencies, departments, or governments on a cost-reimbursement basis.

Combining Statement of Net Position

Internal Service Funds

June 30, 2021

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
ASSETS		
Current assets:		
Cash and pooled investments	\$ —	\$ 837,136
Restricted assets:		
Cash and pooled investments	816,911	—
Net investment in direct financing leases	492,900	—
Receivables (net)	—	943
Due from other funds	252,138	117,670
Due from other governments	—	—
Prepaid items	—	15,044
Inventories	—	—
Total current assets	<u>1,561,949</u>	<u>970,793</u>
Noncurrent assets:		
Restricted assets:		
Cash and pooled investments	141,036	—
Net investment in direct financing leases	7,668,002	—
Interfund receivables	—	—
Loans receivable	—	—
Long-term prepaid charges	222	—
Capital assets:		
Land	—	—
Buildings and other depreciable property	—	271
Intangible assets – amortizable	—	—
Less: accumulated depreciation/amortization	—	(271)
Construction/development in progress	2,283,691	—
Total noncurrent assets	<u>10,092,951</u>	<u>—</u>
Total assets	<u>11,654,900</u>	<u>970,793</u>
DEFERRED OUTFLOWS OF RESOURCES	131,538	13,008
Total assets and deferred outflows of resources	<u>\$ 11,786,438</u>	<u>\$ 983,801</u>

<u>Service Revolving</u>	<u>Prison Industries</u>	<u>Financial Information Systems</u>	<u>Technology Services Revolving</u>	<u>Water Resources Revolving</u>	<u>Other Internal Service Programs</u>	<u>Total</u>
\$ 205,315	\$ 350,401	\$ 7,820	\$ 92,511	\$ 38,927	\$ 295,755	\$ 1,827,865
—	—	—	—	—	—	816,911
—	—	—	—	—	—	492,900
2,486	5,257	—	3,342	353	55,016	67,397
94,356	5,241	—	37,203	139,100	84,036	729,744
915	154	—	3,361	15	27,827	32,272
119,776	1,043	4,483	682	7,597	2,115	150,740
1,535	51,768	—	—	950	19,045	73,298
<u>424,383</u>	<u>413,864</u>	<u>12,303</u>	<u>137,099</u>	<u>186,942</u>	<u>483,794</u>	<u>4,191,127</u>
—	—	—	—	—	—	141,036
—	—	—	—	—	—	7,668,002
—	—	—	—	—	41,291	41,291
—	—	—	3,726	—	13,944	17,670
—	—	—	—	—	—	222
—	—	—	—	—	2,080	2,080
191,734	220,584	2,977	163,428	41,503	79,157	699,654
16,373	4,475	2,764	7,727	11,196	1,882	44,417
(140,766)	(153,795)	(4,724)	(126,437)	(42,382)	(73,451)	(541,826)
—	5,258	345,643	—	—	645	2,635,237
<u>67,341</u>	<u>76,522</u>	<u>346,660</u>	<u>48,444</u>	<u>10,317</u>	<u>65,548</u>	<u>10,707,783</u>
<u>491,724</u>	<u>490,386</u>	<u>358,963</u>	<u>185,543</u>	<u>197,259</u>	<u>549,342</u>	<u>14,898,910</u>
134,312	72,566	—	62,475	—	141,656	555,555
<u>\$ 626,036</u>	<u>\$ 562,952</u>	<u>\$ 358,963</u>	<u>\$ 248,018</u>	<u>\$ 197,259</u>	<u>\$ 690,998</u>	<u>\$ 15,454,465</u>

(continued)

Combining Statement of Net Position (continued)

Internal Service Funds

June 30, 2021

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 37,666	\$ 376
Due to other funds	102,414	59,788
Due to other governments	19,835	43
Revenues received in advance	5,975	907,322
Deposits	—	—
Contracts and notes payable	—	—
Interest payable	91,927	—
Current portion of long-term obligations	574,680	—
Other liabilities	10,491	13
Total current liabilities	842,988	967,542
Noncurrent liabilities:		
Interfund payables	2,553,863	3,576
Compensated absences payable	—	547
Workers' compensation benefits payable	—	284
Revenue bonds payable	8,231,049	—
Net other postemployment benefits liability	—	56,358
Net pension liability	—	56,636
Other noncurrent liabilities	—	—
Total noncurrent liabilities	10,784,912	117,401
Total liabilities	11,627,900	1,084,943
DEFERRED INFLOWS OF RESOURCES	6,050	8,242
Total liabilities and deferred inflows of resources	11,633,950	1,093,185
NET POSITION		
Net investment in capital assets	—	—
Restricted – expendable:		
Construction	152,488	—
Total expendable	152,488	—
Unrestricted	—	(109,384)
Total net position (deficit)	152,488	(109,384)
Total liabilities, deferred inflows of resources, and net position	\$ 11,786,438	\$ 983,801

<u>Service Revolving</u>	<u>Prison Industries</u>	<u>Financial Information Systems</u>	<u>Technology Services Revolving</u>	<u>Water Resources Revolving</u>	<u>Other Internal Service Programs</u>	<u>Total</u>
\$ 57,267	\$ 16,462	\$ 39	\$ 37,019	\$ 23,378	\$ 254,950	\$ 427,157
51,262	11,074	296	717	725	43,080	269,356
2,134	—	—	—	40	1,596	23,648
19,071	2,805	—	—	264	68,107	1,003,544
2,339	—	—	—	—	—	2,339
3,148	—	—	11,873	12,422	—	27,443
—	—	—	—	—	—	91,927
—	4,998	—	—	—	2,575	582,253
494	606	—	—	19	—	11,623
<u>135,715</u>	<u>35,945</u>	<u>335</u>	<u>49,609</u>	<u>36,848</u>	<u>370,308</u>	<u>2,439,290</u>
49,471	3,383	37,650	7,370	162,611	—	2,817,924
125,037	16,277	—	56,309	—	31,197	229,367
27,899	19,019	—	772	—	999	48,973
—	—	—	—	—	—	8,231,049
767,095	306,480	—	311,413	—	504,649	1,945,995
446,241	75,196	—	211,542	—	533,697	1,323,312
—	—	—	15,776	14,182	—	29,958
<u>1,415,743</u>	<u>420,355</u>	<u>37,650</u>	<u>603,182</u>	<u>176,793</u>	<u>1,070,542</u>	<u>14,626,578</u>
<u>1,551,458</u>	<u>456,300</u>	<u>37,985</u>	<u>652,791</u>	<u>213,641</u>	<u>1,440,850</u>	<u>17,065,868</u>
108,923	46,835	—	48,047	—	70,888	288,985
<u>1,660,381</u>	<u>503,135</u>	<u>37,985</u>	<u>700,838</u>	<u>213,641</u>	<u>1,511,738</u>	<u>17,354,853</u>
67,341	76,522	346,659	20,099	—	11,678	522,299
—	—	—	—	—	—	152,488
—	—	—	—	—	—	152,488
<u>(1,101,686)</u>	<u>(16,705)</u>	<u>(25,681)</u>	<u>(472,919)</u>	<u>(16,382)</u>	<u>(832,418)</u>	<u>(2,575,175)</u>
<u>(1,034,345)</u>	<u>59,817</u>	<u>320,978</u>	<u>(452,820)</u>	<u>(16,382)</u>	<u>(820,740)</u>	<u>(1,900,388)</u>
<u>\$ 626,036</u>	<u>\$ 562,952</u>	<u>\$ 358,963</u>	<u>\$ 248,018</u>	<u>\$ 197,259</u>	<u>\$ 690,998</u>	<u>\$ 15,454,465</u>

(concluded)

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

Internal Service Funds

Year Ended June 30, 2021

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
OPERATING REVENUES		
Services and sales	\$ —	\$ 771,107
Investment and interest	6,827	—
Rent	335,567	—
Total operating revenues	342,394	771,107
OPERATING EXPENSES		
Personal services	—	—
Supplies	—	—
Services and charges	4,879	767,586
Depreciation	—	—
Interest expense	345,741	—
Amortization of long-term prepaid charges	52	—
Total operating expenses	350,672	767,586
Operating income (loss)	(8,278)	3,521
NONOPERATING REVENUES (EXPENSES)		
Investment and interest income	1,701	—
Interest expense and fiscal charges	—	—
Other	(4,931)	—
Total nonoperating revenues (expenses)	(3,230)	—
Income (loss) before transfers	(11,508)	3,521
Transfers in	—	2
Transfers out	—	—
Change in net position	(11,508)	3,523
Total net position (deficit) – beginning	163,996	(112,907) *
Total net position (deficit) – ending	\$ 152,488	\$ (109,384)

* Restated

Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
\$ 823,504	\$ 331,422	\$ —	\$ 437,312	\$ 582,540	\$ 1,066,379	\$ 4,012,264
—	—	—	—	—	—	6,827
—	—	—	—	—	—	335,567
823,504	331,422	—	437,312	582,540	1,066,379	4,354,658
312,557	113,767	—	154,736	—	186,867	767,927
—	2,776	—	—	19,057	—	21,833
416,371	191,640	1,261	296,053	566,593	694,774	2,939,157
19,992	10,280	299	18,212	4,483	1,676	54,942
—	—	—	337	—	—	346,078
—	—	—	—	—	—	52
748,920	318,463	1,560	469,338	590,133	883,317	4,129,989
74,584	12,959	(1,560)	(32,026)	(7,593)	183,062	224,669
—	86	—	398	—	764	2,949
(65)	(72)	—	(27)	—	(46)	(210)
—	(3,559)	—	(294)	—	—	(8,784)
(65)	(3,545)	—	77	—	718	(6,045)
74,519	9,414	(1,560)	(31,949)	(7,593)	183,780	218,624
15,402	—	—	14,139	—	7	29,550
(24,286)	—	—	—	—	(16,390)	(40,676)
65,635	9,414	(1,560)	(17,810)	(7,593)	167,397	207,498
(1,099,980) *	50,403	322,538	(435,010) *	(8,789)	(988,137) *	(2,107,886)
\$ (1,034,345)	\$ 59,817	\$ 320,978	\$ (452,820)	\$ (16,382)	\$ (820,740)	\$ (1,900,388)

Combining Statement of Cash Flows

Internal Service Funds

Year Ended June 30, 2021

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 12,729	\$ —
Receipts from interfund services provided	843,493	885,002
Payments to suppliers	(104)	(743,617)
Payments to employees	—	(4,219)
Payments for interfund services used	—	—
Claims paid to other than employees	—	—
Other receipts (payments)	(414,352)	(899)
Net cash provided by (used in) operating activities	441,766	136,267
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Changes in interfund receivables	—	—
Changes in interfund payables and loans payable	688,815	(262)
Interest paid	—	—
Transfers in	—	2
Transfers out	—	—
Net cash provided by (used in) noncapital financing activities	688,815	(260)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(1,256,194)	—
Proceeds from sale of capital assets	—	—
Proceeds from revenue bonds	544,068	—
Retirement of revenue bonds	(535,695)	—
Interest paid	—	—
Net cash used in capital and related financing activities	(1,247,821)	—
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on investments	1,701	—
Net cash provided by (used in) investing activities	1,701	—
Net increase (decrease) in cash and pooled investments	(115,539)	136,007
Cash and pooled investments – beginning	1,073,486	701,129
Cash and pooled investments – ending	\$ 957,947	\$ 837,136

Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 12,729
749,219	329,606	—	459,907	585,483	1,097,620	4,950,330
(350,651)	(179,052)	—	(276,074)	(31,022)	(738,560)	(2,319,080)
(323,855)	(101,918)	—	(133,901)	—	(302,867)	(866,760)
—	(17,844)	(3,760)	—	—	(127,282)	(148,886)
—	—	—	—	(566,593)	—	(566,593)
(3,336)	(97)	—	1,129	11,436	(5,858)	(411,977)
71,377	30,695	(3,760)	51,061	(696)	(76,947)	649,763
—	—	—	147	—	179,246	179,393
(11,236)	—	—	(6,457)	(91)	(2,474)	668,295
(65)	(71)	—	—	—	(38)	(174)
15,402	—	—	14,139	—	7	29,550
(24,286)	—	—	—	—	(16,390)	(40,676)
(20,185)	(71)	—	7,829	(91)	160,351	836,388
(16,283)	(6,591)	(900)	(14,562)	(8,214)	(797)	(1,303,541)
252	1,935	—	130	—	690	3,007
—	—	—	—	—	—	544,068
—	—	—	—	—	—	(535,695)
—	—	—	(27)	—	—	(27)
(16,031)	(4,656)	(900)	(14,459)	(8,214)	(107)	(1,292,188)
—	149	—	398	—	764	3,012
—	149	—	398	—	764	3,012
35,161	26,117	(4,660)	44,829	(9,001)	84,061	196,975
170,154	324,284	12,480	47,682	47,928	211,694	2,588,837
\$ 205,315	\$ 350,401	\$ 7,820	\$ 92,511	\$ 38,927	\$ 295,755	\$ 2,785,812

(continued)

Combining Statement of Cash Flows (continued)

Internal Service Funds

Year Ended June 30, 2021

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	\$ (8,278)	\$ 3,521
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	—	—
Amortization of premiums and discounts	(87,443)	—
Amortization of long-term prepaid charges	47	—
Other	13,124	—
Change in account balances:		
Receivables	—	(942)
Due from other funds	5,591	24,253
Due from other governments	—	—
Prepaid items	—	30,446
Inventories	—	—
Net investment in direct financing leases	522,017	—
Deferred outflow of resources	—	1,366
Accounts payable	4,100	(6,477)
Due to other funds	(4,261)	41,947
Due to other governments	—	14
Contracts and notes payable	—	—
Interest payable	(1,400)	—
Revenues received in advance	—	48,637
Other current liabilities	(1,731)	(913)
Benefits payable	—	—
Compensated absences payable	—	(8,281)
Other noncurrent liabilities	—	4,761
Deferred inflow of resources	—	(2,065)
Total adjustments	<u>450,044</u>	<u>132,746</u>
Net cash provided by (used in) operating activities	<u>\$ 441,766</u>	<u>\$ 136,267</u>
Noncash investing, capital, and financing activities		
Miscellaneous noncash activities transactions	\$ 5.072	\$ —

<u>Service Revolving</u>	<u>Prison Industries</u>	<u>Financial Information Systems</u>	<u>Technology Services Revolving</u>	<u>Water Resources Revolving</u>	<u>Other Internal Service Programs</u>	<u>Total</u>
\$ 74,584	\$ 12,959	\$ (1,560)	\$ (32,026)	\$ (7,593)	\$ 183,062	\$ 224,669
19,992	10,280	299	18,212	4,483	1,676	54,942
—	—	—	—	—	—	(87,443)
—	—	—	—	—	—	47
—	(97)	—	—	—	(8)	13,019
3,793	(3,285)	—	1,628	925	17,066	19,185
(14,903)	(3,369)	—	18,328	3,663	62,948	96,511
161	(54)	—	(1,385)	(15)	(5,321)	(6,614)
166	734	8	121	(1,460)	(415)	29,600
753	171	—	—	507	(544)	887
—	—	—	—	—	—	522,017
14,485	967	—	2,137	—	15,598	34,553
64,801	(3,974)	(47)	19,858	(11,012)	(42,819)	24,430
(6,704)	(130)	(2,460)	2,639	(1,208)	(159,176)	(129,353)
(586)	—	—	—	37	(499)	(1,034)
(2,769)	—	—	1,891	6,771	—	5,893
—	—	—	—	—	—	(1,400)
(56,471)	(3,235)	—	—	(437)	(16,879)	(28,385)
(142)	10,695	—	—	(1)	(38)	7,870
—	—	—	—	—	(2)	(2)
63,898	3,344	—	21,509	—	(15,716)	64,754
(58,645)	9,396	—	6,505	4,644	(85,658)	(118,997)
(31,036)	(3,707)	—	(8,356)	—	(30,222)	(75,386)
<u>(3,207)</u>	<u>17,736</u>	<u>(2,200)</u>	<u>83,087</u>	<u>6,897</u>	<u>(260,009)</u>	<u>425,094</u>
<u>\$ 71,377</u>	<u>\$ 30,695</u>	<u>\$ (3,760)</u>	<u>\$ 51,061</u>	<u>\$ (696)</u>	<u>\$ (76,947)</u>	<u>\$ 649,763</u>
						(concluded)
\$ —	\$ 64	\$ —	\$ —	\$ —	\$ —	\$ 5,136

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Nonmajor Enterprise Funds

Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises, in which the costs of providing goods or services to the general public on a continuing basis are intended to be financed or recovered primarily through user charges. Following are brief descriptions of nonmajor enterprise funds.

The **State Water Pollution Control Revolving Fund** accounts for loans to finance the construction of publicly owned water pollution control facilities.

The **Safe Drinking Water State Revolving Fund** accounts for loans to finance the construction of publicly owned water systems for drinking water infrastructure projects.

The **Housing Loan Fund** accounts for financing and contracts for the sale of properties to eligible California veterans.

Other enterprise program funds account for all other goods or services provided to the general public on a continuing basis when all or most of the cost involved is to be financed by user charges, or when periodic measurement of the results of operations is appropriate for management control, accountability, capital maintenance, public policy, or other purposes.

Combining Statement of Net Position

Nonmajor Enterprise Funds

June 30, 2021

(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving
ASSETS		
Current assets:		
Cash and pooled investments	\$ 628,738	\$ 160,208
Restricted assets:		
Cash and pooled investments	238,357	39,563
Due from other governments	173,930	7,773
Receivables (net)	—	6,015
Due from other funds	608	19,161
Due from other governments	107,540	58,403
Prepaid items	—	—
Inventories	—	—
Total current assets	<u>1,149,173</u>	<u>291,123</u>
Noncurrent assets:		
Restricted assets:		
Loans receivable	1,829,935	104,754
Investments	—	—
Interfund receivables	3,584	—
Loans receivable	2,696,273	1,751,504
Capital assets:		
Land	—	—
Buildings and other depreciable property	—	—
Intangible assets – amortizable	—	—
Less: accumulated depreciation/amortization	—	—
Construction/development in progress	—	—
Other noncurrent assets	—	—
Total noncurrent assets	<u>4,529,792</u>	<u>1,856,258</u>
Total assets	<u>5,678,965</u>	<u>2,147,381</u>
DEFERRED OUTFLOWS OF RESOURCES		
Total assets and deferred outflows of resources	<u>\$ 5,678,965</u>	<u>\$ 2,147,381</u>

Housing Loan	Other Enterprise Programs	Total
\$ 228,974	\$ 243,494	\$ 1,261,414
—	—	277,920
—	—	181,703
34,652	1,079	41,746
—	2,599	22,368
—	314	166,257
—	21	21
—	4,733	4,733
263,626	252,240	1,956,162
—	—	1,934,689
20,108	—	20,108
—	17,962	21,546
862,433	66,561	5,376,771
444	829	1,273
16,260	9,882	26,142
—	1,771	1,771
(16,260)	(6,630)	(22,890)
—	106	106
5,507	—	5,507
888,492	90,481	7,365,023
1,152,118	342,721	9,321,185
3,267	9,616	12,883
\$ 1,155,385	\$ 352,337	\$ 9,334,068

(continued)

Combining Statement of Net Position (continued)

Nonmajor Enterprise Funds

June 30, 2021

(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving
LIABILITIES		
Current liabilities:		
Accounts payable	\$ —	\$ —
Due to other funds	—	19,253
Due to other governments	—	—
Revenues received in advance	1	—
Interest payable	13,434	943
Current portion of long-term obligations	107,367	7,630
Other current liabilities	—	—
Total current liabilities	120,802	27,826
Noncurrent liabilities:		
Interfund payables	—	—
Compensated absences payable	—	—
Workers' compensation benefits payable	—	—
General obligation bonds payable	—	—
Revenue bonds payable	1,118,142	80,107
Net other postemployment benefits liability	—	—
Net pension liability	—	—
Other noncurrent liabilities	—	—
Total noncurrent liabilities	1,118,142	80,107
Total liabilities	1,238,944	107,933
DEFERRED INFLOWS OF RESOURCES	—	—
Total liabilities and deferred inflows of resources	1,238,944	107,933
NET POSITION		
Net investment in capital assets	—	—
Restricted – expendable:		
Debt service	238,357	—
Security for revenue bonds	2,003,865	—
Other purposes	—	2,039,448
Total expendable	2,242,222	2,039,448
Unrestricted	2,197,799	—
Total net position	4,440,021	2,039,448
Total liabilities, deferred inflows of resources, and net position	\$ 5,678,965	\$ 2,147,381

Housing Loan	Other Enterprise Programs	Total
\$ 318	\$ 9,159	\$ 9,477
676	1,493	21,422
(8)	240	232
—	57	58
15,374	—	29,751
175,705	11,813	302,515
—	—	—
192,065	22,762	363,455
1,134	21,720	22,854
—	17,860	17,860
—	4,477	4,477
550,804	—	550,804
265,458	—	1,463,707
9,168	31,305	40,473
13,408	25,194	38,602
1,647	9,972	11,619
841,619	110,528	2,150,396
1,033,684	133,290	2,513,851
16,163	4,728	20,891
1,049,847	138,018	2,534,742
444	2,619	3,063
—	—	238,357
—	—	2,003,865
105,094	162,204	2,306,746
105,094	162,204	4,548,968
—	49,496	2,247,295
105,538	214,319	6,799,326
\$ 1,155,385	\$ 352,337	\$ 9,334,068

(concluded)

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

Nonmajor Enterprise Funds

Year Ended June 30, 2021

(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving
OPERATING REVENUES		
Services and sales	\$ 7,129	\$ —
Investment and interest	62,669	25,340
Other	—	—
Total operating revenues	69,798	25,340
OPERATING EXPENSES		
Personal services	—	13,179
Supplies	—	—
Services and charges	7,956	—
Depreciation	—	—
Interest expense	—	—
Other	355	8,639
Total operating expenses	8,311	21,818
Operating income (loss)	61,487	3,522
NONOPERATING REVENUES (EXPENSES)		
Donations and grants	520	59,957
Investment and interest income	3,992	1,117
Interest expense and fiscal charges	(33,155)	(1,752)
Other	—	—
Total nonoperating revenues (expenses)	(28,643)	59,322
Income (loss) before capital contributions and transfers	32,844	62,844
Transfers in	—	—
Transfers out	—	—
Change in net position	32,844	62,844
Total net position – beginning	4,407,177	1,976,604
Total net position – ending	\$ 4,440,021	\$ 2,039,448

* Restated

Housing Loan	Other Enterprise Programs	Total
\$ 1,538	\$ 106,336	\$ 115,003
47,694	251	135,954
2,721	317	3,038
51,953	106,904	253,995
5,400	41,108	59,687
—	54,939	54,939
14,635	32,691	55,282
—	1,589	1,589
34,469	—	34,469
—	—	8,994
54,504	130,327	214,960
(2,551)	(23,423)	39,035
—	—	60,477
—	1,025	6,134
—	(3)	(34,910)
(36)	—	(36)
(36)	1,022	31,665
(2,587)	(22,401)	70,700
—	2	2
—	—	—
(2,587)	(22,399)	70,702
108,125	236,718 *	6,728,624
\$ 105,538	\$ 214,319	\$ 6,799,326

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

Year Ended June 30, 2021

(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers/employers	\$ 56,443	\$ 25,711
Receipts from interfund services provided	523	—
Payments to suppliers	(8,311)	(10,630)
Payments to employees	—	—
Payments for interfund services used	—	—
Other receipts (payments)	71,879	(90,012)
Net cash provided by (used in) operating activities	120,534	(74,931)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Changes in interfund receivables and loans receivable	1,628	—
Changes in interfund payables and loans payable	—	—
Proceeds from general obligation bonds	—	—
Retirement of general obligation bonds	—	—
Proceeds from revenue bonds	—	—
Retirement of revenue bonds	(82,615)	(5,410)
Interest paid	(55,908)	(3,892)
Transfers in	—	—
Grants received	3,624	53,013
Net cash provided by (used in) noncapital financing activities	(133,271)	43,711
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	—	—
Proceeds from sale of capital assets	—	—
Net cash provided by (used in) capital and related financing activities	—	—
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	—	—
Proceeds from maturity and sale of investments	—	—
Earnings on investments	5,970	1,669
Net cash provided by (used in) investing activities	5,970	1,669
Net increase (decrease) in cash and pooled investments	(6,767)	(29,551)
Cash and pooled investments – beginning	873,862	229,322
Cash and pooled investments – ending	\$ 867,095	\$ 199,771

Housing Loan	Other Enterprise Programs	Total
\$ 351,296	\$ 108,571	\$ 542,021
—	2,224	2,747
(14,941)	(72,577)	(106,459)
(5,400)	(28,639)	(34,039)
(1,131)	(437)	(1,568)
(186,498)	(16,762)	(221,393)
143,326	(7,620)	181,309
—	(11,119)	(9,491)
1,134	500	1,634
99,997	—	99,997
(280,155)	—	(280,155)
99,999	—	99,999
(79,140)	—	(167,165)
—	(3)	(59,803)
—	2	2
—	—	56,637
(158,165)	(10,620)	(258,345)
—	(163)	(163)
—	93	93
—	(70)	(70)
(2,600)	—	(2,600)
2,516	—	2,516
—	1,025	8,664
(84)	1,025	8,580
(14,923)	(17,285)	(68,526)
243,897	260,779	1,607,860
\$ 228,974	\$ 243,494	\$ 1,539,334

(continued)

Combining Statement of Cash Flows (continued)

Nonmajor Enterprise Funds

Year Ended June 30, 2021

(amounts in thousands)

	<u>State Water Pollution Control Revolving</u>	<u>Safe Drinking Water State Revolving</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss).....	\$ 61,487	\$ 3,522
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	—	—
Provisions and allowances	—	—
Amortization of premiums and discounts	—	—
Other	(16,107)	—
Change in account balances:		
Receivables	—	—
Due from other funds	523	—
Due from other governments	554	371
Prepaid items	—	—
Inventories	—	—
Other current assets	—	—
Loans receivable	74,077	(90,013)
Deferred outflow of resources	—	—
Accounts payable	—	—
Due to other funds	—	11,189
Due to other governments	—	—
Interest payable	—	—
Revenues received in advance	—	—
Other current liabilities	—	—
Benefits payable	—	—
Compensated absences payable	—	—
Other noncurrent liabilities	—	—
Deferred inflows of resources	—	—
Total adjustments	<u>59,047</u>	<u>(78,453)</u>
Net cash provided by (used in) operating activities	<u>\$ 120,534</u>	<u>\$ (74,931)</u>
Noncash investing, capital, and financing activities		
Miscellaneous noncash activities transactions	\$ —	\$ —

<u>Housing Loan</u>	<u>Other Enterprise Programs</u>	<u>Total</u>
\$ (2,551)	\$ (23,423)	\$ 39,035
—	1,589	1,589
44	—	44
(1,277)	—	(1,277)
(369)	—	(16,476)
(131)	(415)	(546)
—	531	1,054
—	178	1,103
—	(1)	(1)
—	267	267
(388)	—	(388)
153,389	3,429	140,882
(3,899)	1,887	(2,012)
(57)	(2,217)	(2,274)
(2,932)	(118)	8,139
—	64	64
524	—	524
—	27	27
—	(176)	(176)
—	2,811	2,811
—	7,186	7,186
(163)	1,459	1,296
1,136	(698)	438
<u>145,877</u>	<u>15,803</u>	<u>142,274</u>
<u>\$ 143,326</u>	<u>\$ (7,620)</u>	<u>\$ 181,309</u>
		(concluded)
\$ 1,596	\$ —	\$ 1,596

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Private Purpose Trust Funds

Private purpose trust funds account for all trust arrangements, other than those properly reported in pension and other employee benefit trust funds or investment trust funds, under which both principal and income benefit individuals, private organizations, or other governments. Following are brief descriptions of private purpose trust funds.

The **Scholarshare Program Trust Fund** accounts for money received from participants to fund their beneficiaries' higher-education expenses at certain postsecondary educational institutions.

The **Unclaimed Property Fund** accounts for unclaimed money and properties held in trust by the State.

Other private purpose trust funds account for other assets held in a trustee capacity when both principal and income benefit individuals, private organizations, or other governments.

Combining Statement of Fiduciary Net Position

Private Purpose Trust Funds

June 30, 2021

(amounts in thousands)

	Scholarshare Program Trust	Unclaimed Property	Other Private Purpose Trust	Total
ASSETS				
Cash and pooled investments	\$ 4,247	\$ 20,830	\$ 26,788	\$ 51,865
Investments, at fair value:				
Equity securities	6,372,049	—	20,499	6,392,548
Debt securities	3,521,779	—	13,425	3,535,204
Real estate	322,281	—	—	322,281
Other	2,313,746	—	111,085	2,424,831
Total investments	12,529,855	—	145,009	12,674,864
Receivables (net)	1,364	6,902	145	8,411
Due from other funds	—	75,843	16	75,859
Other assets	—	307,967	21	307,988
Total assets	12,535,466	411,542	171,979	13,118,987
LIABILITIES				
Accounts payable	7,044	12,228	16,243	35,515
Due to other governments	—	—	6,194	6,194
Revenues received in advance	—	—	16,853	16,853
Deposits	—	307,967	—	307,967
Total liabilities	7,044	320,195	39,290	366,529
NET POSITION				
Restricted for individuals, organizations, or other governments	\$ 12,528,422	\$ 91,347	\$ 132,689	\$ 12,752,458

Combining Statement of Changes in Fiduciary Net Position

Private Purpose Trust Funds

Year Ended June 30, 2021

(amounts in thousands)

	Scholarshare Program Trust	Unclaimed Property	Other Private Purpose Trust	Total
ADDITIONS				
Investment income:				
Net appreciation (depreciation) in fair value of investments	\$ —	\$ —	\$ 6,754	\$ 6,754
Interest, dividends, and other investment income	2,148,122	—	504	2,148,626
Less: investment expense	(2,819)	—	(131)	(2,950)
Net investment income	2,145,303	—	7,127	2,152,430
Receipts from depositors	2,089,276	948,563	122,002	3,159,841
Total additions	4,234,579	948,563	129,129	5,312,271
DEDUCTIONS				
Administrative expenses	—	—	106	106
Payments to and for depositors	1,697,426	942,923	25,651	2,666,000
Total deductions	1,697,426	942,923	25,757	2,666,106
Change in net position	2,537,153	5,640	103,372	2,646,165
Net position – beginning	9,991,269	85,707	29,317	10,106,293
Net position – ending	\$ 12,528,422	\$ 91,347	\$ 132,689	\$ 12,752,458

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Fiduciary Funds and Similar Component Units – Pension and Other Employee Benefit Trust Funds

Pension and other employee benefit trust funds account for transactions, assets, liabilities, and net position available for pension and other employee benefits of the two public employees' retirement systems that are fiduciary component units, and for other primary government employee benefit programs. Following are brief descriptions of pension and other employee benefit trust funds.

Defined Benefit Pension Plans are pension plans that provide defined benefit pensions to employees after separation from service:

The **Public Employees' Retirement Fund** is administered by the California Public Employees' Retirement System (CalPERS) and accounts for the employee and employer contributions of the agent and cost-sharing multiple-employer retirement plans that provide pension benefits to employees of the State of California, non-teaching school employees, and employees of California public agencies.

The **State Teachers' Retirement Fund** is administered by the California State Teachers' Retirement System (CalSTRS) and accounts for the employee, employer, and primary government contributions of the cost-sharing multiple-employer retirement plan that provides pension benefits to teachers and certain other employees of the California public school system.

The **Judges' Retirement Fund** is administered by CalPERS and accounts for the employee and employer contributions of the single-employer retirement plan that provides pension benefits to judges of the California Supreme Court, courts of appeal, and superior courts who were appointed or elected prior to November 9, 1994.

The **Judges' Retirement Fund II** is administered by CalPERS and accounts for the employee and employer contributions of the single-employer retirement plan that provides pension benefits to judges of the California Supreme Court, courts of appeal, and superior courts who were appointed or elected on or subsequent to November 9, 1994.

The **Legislators' Retirement Fund** is administered by CalPERS and accounts for the employee and employer contributions of the single-employer retirement plan that provides pension benefits to members of the Legislature serving prior to November 7, 1990, constitutional officers, and legislative statutory officers who elect to participate in the plan.

(continued)

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The **Defined Benefit Other Postemployment Benefits (OPEB) Plan** provides defined benefit OPEB, other than pensions, to employees after separation from service:

The **Annuitants' Health Care Coverage Fund** is administered by CalPERS as the California Employers' Retiree Benefit Trust Fund (CERBTF), an agent multiple-employer plan for employers to prefund health, dental, and other nonpension postemployment benefits for state and local government annuitants, and to pay related administrative costs.

The **Deferred Compensation Fund** accounts for monies withheld from the salaries of participants per Internal Revenue Code sections 401(k), 457, and 403(b). The monies are invested until the employee retires or resigns, at which time all money withdrawn, including investment income, is subject to income taxes.

Other pension and other employee benefit trust funds account for funds contributed to smaller retirement plans and programs that are not defined benefit pension plans including the Teachers' Health Benefits Fund, Supplemental Contributions Program Fund, Boxers' Pension Fund, and Flexelect Benefit Fund.

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Combining Statement of Fiduciary Net Position

Fiduciary Funds and Similar Component Units – Pension and Other Employee Benefit Trust Funds

June 30, 2021

(amounts in thousands)

	Public Employees’ Retirement	State Teachers’ Retirement	Defined Benefit Judges’ Retirement
ASSETS			
Cash and pooled investments	\$ 3,464,475	\$ 174,750	\$ 5,019
Investments, at fair value:			
Short-term	21,919,776	15,113,783	63,531
Equity securities	238,939,352	148,575,845	—
Debt securities	129,929,381	43,420,038	—
Real estate	47,207,101	39,025,390	—
Securities lending collateral	3,350,881	23,905,401	—
Other	44,830,728	69,188,168	—
Total investments	486,177,219	339,228,625	63,531
Receivables (net)	3,817,380	7,447,412	1,879
Due from other funds	747,157	—	14
Loans receivable	—	3,694,436	—
Other assets	259,711	474,571	—
Total assets	494,465,942	351,019,794	70,443
DEFERRED OUTFLOWS OF RESOURCES	109,917	43,445	457
Total assets and deferred outflows of resources	494,575,859	351,063,239	70,900
LIABILITIES			
Accounts payable	8,174	9,703,697	187
Due to other governments	—	3	—
Benefits payable	2,314,516	1,707,677	—
Securities lending obligations	3,351,059	23,782,637	—
Loans payable	—	3,702,696	—
Other liabilities	11,500,705	1,576,403	8,712
Total liabilities	17,174,454	40,473,113	8,899
DEFERRED INFLOWS OF RESOURCES	78,656	296,673	361
Total liabilities and deferred inflows of resources	17,253,110	40,769,786	9,260
NET POSITION			
Restricted:			
Pension and other postemployment benefits	477,322,749	310,293,453	61,640
Deferred compensation participants	—	—	—
Individuals, organizations, or other governments	—	—	—
Total net position	\$ 477,322,749	\$ 310,293,453	\$ 61,640

Pension Plans		Defined Benefit OPEB Plan		Other Pension and Other Employee Benefit Trust		Total
Judges' Retirement II	Legislators' Retirement	Annuitants' Health Care Coverage	Deferred Compensation			
\$ 2,430	\$ 1,887	\$ 26,863	\$ 17,694	\$ 12,495	\$	3,705,613
157	11	44,864	2,889,755	23,899		40,055,776
1,530,490	44,149	10,450,927	14,440,552	91,479		414,072,794
864,106	78,054	5,162,461	2,569,640	73,503		182,097,183
—	—	—	—	—		86,232,491
—	—	—	—	—		27,256,282
—	—	—	4,299,503	—		118,318,399
2,394,753	122,214	15,658,252	24,199,450	188,881		868,032,925
7,274	56	53,459	32,527	3,483		11,363,470
5	—	9	16	11		747,212
—	—	—	6,895	—		3,701,331
—	—	—	—	—		734,282
2,404,462	124,157	15,738,583	24,256,582	204,870		888,284,833
580	166	913	678	153		156,309
2,405,042	124,323	15,739,496	24,257,260	205,023		888,441,142
219	54	726	3,221	3,602		9,719,880
—	—	—	—	—		3
—	567	89,276	1,314	647		4,113,997
—	—	—	—	—		27,133,696
—	—	—	—	5		3,702,701
6,390	1,562	10,098	13,937	3,066		13,120,873
6,609	2,183	100,100	18,472	7,320		57,791,150
404	92	839	2,225	1,083		380,333
7,013	2,275	100,939	20,697	8,403		58,171,483
2,398,029	122,048	15,638,557	—	188,852		806,025,328
—	—	—	24,236,563	—		24,236,563
—	—	—	—	7,768		7,768
\$ 2,398,029	\$ 122,048	\$ 15,638,557	\$ 24,236,563	\$ 196,620	\$	830,269,659

Combining Statement of Changes in Fiduciary Net Position

Fiduciary Funds and Similar Component Units – Pension and Other Employee Benefit Trust Funds

Year Ended June 30, 2021

(amounts in thousands)

	Defined Benefit		
	Public Employees' Retirement	State Teachers' Retirement	Judges' Retirement
ADDITIONS			
Contributions:			
Employer.....	\$ 20,034,757	\$ 5,758,216	\$ 225,824
Plan member.....	4,757,000	3,742,508	2,146
Non-employer.....	—	3,730,902	—
Total contributions.....	24,791,757	13,231,626	227,970
Investment income:			
Net appreciation (depreciation) in fair value of investments.....	81,440,759	62,010,642	—
Interest, dividends, and other investment income.....	7,751,240	5,511,210	170
Less: investment expense.....	(1,026,334)	(483,232)	(7)
Net investment income (loss).....	88,165,665	67,038,620	163
Other.....	7,655	90,454	2,462
Total additions	112,965,077	80,360,700	230,595
DEDUCTIONS			
Distributions to beneficiaries.....	27,415,194	16,606,579	210,951
Refunds of contributions.....	287,556	101,549	—
Administrative expense.....	392,119	253,259	1,731
Interest expense.....	—	89,604	—
Payments to and for depositors.....	—	—	—
Total deductions	28,094,869	17,050,991	212,682
Change in net position.....	84,870,208	63,309,709	17,913
Net position – beginning	392,452,541	246,983,744	43,727
Net position – ending	\$ 477,322,749	\$ 310,293,453	\$ 61,640

* Restated

Pension Plans		Defined Benefit OPEB Plan		Other Pension and Other Employee Benefit Trust		Total
Judges' Retirement II	Legislators' Retirement	Annuitants' Health Care Coverage	Deferred Compensation			
\$ 84,147	\$ 92	\$ 4,079,904	\$ 1,283	\$ 72,752	\$	\$ 30,256,975
34,094	21	—	992,162	40,688		9,568,619
—	—	—	—	—		3,730,902
<u>118,241</u>	<u>113</u>	<u>4,079,904</u>	<u>993,445</u>	<u>113,440</u>		<u>43,556,496</u>
464,056	15,133	3,097,145	5,171,437	25,741		152,224,913
247	13	96	29,161	23		13,292,160
(825)	(48)	(5,430)	(683)	(50)		(1,516,609)
<u>463,478</u>	<u>15,098</u>	<u>3,091,811</u>	<u>5,199,915</u>	<u>25,714</u>		<u>164,000,464</u>
—	—	11,704	21,912	140		134,327
<u>581,719</u>	<u>15,211</u>	<u>7,183,419</u>	<u>6,215,272</u>	<u>139,294</u>		<u>207,691,287</u>
61,613	6,761	3,242,939	82,895	68,729		47,695,661
381	—	—	6,613	—		396,099
1,703	450	4,544	273,291	1,068		928,165
—	—	—	—	—		89,604
—	—	1,318	373,653	7,191		382,162
<u>63,697</u>	<u>7,211</u>	<u>3,248,801</u>	<u>736,452</u>	<u>76,988</u>		<u>49,491,691</u>
518,022	8,000	3,934,618	5,478,820	62,306		158,199,596
<u>1,880,007</u>	<u>114,048</u>	<u>11,703,939</u>	<u>18,757,743</u>	<u>134,314</u>	*	<u>672,070,063</u>
<u>\$ 2,398,029</u>	<u>\$ 122,048</u>	<u>\$ 15,638,557</u>	<u>\$ 24,236,563</u>	<u>\$ 196,620</u>		<u>\$ 830,269,659</u>

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Nonmajor Component Units

Nonmajor component units are legally separate entities that are discretely presented in the State's financial statements in accordance with Generally Accepted Accounting Principles (GAAP). The inclusion of component units in the State's financial statements reflects the State's financial accountability for or relationships with these organizations such that exclusion would cause the State's financial statements to be misleading. Following are brief descriptions of the nonmajor consolidated component unit segments.

Financing authorities provide financing for transportation, business development and public improvements, and coastal and inland urban waterfront restoration projects. These agencies include the California Alternative Energy and Advanced Transportation Financing Authority, the California Infrastructure and Economic Development Bank, and the California Urban Waterfront Area Restoration Financing Authority.

California State University Auxiliary Organizations provide services primarily to university students through foundations, associated student organizations, student unions, food service entities, book stores, and similar organizations.

District agricultural associations were created to exhibit all of the industries, industrial enterprises, resources, and products of the State. The financial information presented is as of and for the year ended December 31, 2020.

Other component units provide legal education programs, financial assistance to businesses, and health benefits for state employees and annuitants. These entities include the University of California Hastings College of the Law; the State Assistance Fund for Enterprise, Business and Industrial Development Corporation; and the Public Employees' Contingency Reserve.

Combining Statement of Net Position

Nonmajor Component Units

June 30, 2021

(amounts in thousands)

	Financing Authorities	California State University Auxiliary Organizations
ASSETS		
Current assets:		
Cash and pooled investments	\$ 8,120	\$ 667,654
Investments	—	726,620
Restricted assets:		
Cash and pooled investments	290,968	—
Investments	30,641	—
Receivables (net)	25,634	423,985
Prepaid items	—	—
Other current assets	—	32,503
Total current assets	<u>355,363</u>	<u>1,850,762</u>
Noncurrent assets:		
Restricted assets:		
Cash and pooled investments	—	66,630
Investments	141,161	—
Investments	—	2,847,294
Receivables (net)	—	327,476
Loans receivable	411,023	—
Long-term prepaid charges	—	—
Capital assets:		
Land	—	144,045
Collections – nondepreciable	—	12,230
Buildings and other depreciable property	9	1,331,319
Intangible assets – amortizable	—	7,475
Less: accumulated depreciation/amortization	(9)	(699,362)
Construction/development in progress	—	27,472
Intangible assets – nonamortizable	—	5,098
Other noncurrent assets	—	63,040
Total noncurrent assets	<u>552,184</u>	<u>4,132,717</u>
Total assets	<u>907,547</u>	<u>5,983,479</u>
DEFERRED OUTFLOWS OF RESOURCES	18,550	42,022
Total assets and deferred outflows of resources	<u>\$ 926,097</u>	<u>\$ 6,025,501</u>

District Agricultural Associations	Other Component Units	Total
\$ 79,501	\$ 735,291	\$ 1,490,566
—	—	726,620
20,604	1,425	312,997
12	—	30,653
12,783	32,725	495,127
629	1,548	2,177
2,802	—	35,305
<u>116,331</u>	<u>770,989</u>	<u>3,093,445</u>
—	—	66,630
3,297	—	144,458
—	415,556	3,262,850
—	1,665	329,141
—	41	411,064
—	119	119
22,246	5,089	171,380
—	421	12,651
798,448	191,668	2,321,444
—	1,483	8,958
(542,327)	(49,247)	(1,290,945)
38,424	53,198	119,094
—	116	5,214
—	14,398	77,438
<u>320,088</u>	<u>634,507</u>	<u>5,639,496</u>
<u>436,419</u>	<u>1,405,496</u>	<u>8,732,941</u>
31,211	24,394	116,177
<u>\$ 467,630</u>	<u>\$ 1,429,890</u>	<u>\$ 8,849,118</u>

(continued)

Combining Statement of Net Position (continued)

Nonmajor Component Units

June 30, 2021

(amounts in thousands)

	Financing Authorities	California State University Auxiliary Organizations
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 3,329	\$ 108,051
Revenues received in advance	1,024	103,446
Deposits	—	—
Contracts and notes payable	—	11,480
Interest payable	1,293	—
Current portion of long-term obligations	19,526	131,454
Other current liabilities	48,827	105,118
Total current liabilities	73,999	459,549
Noncurrent liabilities:		
Compensated absences payable	675	7,028
Workers' compensation benefits payable	—	10,902
Loans payable	558	—
Commercial paper and other borrowings	—	710
Capital lease obligations	—	226,136
Revenue bonds payable	304,885	50,143
Net other postemployment benefits liability	10,947	98,367
Net pension liability	9,177	99,948
Revenues received in advance	—	—
Other noncurrent liabilities	4,776	539,607
Total noncurrent liabilities	331,018	1,032,841
Total liabilities	405,017	1,492,390
DEFERRED INFLOWS OF RESOURCES	2,385	81,232
Total liabilities and deferred inflows of resources	407,402	1,573,622
NET POSITION		
Net investment in capital assets	—	303,403
Restricted:		
Nonexpendable – endowments	—	1,667,753
Expendable:		
Endowments and gifts	—	—
Education	—	1,473,417
Statute	519,143	—
Other purposes	47	—
Total expendable	519,190	1,473,417
Unrestricted	(495)	1,007,306
Total net position	518,695	4,451,879
Total liabilities, deferred inflows of resources, and net position	\$ 926,097	\$ 6,025,501

District Agricultural Associations	Other Component Units	Total
\$ 11,747	\$ 768,079	\$ 891,206
7,553	1,277	113,300
6,837	278	7,115
—	—	11,480
479	—	1,772
2,652	4,065	157,697
1,620	3,744	159,309
<u>30,888</u>	<u>777,443</u>	<u>1,341,879</u>
6,640	—	14,343
66	—	10,968
11,383	—	11,941
—	—	710
—	—	226,136
39,051	434,460	828,539
27,855	79,630	216,799
113,035	47,381	269,541
7,703	—	7,703
35,798	11,645	591,826
<u>241,531</u>	<u>573,116</u>	<u>2,178,506</u>
272,419	1,350,559	3,520,385
15,289	48,085	146,991
<u>287,708</u>	<u>1,398,644</u>	<u>3,667,376</u>
238,464	77,270	619,137
—	28,805	1,696,558
—	21,184	21,184
—	(1,847)	1,471,570
—	—	519,143
18,500	—	18,547
<u>18,500</u>	<u>19,337</u>	<u>2,030,444</u>
<u>(77,042)</u>	<u>(94,166)</u>	<u>835,603</u>
179,922	31,246	5,181,742
<u>\$ 467,630</u>	<u>\$ 1,429,890</u>	<u>\$ 8,849,118</u>

(concluded)

Combining Statement of Activities

Nonmajor Component Units

Year Ended June 30, 2021

(amounts in thousands)

	Financing Authorities	California State University Auxiliary Organizations
OPERATING EXPENSES		
Personal services	\$ 11,618	\$ 350,963
Scholarships and fellowships	—	83,609
Supplies	—	—
Services and charges	4,629	995,829
Depreciation	1	56,800
Interest expense and fiscal charges	5,901	23,971
Other	—	92,048
Total operating expenses	22,149	1,603,220
PROGRAM REVENUES		
Charges for services	3,349	253,036
Operating grants and contributions	88,361	712,983
Capital grants and contributions	—	23,185
Total program revenues	91,710	989,204
Net revenues (expenses)	69,561	(614,016)
GENERAL REVENUES		
Investment and interest income	14,826	623,256
Other	3,179	854,164
Total general revenues	18,005	1,477,420
Change in net position	87,566	863,404
Net position – beginning	431,129	3,588,475 *
Net position – ending	\$ 518,695	\$ 4,451,879

* Restated

District Agricultural Associations	Other Component Units	Total
\$ 110,943	\$ 38,975	\$ 512,499
—	6,264	89,873
—	19,858	19,858
23,158	29,250	1,052,866
20,343	4,140	81,284
1,708	16,316	47,896
432	8,436	100,916
156,584	123,239	1,905,192
91,553	56,634	404,572
—	23,699	825,043
—	894	24,079
91,553	81,227	1,253,694
(65,031)	(42,012)	(651,498)
58	29,950	668,090
16,298	18,837	892,478
16,356	48,787	1,560,568
(48,675)	6,775	909,070
228,597	24,471	4,272,672
\$ 179,922	\$ 31,246	\$ 5,181,742

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Statistical Section

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Financial Trends

Financial trend schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time. This section includes the following financial trend schedules.

Schedule of Net Position by Component

Schedule of Changes in Net Position

Schedule of Fund Balances – Governmental Funds

Schedule of Changes in Fund Balances – Governmental Funds

Source: The information in the following schedules is derived from the State's Annual Comprehensive Financial Reports.

Schedule of Net Position by Component

For the Past Ten Fiscal Years

(accrual basis of accounting, amounts in thousands)

	2012	2013	2014 ²	2015 ³
Governmental activities				
Net investment in capital assets	\$ 80,768,527	\$ 84,931,030	\$ 94,001,659	\$ 100,694,652
Restricted – Expendable	24,871,510	24,315,913	24,950,740	26,632,502
Unrestricted ¹	(123,897,753)	(117,383,903)	(116,948,128)	(169,744,967)
Total governmental activities net position (deficit)	<u>\$ (18,257,716)</u>	<u>\$ (8,136,960)</u>	<u>\$ 2,004,271</u>	<u>\$ (42,417,813)</u>
Business-type activities				
Net investment in capital assets	\$ 1,561,258	\$ 1,718,648	\$ 2,065,550	\$ 2,278,252
Restricted – Nonexpendable	21,584	20,627	16,219	13,448
Restricted – Expendable	4,571,036	5,151,915	4,897,314	4,523,496
Unrestricted	(3,346,849)	(2,824,738)	(1,661,692)	(5,360,817)
Total business-type activities net position (deficit)	<u>\$ 2,807,029</u>	<u>\$ 4,066,452</u>	<u>\$ 5,317,391</u>	<u>\$ 1,454,379</u>
Primary government				
Net investment in capital assets	\$ 82,329,785	\$ 86,649,678	\$ 96,067,209	\$ 102,972,904
Restricted – Nonexpendable	21,584	20,627	16,219	13,448
Restricted – Expendable	29,442,546	29,467,828	29,848,054	31,155,998
Unrestricted	(127,244,602)	(120,208,641)	(118,609,820)	(175,105,784)
Total primary government net position (deficit)	<u>\$ (15,450,687)</u>	<u>\$ (4,070,508)</u>	<u>\$ 7,321,662</u>	<u>\$ (40,963,434)</u>

¹ Governmental activities' unrestricted net position reflects a negative balance because of outstanding bonded debt issued to build capital assets for school districts and other local governmental entities and unfunded employee-related obligations—net pension liability, net other postemployment benefits (OPEB) liability and compensated absences.

² In fiscal year 2014, the net position of governmental activities and business-type activities changed primarily as a result of the reclassification of the \$380 million beginning net position of the Public Buildings Construction Fund from an enterprise fund to an internal service fund.

³ In fiscal year 2015, the net position of governmental activities and business-type activities significantly decreased as a result of implementing GASB Statements No. 68 and No. 71 requiring the recognition of net pension liability and related pension expense and deferred outflows and inflows of resources.

⁴ In fiscal year 2018, the net position of governmental activities and business-type activities significantly decreased as a result of implementing GASB Statement No. 75 requiring the recognition of net OPEB liability and related OPEB expense and deferred outflows and inflows of resources.

<u>2016</u>	<u>2017</u>	<u>2018⁴</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$ 104,596,917	\$ 107,042,274	\$ 109,614,321	\$ 112,279,950	\$ 116,773,259	\$ 120,745,220
29,060,971	33,832,232	35,053,202	41,371,805	46,670,678	46,362,528
(168,542,861)	(169,499,683)	(213,316,033)	(208,377,265)	(207,968,523)	(174,427,918)
<u>\$ (34,884,973)</u>	<u>\$ (28,625,177)</u>	<u>\$ (68,648,510)</u>	<u>\$ (54,725,510)</u>	<u>\$ (44,524,586)</u>	<u>\$ (7,320,170)</u>
\$ 2,520,621	\$ 2,295,270	\$ 2,469,723	\$ 2,534,257	\$ 2,907,066	\$ 2,677,917
8,653	1,746	1,708	1,693	1,677	1,663
5,750,634	6,307,218	12,083,737	12,945,567	7,722,116	7,651,874
(3,707,406)	(1,321,132)	(16,464,573)	(16,718,860)	(20,948,611)	(52,668,204)
<u>\$ 4,572,502</u>	<u>\$ 7,283,102</u>	<u>\$ (1,909,405)</u>	<u>\$ (1,237,343)</u>	<u>\$ (10,317,752)</u>	<u>\$ (42,336,750)</u>
\$ 107,117,538	\$ 109,337,544	\$ 112,084,044	\$ 114,814,207	\$ 119,680,325	\$ 123,423,137
8,653	1,746	1,708	1,693	1,677	1,663
34,811,605	40,139,450	47,136,939	54,317,372	54,392,794	54,014,402
(172,250,267)	(170,820,815)	(229,780,606)	(225,096,125)	(228,917,134)	(227,096,122)
<u>\$ (30,312,471)</u>	<u>\$ (21,342,075)</u>	<u>\$ (70,557,915)</u>	<u>\$ (55,962,853)</u>	<u>\$ (54,842,338)</u>	<u>\$ (49,656,920)</u>

Schedule of Changes in Net Position

For the Past Ten Fiscal Years

(accrual basis of accounting, amounts in thousands)

	2012	2013	2014 ⁴	2015
Governmental activities				
Expenses				
General government	\$ 14,411,737	\$ 15,390,100	\$ 14,292,179	\$ 15,804,281
Education	51,288,647	50,586,387	54,719,677	59,521,018
Health and human services	89,939,730	94,069,749	105,037,102	122,063,805
Natural resources and environmental protection	5,950,635	5,670,922	5,854,685	6,419,591
Business, consumer services, and housing	1,241,269	1,475,486	589,715	903,782
Transportation	13,719,927	12,836,192	13,427,229	12,897,591
Corrections and rehabilitation	10,343,574	10,081,736	11,234,705	11,483,573
Interest on long-term debt	4,365,181	4,349,632	4,699,265	4,880,625
Total expenses	191,260,700	194,460,204	209,854,557	233,974,266
Program revenues				
Charges for services:				
General government	6,841,334	6,196,586	5,994,608	6,502,363
Education	81,212	64,480	67,165	53,498
Health and human services	4,940,650	8,761,781	7,961,897	8,259,696
Natural resources and environmental protection	2,866,232	3,269,315	3,403,524	4,546,413
Business, consumer services, and housing	724,222	682,503	586,055	626,960
Transportation	4,342,668	4,082,616	4,247,258	4,382,901
Corrections and rehabilitation	16,757	45,153	13,645	18,557
Operating grants/contributions	58,777,006	60,943,536	69,861,130	84,896,237
Capital grants/contributions	2,193,189	1,669,021	1,515,890	1,319,430
Total program revenues	80,783,270	85,714,991	93,651,172	110,606,055
Total governmental activities net program expenses	(110,477,430)	(108,745,213)	(116,203,385)	(123,368,211)
General revenues and other changes in net position				
General revenues:				
Personal income taxes	54,368,347	67,502,738	68,793,292	78,098,865
Sales and use taxes	31,216,438	33,839,065	36,477,724	38,224,080
Corporation taxes	8,629,935	7,289,910	9,102,128	10,720,647
Motor vehicle excise taxes ¹	5,263,435	5,219,605	5,777,167	5,393,994
Insurance taxes	2,408,473	2,295,579	3,359,043	3,926,319
Managed care organization enrollment tax ²	—	—	—	—
Other taxes ¹	2,368,748	2,498,248	2,302,231	2,235,498
Investment and interest	72,237	57,285	80,969	58,016
Escheat	372,215	551,580	487,937	400,807
Gain (loss) on early extinguishment of debt ³	—	—	(54,537)	—
Transfers	(2,031,032)	(1,997,759)	(2,296,010)	(2,554,970)
Total general revenues and other changes in net position	102,668,796	117,256,251	124,029,944	136,503,256
Total governmental activities change in net position	\$ (7,808,634)	\$ 8,511,038	\$ 7,826,559	\$ 13,135,045

¹ Motor vehicle excise taxes, reported separately in fiscal year 2012 due to material increases, were included with “other taxes” in prior years.

² In fiscal year 2017, the State restructured its managed care organization enrollment tax to conform to federal Medicaid requirements. This tax revenue was included with “insurance taxes” in prior years.

³ In fiscal year 2014, a component unit assumed debt on behalf of the primary government. In fiscal year 2016, the California State University, an enterprise fund, assumed debt on behalf of the Public Buildings Construction Fund, an internal service fund. In fiscal year 2017, the Golden State Tobacco Securitization Corporation, a nonmajor special revenue fund, recognized a gain from using existing resources to defease a portion of its capital appreciation bonds.

⁴ In fiscal year 2014, the Public Buildings Construction Fund was reclassified from an enterprise fund to an internal service fund.

⁵ In fiscal year 2018, the Safe Drinking Water State Revolving Fund was reclassified from a governmental fund to an enterprise fund.

2016	2017	2018 ⁵	2019	2020	2021
\$ 16,686,037	\$ 17,400,482	\$ 18,378,216	\$ 17,900,629	\$ 23,489,012	\$ 30,604,918
65,467,497	67,377,805	70,280,444	75,643,779	75,803,990	101,569,505
127,543,288	135,090,171	137,828,737	144,936,676	192,576,208	311,925,505
6,988,442	7,342,079	8,304,162	9,774,290	10,110,777	9,923,185
814,676	1,163,511	1,258,104	2,133,480	2,603,823	2,946,561
12,120,820	12,947,296	14,259,461	17,022,071	18,424,746	18,119,697
11,875,294	13,086,499	14,921,295	15,153,502	16,861,994	14,185,645
4,231,581	4,191,283	4,154,485	3,995,597	3,841,351	3,505,827
245,727,635	258,599,126	269,384,904	286,560,024	343,711,901	492,780,843
6,525,736	5,825,533	5,726,900	5,755,165	5,847,276	6,583,975
66,298	74,548	37,147	78,445	49,780	69,727
10,630,859	11,638,503	12,968,379	13,874,296	13,836,881	12,664,071
4,823,861	3,998,751	6,319,879	6,644,917	5,551,029	6,592,526
823,189	844,445	957,885	1,206,126	1,378,181	1,697,687
4,532,300	4,611,244	6,053,140	7,093,122	7,244,317	7,731,094
19,411	17,988	39,887	10,993	14,753	15,776
86,628,827	89,497,290	87,812,627	94,501,862	143,670,642	268,258,265
1,480,351	3,027,780	1,882,595	1,561,483	2,107,963	1,847,263
115,530,832	119,536,082	121,798,439	130,726,409	179,700,822	305,460,384
(130,196,803)	(139,063,044)	(147,586,465)	(155,833,615)	(164,011,079)	(187,320,459)
80,303,076	85,712,013	94,460,551	100,657,551	108,308,455	132,042,516
39,121,061	38,726,332	39,784,494	41,006,121	40,703,239	45,905,984
9,213,173	11,128,198	12,608,756	14,625,724	13,180,402	32,108,028
5,028,589	4,878,953	6,680,858	7,632,365	7,876,545	7,942,519
4,203,885	2,719,489	2,754,056	2,734,068	3,161,634	3,156,992
—	2,282,313	2,397,531	2,562,919	1,031,357	2,318,011
2,158,874	2,574,456	3,573,848	3,790,987	3,789,610	3,827,360
131,615	149,135	297,782	706,637	690,169	140,329
304,960	325,755	378,180	447,401	614,394	640,226
40,516	30,986	—	—	—	—
(2,800,101)	(3,083,437)	(4,339,995)	(3,930,906)	(5,963,068)	(3,851,666)
137,705,648	145,444,193	158,596,061	170,232,867	173,392,737	224,230,299
\$ 7,508,845	\$ 6,381,149	\$ 11,009,596	\$ 14,399,252	\$ 9,381,658	\$ 36,909,840

(continued)

Schedule of Changes in Net Position (continued)

For the Past Ten Fiscal Years

(accrual basis of accounting, amounts in thousands)

	2012	2013	2014	2015
Business-type activities				
Expenses				
Electric Power	\$ 915,000	\$ 488,000	\$ 835,000	\$ 799,000
Water Resources	1,047,574	1,127,195	983,048	1,019,378
Public Buildings Construction ⁴	403,853	410,404	—	—
State Lottery	4,431,709	4,499,451	5,078,935	5,560,299
Unemployment Programs	21,111,658	17,599,219	13,673,403	11,390,227
California State University ³	6,181,397	6,196,541	6,544,936	6,847,789
High Technology Education	7,778	6,568	847	—
State University Dormitory Building Maintenance and Equipment	—	—	—	—
State Water Pollution Control Revolving	8,780	3,698	5,072	9,082
Safe Drinking Water State Revolving ⁵	—	—	—	—
Housing Loan	89,570	70,356	57,206	58,280
Other enterprise programs	78,601	58,578	79,641	77,475
Total expenses	34,275,920	30,460,010	27,258,088	25,761,530
Program revenues				
Charges for services:				
Electric Power	915,000	488,000	835,000	799,000
Water Resources	1,047,574	1,127,195	983,048	1,019,378
Public Buildings Construction ⁴	428,260	616,041	—	—
State Lottery	4,484,291	4,445,921	5,077,976	5,553,418
Unemployment Programs	21,947,781	18,597,962	15,167,258	13,402,902
California State University ³	2,915,123	2,891,432	3,014,030	3,113,988
High Technology Education	8,452	5,585	424	—
State University Dormitory Building Maintenance and Equipment	—	—	—	—
State Water Pollution Control Revolving	57,540	60,173	62,985	65,959
Safe Drinking Water State Revolving ⁵	—	—	—	—
Housing Loan	84,830	66,050	65,247	57,742
Other enterprise programs	74,693	80,540	77,671	78,625
Operating grants/contributions	1,249,995	1,323,345	1,491,559	1,666,292
Capital grants/contributions	106,057	142,304	80,903	107,746
Total program revenues	33,319,596	29,844,548	26,856,101	25,865,050
Total business-type activities net program revenues (expenses)	(956,324)	(615,462)	(401,987)	103,520
Other changes in net position				
Gain (loss) on early extinguishment of debt ²	—	—	(26,913)	—
Transfers	2,031,032	1,997,759	2,296,010	2,554,970
Total business-type activities change in net position	1,074,708	1,382,297	1,867,110	2,658,490
Total primary government change in net position	\$ (6,733,926)	\$ 9,893,335	\$ 9,693,669	\$ 15,793,535

	2016	2017	2018⁵	2019	2020	2021
\$	728,000	\$ 945,000	\$ 952,000	\$ 913,000	\$ 905,115	\$ 290,411
	1,086,650	1,223,340	1,221,866	1,199,823	1,184,458	1,157,325
	—	—	—	—	—	—
	6,315,957	6,271,875	7,006,591	7,435,755	6,665,062	8,452,743
	11,458,966	11,907,623	12,133,531	13,229,332	23,622,023	55,737,215
	7,199,277	8,001,396	9,806,114	9,779,084	10,592,814	10,391,177
	—	—	—	—	—	—
	—	—	—	—	—	—
	11,814	17,112	32,335	49,860	45,288	41,466
	—	—	21,994	19,371	25,007	23,570
	55,627	62,885	57,088	54,402	53,656	54,540
	84,188	75,397	96,078	109,113	148,450	88,903
	26,940,479	28,504,628	31,327,597	32,789,740	43,241,873	76,237,350
	728,000	945,000	952,000	913,000	903,000	406,588
	1,086,650	1,223,340	1,221,866	1,172,134	1,155,001	1,125,002
	—	—	—	—	—	—
	6,367,902	6,213,074	6,975,168	7,473,452	6,735,321	8,395,767
	13,866,028	14,437,094	15,594,045	14,039,030	12,564,665	23,903,289
	3,172,154	3,224,919	3,387,420	3,529,083	3,323,307	3,236,482
	—	—	—	—	—	—
	—	—	—	—	—	—
	70,245	75,912	86,789	95,703	87,110	73,790
	—	—	22,675	25,762	29,717	26,457
	53,617	52,842	52,735	60,002	61,990	51,953
	82,029	93,177	86,911	106,687	105,874	107,929
	1,764,962	1,805,406	2,132,665	2,125,362	2,593,383	3,103,175
	66,914	61,027	—	—	—	—
	27,258,501	28,131,791	30,512,274	29,540,215	27,559,368	40,430,432
	318,022	(372,837)	(815,323)	(3,249,525)	(15,682,505)	(35,806,918)
	—	—	—	—	—	—
	2,800,101	3,083,437	4,339,995	3,930,906	5,963,068	3,851,666
	3,118,123	2,710,600	3,524,672	681,381	(9,719,437)	(31,955,252)
\$	10,626,968	\$ 9,091,749	\$ 14,534,268	\$ 15,080,633	\$ (337,779)	\$ 4,954,588

(concluded)

Schedule of Fund Balances – Governmental Funds

For the Past Ten Fiscal Years

(modified accrual basis of accounting, amounts in thousands)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Fund				
Reserved	\$ —	\$ —	\$ —	\$ —
Unreserved	—	—	—	—
Nonspendable	7,614	140,107	128,609	53,431
Restricted	80,849	178,643	394,246	2,266,635
Committed	19,600	22,879	125,120	102,793
Assigned	—	—	—	—
Unassigned	(23,069,351)	(14,596,085)	(8,092,571)	(4,651,491)
Total General Fund	<u>\$ (22,961,288)</u>	<u>\$ (14,254,456)</u>	<u>\$ (7,444,596)</u>	<u>\$ (2,228,632)</u>
 All other governmental funds				
Reserved	\$ —	\$ —	\$ —	\$ —
Unreserved, reported in:				
Special revenue funds	—	—	—	—
Capital projects funds	—	—	—	—
Nonspendable	—	15,022	27,260	5,620
Restricted	24,790,661	24,137,270	24,269,093	24,224,167
Committed	2,109,089	2,318,035	2,914,747	4,090,563
Assigned	3	209,171	18,857	16,767
Unassigned	(103,177)	(176,066)	(20,145)	(6,456)
Total all other governmental funds	<u>\$ 26,796,576</u>	<u>\$ 26,503,432</u>	<u>\$ 27,209,812</u>	<u>\$ 28,330,661</u>

2016	2017	2018	2019	2020	2021
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
75,939	103,903	559,644	1,180,575	2,129,227	2,878,611
4,044,911	7,429,825	9,807,729	14,834,597	16,709,782	12,928,039
68,102	180,755	171,020	1,787,142	2,965,662	668,351
—	—	—	—	3,080,372	4,938,117
(3,827,224)	(1,904,097)	1,648,511	765,568	3,616,557	52,731,990
\$ 361,728	\$ 5,810,386	\$ 12,186,904	\$ 18,567,882	\$ 28,501,600	\$ 74,145,108

\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
11,188	20,172	69,868	12,760	13,702	10,238
24,885,166	26,233,389	25,051,548	26,329,109	29,796,900	33,282,001
5,652,478	5,847,879	7,897,362	9,994,978	10,066,141	10,160,675
14,622	12,033	26,346	19,247	49,868	45,543
(1,037)	(15,152)	—	—	(2,474,960)	(8,822,239)
\$ 30,562,417	\$ 32,098,321	\$ 33,045,124	\$ 36,356,094	\$ 37,451,651	\$ 34,676,218

Schedule of Changes in Fund Balances - Governmental Funds

For the Past Ten Fiscal Years

(modified accrual basis of accounting, amounts in thousands)

	2012	2013	2014	2015
Revenues				
Personal income taxes	\$ 54,442,733	\$ 67,424,576	\$ 68,771,667	\$ 78,245,616
Sales and use taxes	31,205,183	33,869,961	36,409,311	38,389,972
Corporation taxes	8,609,935	7,261,910	9,242,454	10,780,647
Motor vehicle excise taxes ¹	5,263,435	5,219,605	5,777,167	5,393,994
Insurance taxes	2,408,473	2,295,579	3,359,043	3,926,319
Managed care organization enrollment tax ²	—	—	—	—
Other taxes ¹	2,306,717	2,425,184	2,297,025	2,312,875
Intergovernmental	62,235,671	64,418,808	73,000,600	87,740,667
Licenses and permits	6,600,001	6,659,078	6,957,117	7,270,994
Charges for services	728,980	741,201	769,302	849,895
Fees and penalties	8,315,452	10,673,104	9,757,476	10,510,727
Investment and interest	175,898	135,928	137,754	119,690
Escheat	372,215	551,580	488,945	406,899
Other	2,542,505	3,227,347	2,903,335	3,975,144
Total revenues	185,207,198	204,903,861	219,871,196	249,923,439
Expenditures				
General government	13,484,305	15,748,069	14,778,214	16,202,395
Education	50,362,337	49,692,763	53,309,436	62,952,621
Health and human services	89,473,391	94,621,630	104,781,494	122,259,036
Natural resources and environmental protection	5,358,575	5,318,332	5,508,860	6,006,446
Business, consumer services, and housing	1,219,499	1,259,392	621,037	670,774
Transportation	15,684,611	15,008,671	15,721,532	15,137,217
Corrections and rehabilitation	9,805,846	9,681,086	10,395,234	11,182,926
Capital outlay	1,296,413	1,222,342	1,909,010	1,019,335
Debt service:				
Bond and commercial paper retirement	4,435,992	5,189,150	7,002,941	8,482,380
Interest and fiscal charges	4,453,643	4,363,260	4,321,040	4,473,799
Total expenditures	195,574,612	202,104,695	218,348,798	248,386,929
Excess (deficiency) of revenues over (under) expenditures ..	(10,367,414)	2,799,166	1,522,398	1,536,510
Other financing sources (uses)				
General obligation bonds and commercial paper issued	4,165,515	4,038,095	5,082,305	4,343,165
Revenue bonds issued	—	—	—	—
Refunding/remarketing debt issued	4,300,555	4,634,365	2,077,330	5,086,100
Payment to refund/remarket long-term debt	(4,508,834)	(3,174,613)	(328,024)	(3,865,093)
Premium on bonds issued	667,931	964,211	505,026	1,116,811
Proceeds from loans	—	—	—	—
Capital leases	528,804	710,440	1,486,204	625,282
Transfers in	5,523,644	2,957,762	4,041,250	5,344,134
Transfers out	(7,499,131)	(4,898,754)	(6,304,047)	(7,934,754)
Total other financing sources	3,178,484	5,231,506	6,560,044	4,715,645
Total change in fund balance	\$ (7,188,930)	\$ 8,030,672	\$ 8,082,442	\$ 6,252,155
Debt service as a percentage of noncapital expenditures	4.7 %	4.8 %	5.3 %	5.3 %

¹ Motor vehicle excise taxes, reported separately in fiscal year 2012 due to material increases, were included with “other taxes” in prior years.

² In fiscal year 2017, the State restructured its managed care organization enrollment tax to conform to federal Medicaid requirements. This tax revenue was included with “insurance taxes” in prior years.

2016	2017	2018	2019	2020	2021
\$ 79,934,285	\$ 85,737,905	\$ 94,484,443	\$ 96,801,076	\$ 111,831,167	\$ 132,095,124
39,136,040	38,741,715	39,777,069	41,085,626	40,709,462	45,906,755
9,214,173	11,125,198	12,597,928	14,038,348	13,722,735	32,122,361
5,028,589	4,878,953	6,680,858	7,632,365	7,876,545	7,942,519
4,203,885	2,719,489	2,754,056	2,734,068	3,161,634	3,156,993
—	2,282,313	2,397,531	2,562,919	1,031,357	2,318,011
2,185,690	2,565,928	3,548,182	3,688,531	3,862,045	4,007,125
91,069,753	95,709,784	92,904,469	99,867,750	148,951,650	272,691,880
7,612,551	8,113,542	8,761,620	9,186,945	9,256,454	9,999,107
870,142	860,241	975,314	956,032	972,805	1,025,167
11,882,699	11,571,934	13,548,471	14,187,698	14,322,983	15,062,529
232,285	318,502	607,418	1,321,143	1,328,956	626,478
305,394	327,614	382,793	448,756	615,720	644,248
4,049,789	2,934,157	5,318,739	5,594,587	4,595,386	6,802,576
255,725,275	267,887,275	284,738,891	300,105,844	362,238,899	534,400,873
16,715,892	17,250,720	18,978,389	19,263,146	27,393,107	29,908,484
65,213,542	67,224,796	69,902,627	75,071,188	76,347,719	99,964,095
127,201,314	134,372,094	138,018,275	144,543,589	191,819,998	311,093,756
6,278,363	6,712,838	7,987,878	9,069,777	9,244,813	8,862,649
1,130,213	1,103,694	1,189,365	2,013,409	2,457,248	2,824,462
14,814,829	15,007,639	17,169,040	17,893,338	20,025,848	19,623,756
11,450,980	12,276,391	14,665,524	14,055,766	14,680,705	12,598,851
1,492,442	1,238,700	612,769	287,487	401,066	886,020
6,929,866	9,364,550	8,598,856	10,444,825	10,276,581	9,594,575
4,057,907	3,986,270	3,961,704	3,971,353	3,856,390	3,650,153
255,285,348	268,537,692	281,084,427	296,613,878	356,503,475	499,006,801
439,927	(650,417)	3,654,464	3,491,966	5,735,424	35,394,072
4,074,980	4,325,075	5,283,365	3,626,765	5,085,590	5,051,305
—	—	—	—	500,000	450,000
5,220,320	7,074,225	6,681,855	5,683,865	4,384,895	3,657,445
(4,378,328)	(3,038,281)	(3,726,204)	(411,340)	—	(428,395)
1,037,920	1,309,254	1,036,320	1,003,337	1,217,615	1,218,766
—	—	—	—	—	—
1,148,774	988,680	405,930	50,506	24,082	439,180
4,385,123	4,586,199	4,266,596	4,414,250	5,776,094	6,408,853
(7,130,142)	(7,551,627)	(8,555,594)	(8,298,095)	(11,731,486)	(10,249,393)
4,358,647	7,693,525	5,392,268	6,069,288	5,256,790	6,547,761
\$ 4,798,574	\$ 7,043,108	\$ 9,046,732	\$ 9,561,254	\$ 10,992,214	\$ 41,941,833
4.4 %	5.1 %	4.6 %	5.0 %	4.0 %	2.7 %

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Revenue Capacity

Revenue capacity schedules contain information to help the reader assess the State's capacity to raise revenue and the sources of that revenue. This section includes the following revenue capacity schedules.

Schedule of Revenue Base

Schedule of Revenue Payers by Income Level/Industry

Schedule of Personal Income Tax Rates

Schedule of Revenue Base

For the Past Ten Calendar Years

(amounts in thousands)

	2011	2012	2013	2014
Personal Income by Industry				
(items restated as footnoted) ¹				
Farm earnings	\$ 15,225,224	\$ 17,370,269	\$ 20,065,604	\$ 22,120,102
Forestry, fishing, and other natural resources	6,693,485	7,504,590	7,928,931	8,378,306
Mining	5,251,493	6,041,129	6,522,865	6,770,753
Construction and utilities	62,972,017	67,862,415	75,578,567	81,241,524
Manufacturing	119,852,946	124,666,659	126,302,825	133,278,056
Wholesale trade	56,488,847	59,067,338	61,598,279	65,993,637
Retail trade	72,732,632	77,323,055	79,202,104	82,432,879
Transportation and warehousing	36,376,555	36,376,555	37,949,820	39,849,739
Information, finance, and insurance	135,321,324	144,204,507	157,149,112	160,266,822
Real estate and rental and leasing	47,395,981	55,245,202	52,971,172	50,460,373
Services	442,617,294	480,655,115	486,287,908	522,346,969
Federal, civilian	26,083,443	26,157,961	25,771,225	26,450,856
Military	16,062,725	15,933,633	15,353,761	15,071,057
State and local government	181,063,132	179,834,589	190,303,808	200,322,926
Other ²	466,369,928	501,440,487	483,049,247	531,664,857
Total personal income	\$ 1,690,507,026	\$ 1,799,683,504	\$ 1,826,035,228	\$ 1,946,648,856
Average effective rate ³	5.3 %	5.0 %	6.1 %	5.6 %

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

¹ Prior years were updated based on more current information.

² Other personal income includes dividends, interest, rental income, residence adjustment, government transfers for individuals, and deductions for social insurance.

³ The total direct rate for personal income is not available. The average effective rate equals personal income tax revenue divided by adjusted gross income.

	2015	2016	2017	2018	2019	2020
\$	21,167,800	\$ 18,505,401	\$ 20,128,705	\$ 15,769,512	\$ 15,471,150	\$ 21,484,467
	9,301,786	9,978,077	10,258,145	10,805,749	11,303,417	12,561,256
	5,047,379	3,790,985	3,244,946	3,759,907	3,447,420	2,886,920
	89,577,593	94,793,881	104,090,065	113,283,697	120,119,066	122,773,582
	139,589,740	145,623,798	153,736,632	159,188,215	161,984,322	173,002,033
	70,438,231	70,415,188	73,901,211	71,968,702	72,883,700	73,361,224
	86,320,236	86,358,659	88,764,567	91,574,683	92,940,939	94,726,635
	42,802,161	46,649,498	50,014,894	54,573,656	60,830,516	70,961,853
	174,885,957	191,562,790	207,434,209	219,034,273	230,231,833	248,039,894
	52,970,654	55,433,239	56,804,836	62,278,385	70,531,168	70,971,943
	557,370,039	579,380,039	609,087,352	644,892,737	681,598,357	681,442,515
	27,477,720	28,337,175	29,219,827	30,496,403	31,202,039	33,050,053
	14,953,968	15,213,222	15,097,583	14,091,072	14,419,848	15,330,270
	212,523,491	223,590,331	230,893,310	237,454,744	246,243,502	251,257,036
	584,109,789	611,061,719	625,850,953	655,136,889	681,818,734	850,849,873
	\$ 2,088,536,544	\$ 2,180,694,002	\$ 2,278,527,235	\$ 2,384,308,624	\$ 2,495,026,011	\$ 2,722,699,554
	6.1 %	6.0 %	5.9 %	6.1 %	6.0 %	6.0 %

(continued)

Schedule of Revenue Base (continued)

For the Past Ten Calendar Years

(amounts in thousands)

	2011	2012	2013	2014
Taxable Sales by Industry				
Retail and Food Services:				
Motor vehicle and parts dealers	\$ 53,303,501	\$ 61,547,848	\$ 67,986,436	\$ 73,232,242
Furniture and home furnishings stores	9,280,688	9,937,187	10,645,523	11,408,837
Electronics and appliance stores	14,297,402	14,744,723	14,765,485	15,148,893
Building materials, garden equipment, and supplies	26,064,428	27,438,083	29,680,053	31,299,110
Food and beverage	23,606,132	24,511,714	25,289,203	26,298,414
Health and personal care stores	10,309,491	10,787,801	11,294,049	11,640,870
Gasoline stations	55,210,076	58,006,168	56,860,585	55,733,384
Clothing and clothing accessories stores	29,600,057	32,357,516	34,918,036	36,822,241
Sporting goods, hobby, book, and music stores	10,602,711	10,751,814	11,113,831	11,056,024
General merchandise stores	48,219,018	49,996,451	51,431,094	52,013,855
Miscellaneous store retailers	17,187,402	17,880,765	18,382,224	19,024,905
Nonstore retailers	3,081,188	4,375,432	7,296,839	8,292,788
Food services and drinking places	54,755,944	59,037,320	62,776,360	67,864,614
All other outlets	165,050,017	177,014,427	184,399,899	195,985,698
Total taxable sales	\$ 520,568,055	\$ 558,387,249	\$ 586,839,617	\$ 615,821,875
Direct sales tax rate ¹	6.25 % ²	6.25 %	6.50 % ³	6.50 %

Source: California Department of Tax and Fee Administration (CDTFA)

¹ The direct sales tax rate used is the state tax rate that provides revenue to the State's General Fund. It does not include the local tax rate that is allocated to cities and counties.

² Rate change was effective on July 1, 2011.

³ Rate change was effective on January 1, 2013.

⁴ Rate change was effective on January 1, 2017.

⁵ Prior year was updated based on more current information.

2015	2016	2017	2018	2019⁵	2020
\$ 80,346,595	\$ 84,225,652	\$ 86,983,280	\$ 89,696,669	\$ 88,526,876	\$ 87,847,344
12,169,888	12,790,041	13,035,340	13,578,685	13,427,029	13,626,241
16,349,542	17,120,030	17,170,671	17,520,474	16,999,111	16,926,013
33,601,538	35,238,333	37,504,347	39,469,798	40,313,948	45,966,216
27,134,034	27,678,056	28,799,044	29,697,424	30,216,432	32,042,780
12,364,559	13,163,569	13,669,415	14,384,602	15,160,891	15,622,747
48,203,175	43,273,182	47,434,923	54,302,232	54,141,178	38,345,721
38,438,074	39,698,156	40,206,581	42,233,560	43,130,842	32,500,749
11,341,328	11,441,556	10,900,749	10,467,200	10,407,608	10,110,131
53,119,200	53,032,357	54,684,182	56,416,293	58,066,003	57,003,022
19,852,685	19,617,820	19,719,301	20,503,078	20,952,870	20,863,193
9,531,606	11,717,407	13,599,808	15,663,789	20,276,518	53,383,005
73,889,708	78,494,623	82,355,474	85,226,197	89,403,960	63,665,386
202,290,022	206,365,477	211,760,378	217,675,199	231,733,635	218,853,973
\$ 638,631,954	\$ 653,856,259	\$ 677,823,493	\$ 706,835,200	\$ 732,756,901	\$ 706,756,521
6.50 %	6.50 %	6.00 % ⁴	6.00 %	6.00 %	6.00 % (concluded)

Schedule of Revenue Payers by Income Level/Industry

For Calendar Years 2012 and 2020

Personal Income Tax Filers and Liability by Income Level ¹

		2012			
		Number	Percent	Tax	Percent
		of Filers	of Total	Liability ²	of Total
Under	\$ 50,000	9,432,382	62.0 %	\$ 1,371,911	2.3 %
50,000	to 99,999	3,188,832	21.0	5,488,062	9.2
100,000	to 149,999	1,240,521	8.2	5,921,133	9.9
150,000	to 199,999	546,310	3.6	4,740,023	7.9
200,000	to 299,999	417,128	2.7	5,973,354	10.0
300,000	to 399,999	143,131	0.9	3,340,318	5.6
400,000	to 499,999	69,689	0.5	2,291,560	3.8
500,000	to 599,999	39,751	0.3	1,684,940	2.8
600,000	to 699,999	26,316	0.2	1,383,802	2.3
700,000	to 799,999	16,997	0.1	1,081,526	1.8
800,000	to 899,999	12,342	0.1	911,081	1.5
900,000	to 999,999	9,499	0.1	808,222	1.3
1,000,000	to 1,999,999	34,022	0.2	4,581,655	7.7
2,000,000	to 2,999,999	9,202	0.1	2,423,751	4.0
3,000,000	to 3,999,999	4,121	0.0	1,610,777	2.7
4,000,000	to 4,999,999	2,340	0.0	1,212,280	2.0
\$ 5,000,000	and over	7,154	0.0	15,090,712	25.2
Total		15,199,737	100.0 %	\$ 59,915,107	100.0 %

		2020			
		Number	Percent	Tax	Percent
		of Filers	of Total	Liability ²	of Total
Under	\$ 50,000	10,530,316	57.3 %	\$ 1,447,836	1.4 %
50,000	to 99,999	3,865,707	21.1	6,493,674	6.3
100,000	to 149,999	1,657,427	9.0	7,780,186	7.5
150,000	to 199,999	831,125	4.5	7,078,857	6.8
200,000	to 299,999	705,592	3.8	10,122,599	9.8
300,000	to 399,999	290,166	1.6	6,767,544	6.5
400,000	to 499,999	147,325	0.8	4,822,776	4.7
500,000	to 599,999	87,769	0.5	3,729,089	3.6
600,000	to 699,999	57,212	0.3	2,988,582	2.9
700,000	to 799,999	38,148	0.2	2,387,877	2.3
800,000	to 899,999	27,478	0.1	2,019,569	2.0
900,000	to 999,999	20,611	0.1	1,747,113	1.7
1,000,000	to 1,999,999	71,932	0.4	9,575,403	9.2
2,000,000	to 2,999,999	17,575	0.1	4,668,497	4.5
3,000,000	to 3,999,999	7,641	0.1	3,007,713	2.9
4,000,000	to 4,999,999	4,374	0.0	2,276,631	2.2
\$ 5,000,000	and over	13,333	0.1	26,654,509	25.7
Total		18,373,731	100.0 %	\$ 103,568,455	100.0 %

Source: California Franchise Tax Board

¹ For California resident tax returns. Calendar year 2020 is the most applicable year for which data is available.

² Amounts are in thousands.

Schedule of Personal Income Tax Rates

For Calendar Years 2011-2020

Married Filing Jointly and Surviving Spouse				
	2011	2012	2013	2014
Tax Rate ¹	Income Level	Income Level	Income Level	Income Level
1.0	Up to \$14,632	Up to \$14,910	Up to \$15,164	Up to \$15,498
2.0	14,633 – 34,692	14,911 – 35,352	15,165 – 35,952	15,499 – 36,742
4.0	34,693 – 54,754	35,353 – 55,794	35,953 – 56,742	36,743 – 57,990
6.0	54,755 – 76,008	55,795 – 77,452	56,743 – 78,768	57,991 – 80,500
8.0	76,009 – 96,058	77,453 – 97,884	78,769 – 99,548	80,501 – 101,738
9.3	96,059 – 1,000,000	97,885 – 500,000	99,549 – 508,500	101,739 – 519,688
10.3	\$1,000,001 and over	500,001 – 600,000	508,501 – 610,200	519,689 – 623,624
11.3	—	600,001 – 1,000,000	610,201 – 1,000,000	623,625 – 1,000,000
12.3	—	—	1,000,001 – 1,017,000	1,000,001 – 1,039,374
13.3	—	\$1,000,001 and over	\$1,017,001 and over	\$1,039,375 and over

Single and Married Filing Separately				
	2011	2012	2013	2014
Tax Rate ¹	Income Level	Income Level	Income Level	Income Level
1.0	Up to \$7,316	Up to \$7,455	Up to \$7,582	Up to \$7,749
2.0	7,317 – 17,346	7,456 – 17,676	7,583 – 17,976	7,750 – 18,371
4.0	17,347 – 27,377	17,677 – 27,897	17,977 – 28,371	18,372 – 28,995
6.0	27,378 – 38,004	27,898 – 38,726	28,372 – 39,384	28,996 – 40,250
8.0	38,005 – 48,029	38,727 – 48,942	39,385 – 49,774	40,251 – 50,869
9.3	48,030 – 1,000,000	48,943 – 250,000	49,775 – 254,250	50,870 – 259,844
10.3	\$1,000,001 and over	250,001 – 300,000	254,251 – 305,100	259,845 – 311,812
11.3	—	300,001 – 500,000	305,101 – 508,500	311,813 – 519,687
12.3	—	500,001 – 1,000,000	508,501 – 1,000,000	519,688 – 1,000,000
13.3	—	\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over

Head of Household				
	2011	2012	2013	2014
Tax Rate ¹	Income Level	Income Level	Income Level	Income Level
1.0	Up to \$14,642	Up to \$14,920	Up to \$15,174	Up to \$15,508
2.0	14,643 – 34,692	14,921 – 35,351	15,175 – 35,952	15,509 – 36,743
4.0	34,693 – 44,721	35,352 – 45,571	35,953 – 46,346	36,744 – 47,366
6.0	44,722 – 55,348	45,572 – 56,400	46,347 – 57,359	47,367 – 58,621
8.0	55,349 – 65,376	56,401 – 66,618	57,360 – 67,751	58,622 – 69,242
9.3	65,377 – 1,000,000	66,619 – 340,000	67,752 – 345,780	69,243 – 353,387
10.3	\$1,000,001 and over	340,001 – 408,000	345,781 – 414,936	353,388 – 424,065
11.3	—	408,001 – 680,000	414,937 – 691,560	424,066 – 706,774
12.3	—	680,001 – 1,000,000	691,561 – 1,000,000	706,775 – 1,000,000
13.3	—	\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over

Source: California Franchise Tax Board (FTB)

¹ FTB tax brackets are indexed to the California Consumer Price Index and are adjusted accordingly on a yearly basis.

Average Effective Rate

(amounts in thousands)

	2011	2012	2013	2014
Personal income tax revenue ¹	\$ 51,691,153	\$ 54,442,733	\$ 66,220,132	\$ 67,584,256
Adjusted gross income ²	\$ 980,167,100	\$ 1,087,823,400	\$ 1,091,080,300	\$ 1,216,002,700
Average effective rate ³	5.3 %	5.0 %	6.1 %	5.6 %

¹ Personal income tax revenue is reported on a fiscal year basis.

² Source: California Franchise Tax Board. Fiscal year 2020 information reflects returns processed as of December 2021.

³ The average effective rate equals personal income tax revenue divided by adjusted gross income.

Married Filing Jointly and Surviving Spouse

2015	2016	2017	2018	2019	2020
Income Level	Income Level	Income Level	Income Level	Income Level	Income Level
Up to \$15,700	Up to \$16,030	Up to \$16,446	Up to \$17,088	Up to \$17,618	Up to \$17,864
15,701 – 37,220	16,031 – 38,002	16,447 – 38,990	17,089 – 40,510	17,619 – 41,766	17,865 – 42,350
37,221 – 58,744	38,003 – 59,978	38,991 – 61,538	40,511 – 63,938	41,767 – 65,920	42,351 – 66,842
58,745 – 81,546	59,979 – 83,258	61,539 – 85,422	63,939 – 88,754	65,921 – 91,506	66,843 – 92,788
81,547 – 103,060	83,259 – 105,224	85,423 – 107,960	88,755 – 112,170	91,507 – 115,648	92,789 – 117,268
103,061 – 526,444	105,225 – 537,500	107,961 – 551,476	112,171 – 572,984	115,649 – 590,746	117,269 – 599,016
526,445 – 631,732	537,501 – 644,998	551,477 – 661,768	572,985 – 687,576	590,747 – 708,890	599,017 – 718,814
631,733 – 1,000,000	644,999 – 1,000,000	661,769 – 1,000,000	687,577 – 1,000,000	708,891 – 1,000,000	718,815 – 1,000,000
1,000,001 – 1,052,886	1,000,001 – 1,074,996	1,000,001 – 1,102,946	1,000,001 – 1,145,960	1,000,001 – 1,181,484	1,000,001 – 1,198,024
\$1,052,887 and over	\$1,074,997 and over	\$1,102,947 and over	\$1,145,961 and over	\$1,181,485 and over	1,198,025 and over

Single and Married Filing Separately

2015	2016	2017	2018	2019	2020
Income Level	Income Level	Income Level	Income Level	Income Level	Income Level
Up to \$7,850	Up to \$8,015	Up to \$8,223	Up to \$8,544	Up to \$8,809	Up to \$8,932
7,851 – 18,610	8,016 – 19,001	8,224 – 19,495	8,545 – 20,255	8,810 – 20,883	8,933 – 21,175
18,611 – 29,372	19,002 – 29,989	19,496 – 30,769	20,256 – 31,969	20,884 – 32,960	21,176 – 33,421
29,373 – 40,773	29,990 – 41,629	30,770 – 42,711	31,970 – 44,377	32,961 – 45,753	33,422 – 46,394
40,774 – 51,530	41,630 – 52,612	42,712 – 53,980	44,378 – 56,085	45,754 – 57,824	46,395 – 58,634
51,531 – 263,222	52,613 – 268,750	53,981 – 275,738	56,086 – 286,492	57,825 – 295,373	58,635 – 295,508
263,223 – 315,866	268,751 – 322,499	275,739 – 330,884	286,493 – 343,788	295,374 – 354,445	295,509 – 359,407
315,867 – 526,443	322,500 – 537,498	330,885 – 551,473	343,789 – 572,980	354,446 – 590,742	359,408 – 599,012
526,444 – 1,000,000	537,499 – 1,000,000	551,474 – 1,000,000	572,981 – 1,000,000	590,743 – 1,000,000	599,013 – 1,000,000
\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over

Head of Household

2015	2016	2017	2018	2019	2020
Income Level	Income Level	Income Level	Income Level	Income Level	Income Level
Up to \$15,710	Up to \$16,040	Up to \$16,457	Up to \$16,457	Up to \$17,629	Up to \$17,876
15,711 – 37,221	16,041 – 38,003	16,458 – 38,991	16,458 – 38,991	17,630 – 41,768	17,877 – 42,353
37,222 – 47,982	38,004 – 48,990	38,992 – 50,264	38,992 – 50,264	41,769 – 53,843	42,354 – 54,597
47,983 – 59,383	48,991 – 60,630	50,265 – 62,206	50,265 – 62,206	53,844 – 66,636	54,598 – 67,569
59,384 – 70,142	60,631 – 71,615	62,207 – 73,477	62,207 – 73,477	66,637 – 78,710	67,570 – 79,812
70,143 – 357,981	71,616 – 365,499	73,478 – 375,002	73,478 – 375,002	78,711 – 401,705	79,813 – 407,329
357,982 – 429,578	365,500 – 438,599	375,003 – 450,003	375,003 – 450,003	401,706 – 482,047	407,330 – 488,796
429,579 – 715,962	438,600 – 730,997	450,004 – 750,003	450,004 – 750,003	482,048 – 803,410	488,797 – 814,658
715,963 – 1,000,000	730,998 – 1,000,000	750,004 – 1,000,000	750,004 – 1,000,000	803,411 – 1,000,000	814,659 – 1,000,000
\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over

2015	2016	2017	2018	2019	2020
\$ 76,879,115	\$ 78,510,777	\$ 84,253,851	\$ 92,808,996	\$ 95,026,913	\$ 101,352,220
\$ 1,265,341,200	\$ 1,318,362,700	\$ 1,430,332,000	\$ 1,531,670,000	\$ 1,596,322,000	\$ 1,693,751,000
6.1 %	6.0 %	5.9 %	6.1 %	6.0 %	6.0 %

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Debt Capacity

Debt capacity schedules contain information to help the reader understand the State's outstanding debt, the capacity to repay that debt, and the ability to issue additional debt in the future. This section includes the following debt capacity schedules.

Schedule of Ratios of Outstanding Debt by Type

Schedule of Ratios of General Bonded Debt Outstanding

Schedule of General Obligation Bonds Outstanding

Schedule of Pledged Revenue Coverage

Sources: Unless otherwise noted, the information in the following schedules is derived from the State's Annual Comprehensive Financial Reports.

Schedule of Ratios of Outstanding Debt by Type

For the Past Ten Fiscal Years

(amounts in thousands, except per capita)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental activities				
General obligation bonds ¹	\$ 81,060,111	\$ 82,346,211	\$ 83,276,347	\$ 80,509,802
Revenue bonds ²	7,421,198	7,735,053	18,917,443	18,409,971
Certificates of participation and commercial paper ³	46,098	538,593	598,094	493,770
Capital lease obligations ⁴	5,176,341	5,319,487	260,088	274,760
Total governmental activities	<u>93,703,748</u>	<u>95,939,344</u>	<u>103,051,972</u>	<u>99,688,303</u>
Business-type activities				
General obligation bonds ¹	1,118,634	887,053	674,394	650,133
Revenue bonds ²	24,790,918	25,558,129	12,991,827	12,670,619
Commercial paper	67,325	77,560	204,647	237,186
Capital lease obligations	817,687	909,871	1,250,274	1,210,409
Total business-type activities	<u>26,794,564</u>	<u>27,432,613</u>	<u>15,121,142</u>	<u>14,768,347</u>
Total primary government	<u>\$ 120,498,312</u>	<u>\$ 123,371,957</u>	<u>\$ 118,173,114</u>	<u>\$ 114,456,650</u>
Debt as a percentage of personal income ⁵	6.9%	6.7%	6.3%	5.7%
Amount of debt per capita ⁶	\$ 3,202	\$ 3,251	\$ 3,089	\$ 2,965

Note: Details regarding the State's outstanding debt can be found in Notes 9, 12, 13, 15, and 16 of the financial statements.

¹ Beginning in fiscal year 2013, refunding gains/losses are no longer included in bonds payable, but are shown as deferred inflows and deferred outflows of resources.

² Prior to fiscal year 2014, the Public Buildings Construction Fund was included in business-type activities.

³ All certificates of participation were retired in fiscal year 2016.

⁴ Prior to fiscal year 2014, governmental activities reported a capital lease obligation to the Public Buildings Construction Fund. In fiscal year 2014, the fund was reclassified from an enterprise fund to an internal service fund and the governmental activities' obligation and the fund's net investment in direct financing leases were netted against each other within governmental activities.

⁵ Ratio calculated using personal income data shown on pages 336 and 337 for the prior calendar year.

⁶ Amount calculated using population data shown on pages 336 and 337 for the prior calendar year.

2016	2017	2018	2019	2020	2021
\$ 79,043,295	\$ 79,503,871	\$ 79,663,028	\$ 78,772,850	\$ 78,883,746	\$ 78,481,408
17,210,499	16,879,900	16,364,255	15,711,660	15,905,264	15,998,239
771,215	1,158,080	859,695	1,032,760	1,108,720	1,176,235
370,182	416,468	481,261	434,876	393,089	359,812
97,395,191	97,958,319	97,368,239	95,952,146	96,290,819	96,015,694
794,369	703,754	694,100	850,762	788,052	598,384
13,928,374	14,955,858	14,319,372	14,521,460	14,277,362	14,806,645
47,416	147,765	749,877	799,643	1,049,226	401,219
389,385	353,453	309,928	315,322	357,072	336,081
15,159,544	16,160,830	16,073,277	16,487,187	16,471,712	16,142,329
\$ 112,554,735	\$ 114,119,149	\$ 113,441,516	\$ 112,439,333	\$ 112,762,531	\$ 112,158,023
5.2%	5.0%	4.8%	4.5%	4.3%	4.1%
\$ 2,892	\$ 2,914	\$ 2,882	\$ 2,849	\$ 2,859	\$ 2,839

Schedule of Ratios of General Bonded Debt Outstanding

For the Past Ten Fiscal Years

(amounts in thousands, except per capita)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Net general bonded debt				
General obligation bonds ¹	\$ 75,791,795	\$ 78,001,049	\$ 79,368,794	\$ 80,215,650
Economic Recovery bonds	6,386,950	5,232,215	4,581,745	944,285
Less: restricted debt service fund	330,297	278,425	318,171	818,321
Net Economic Recovery bonds ²	6,056,653	4,953,790	4,263,574	125,964
Net general bonded debt	\$ 81,848,448	\$ 82,954,839	\$ 83,632,368	\$ 80,341,614
Net general bonded debt as a percentage of personal income ³	4.7%	4.5%	4.4%	4.0%
Amount of net general bonded debt per capita ⁴	\$ 2,175	\$ 2,186	\$ 2,186	\$ 2,082

Note: Details regarding the State's general bonded debt outstanding can be found in Note 15 of the financial statements.

¹ Beginning in fiscal year 2013, refunding gains/losses are no longer included in bonds payable, but are shown as deferred inflows and deferred outflows of resources.

² In fiscal year 2016, the outstanding balance of the Economic Recovery bonds was defeased and the balance in the restricted debt service fund was transferred out.

³ Ratio calculated using personal income data shown on pages 336 and 337 for the prior calendar year.

⁴ Amount calculated using population data shown on pages 336 and 337 for the prior calendar year.

2016	2017	2018	2019	2020	2021
\$ 79,837,664	\$ 79,503,871	\$ 80,357,128	\$ 79,623,612	\$ 79,671,798	\$ 79,079,792
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
\$ 79,837,664	\$ 79,503,871	\$ 80,357,128	\$ 79,623,612	\$ 79,671,798	\$ 79,079,792
3.7%	3.5%	3.4%	3.2%	3.0%	2.9%
\$ 2,051	\$ 2,030	\$ 2,042	\$ 2,018	\$ 2,020	\$ 2,002

Schedule of General Obligation Bonds Outstanding

June 30, 2021

(amounts in thousands)

Governmental activity

California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection	\$ 1,699,205
California Drought, Water, Parks, Climate, Coastal Protection, and Out Door Access For All	107,575
California Library Construction and Renovation	203,255
California Park and Recreational Facilities	4,595
California Parklands	790
California Safe Drinking Water	26,165
California Stem Cell Research and Cures	1,186,305
California Wildlife, Coastal, and Park Land Conservation	47,330
Children's Hospital	1,304,765
Class-Size Reduction Public Education Facilities	3,934,110
Clean Air and Transportation Improvement	345,195
Clean Water	2,780
Clean Water and Water Conservation	1,940
Clean Water and Water Reclamation	8,245
Community Parklands	755
County Correctional Facility Capital Expenditure	3,945
County Correctional Facility Capital Expenditure and Youth Facility	23,355
Disaster Preparedness and Flood Prevention	2,727,440
Earthquake Safety and Public Buildings Rehabilitation	14,630
Fish and Wildlife Habitat Enhancement	2,995
Higher Education Facilities	148,180
Highway Safety, Traffic Reduction, Air Quality, and Port Security	14,779,400
Housing and Emergency Shelter	967,740
Housing and Homeless	610
Kindergarten Through Community College Public Education Facilities	28,450,660
New Prison Construction	3,870
Passenger Rail and Clean Air	1,825
Public Education Facilities	824,815
Safe, Clean, Reliable Water Supply	364,325
Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection	1,059,365
Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection	3,262,445
Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection	1,069,040
Safe, Reliable High-Speed Passenger Train	3,001,425
School Building and Earthquake	6,650
School Facilities	379,950
Seismic Retrofit	756,525
State, Urban, and Coastal Park	1,655
Veterans and Affordable Housing	154,515
Veterans Homes	30,635
Veterans Housing and Homeless Prevention	127,720
Voting Modernization	41,250
Water Conservation	9,005
Water Conservation and Water Quality	11,545
Water Quality, Supply, and Infrastructure Improvement	1,475,880
Water Security, Clean Drinking Water, Coastal and Beach Protection	2,263,050
Total governmental activity	70,837,455
Business-type activity	
California Water Resources Development	2,090
Veterans' Farm and Home Building	584,760
Total business-type activity	586,850
Total outstanding general obligation bonds	71,424,305
Unamortized bond premiums/discounts	7,655,487
Total general obligation bonds payable	\$ 79,079,792

Source: California State Treasurer's Office

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Schedule of Pledged Revenue Coverage

For the Past Ten Fiscal Years

(amounts in thousands)

	June 30	Gross Revenue ¹	Operating Expenses ²	Net Revenue Available for Debt Service	Debt Service Requirements ³			Coverage
					Principal	Interest	Total	
Housing Loans	2012	\$ 84,830	\$ 20,322	\$ 64,508	\$ 88,105	\$ 24,914	\$ 113,019	0.57
	2013	66,050	18,369	47,681	51,554	16,271	67,825	0.70
	2014	65,247	19,452	45,795	47,620	14,926	62,546	0.73
	2015	57,742	24,413	33,329	12,960	14,095	27,055	1.23
	2016	53,428	21,916	31,512	381,175	21,525	402,700	0.08
	2017	52,117	30,926	21,191	131,010	11,368	142,378	0.15
	2018	52,480	25,943	26,537	14,000	10,380	24,380	1.09
	2019	59,743	20,248	39,495	6,435	11,401	17,836	2.21
	2020	61,588	15,463	46,125	17,980	11,392	29,372	1.57
	2021	51,953	20,035	31,918	79,140	11,296	90,436	0.35
Water Resources	2012	\$ 1,045,812	\$ 852,404	\$ 193,408	\$ 116,150	\$ 121,804	\$ 237,954	0.81
	2013	1,127,195	822,637	304,558	174,660	145,660	320,320	0.95
	2014	973,508	798,653	174,855	150,911	107,727	258,638	0.68
	2015	1,019,378	607,407	411,971	203,481	200,563	404,044	1.02
	2016	1,086,650	796,591	290,059	171,455	84,099	255,554	1.14
	2017	1,223,340	941,984	281,356	134,185	34,408	168,593	1.67
	2018	1,221,866	820,163	401,703	138,570	75,670	214,240	1.88
	2019	1,172,134	784,173	387,961	129,400	86,809	216,209	1.79
	2020	1,155,001	720,577	434,424	147,035	139,197	286,232	1.52
	2021	1,125,002	856,011	268,991	172,815	87,404	260,219	1.03
Water Pollution Control	2012	\$ 50,183	\$ 2,849	\$ 47,334	\$ 24,285	\$ 4,984	\$ 29,269	1.62
	2013	51,642	1,055	50,587	45,755	533	46,288	1.09
	2014	54,968	1,739	53,229	13,000	355	13,355	3.99
	2015	56,350	1,092	55,258	13,000	293	13,293	4.16
	2016	59,034	321	58,713	13,000	2,199	15,199	3.86
	2017	65,635	350	65,285	12,940	12,458	25,398	2.57
	2018	77,135	183	76,952	27,350	28,748	56,098	1.37
	2019	86,828	435	86,393	58,845	37,384	96,229	0.90
	2020	80,627	353	80,274	77,170	35,174	112,344	0.71
	2021	66,662	355	66,307	82,615	33,155	115,770	0.57

Source: California State Controller's Office

¹ Total gross revenue includes non-operating interest revenue. Building authorities' revenue includes operating transfers in. The nature of the revenue pledged for each type of debt is as follows: investment and interest earnings for Housing Loans bonds and Water Pollution Control bonds; charges for services and sales for Water Resources bonds; power sales revenue for Electric Power bonds; rental revenue for Public Buildings Construction bonds, High Technology Education bonds, CSU Channel Island Financing Authority bonds, and building authorities bonds; residence fees for California State University bonds; tobacco settlements and investment earnings for the Golden State Tobacco Securitization Corporation bonds; and federal transportation funds for Grant Anticipation Revenue Vehicles.

² Total operating expenses are exclusive of depreciation, interest expense, and amortization (recovery) of long-term prepaid charges and refunding gains/losses.

³ Debt service requirements include principal and interest of revenue bonds.

⁴ All revenue bonds have been redeemed.

⁵ Federal transportation funds are the only source of state revenue to pay these bonds, and the state obligation to pay debt service on these bonds is limited to and dependent on receipt of the federal funds.

For the Past Ten Fiscal Years

(amounts in thousands)

	June 30	Gross Revenue ¹	Operating Expenses ²	Net Revenue Available for Debt Service	Debt Service Requirements ³			
					Principal	Interest	Total	Coverage
Electric Power	2012	\$ 915,000	\$ 29,000	\$ 886,000	\$ 556,000	\$ 354,000	\$ 910,000	0.97
	2013	488,000	(408,000)	896,000	574,000	341,000	915,000	0.98
	2014	835,000	(46,000)	881,000	611,000	312,000	923,000	0.95
	2015	799,000	(132,000)	931,000	618,000	268,000	886,000	1.05
	2016	728,000	(182,000)	910,000	669,000	253,000	922,000	0.99
	2017	945,000	(29,000)	974,000	690,000	215,000	905,000	1.08
	2018	952,000	—	952,000	719,000	175,000	894,000	1.06
	2019	923,000	(5,000)	928,000	753,000	139,000	892,000	1.04
	2020	925,000	(11,000)	936,000	970,000	109,000	1,079,000	0.87
	2021	299,000	(7,000)	306,000	735,000	48,000	783,000	0.39
Public Buildings Construction	2012	\$ 426,960	\$ 13,211	\$ 413,749	\$ 405,585	\$ 384,400	\$ 789,985	0.52
	2013	616,041	13,479	602,562	554,985	395,073	950,058	0.63
	2014	431,890	14,403	417,487	412,085	439,888	851,973	0.49
	2015	462,703	3,646	459,057	782,975	492,868	1,275,843	0.36
	2016	413,807	6,455	407,352	1,192,065	452,796	1,644,861	0.25
	2017	447,238	6,899	440,339	481,680	402,201	883,881	0.50
	2018	440,902	4,023	436,879	709,805	415,551	1,125,356	0.39
	2019	442,022	1,945	440,077	518,640	363,983	882,623	0.50
	2020	422,614	4,430	418,184	635,985	353,371	989,356	0.42
	2021	344,095	4,879	339,216	535,695	345,741	881,436	0.38
High Technology Education ⁴	2012	\$ 8,452	\$ —	\$ 8,452	\$ 21,105	\$ 7,754	\$ 28,859	0.29
	2013	5,585	—	5,585	22,275	6,568	28,843	0.19
	2014	424	—	424	24,771	847	25,618	0.02
California State University	2012	\$ 4,165,118	\$ 5,770,880	\$ (1,605,762)	\$ 138,535	\$ 174,914	\$ 313,449	(5.12)
	2013	4,215,258	5,754,800	(1,539,542)	126,395	181,969	308,364	(4.99)
	2014	4,505,589	6,376,502	(1,870,913)	257,964	173,424	431,388	(4.34)
	2015	4,780,280	6,363,534	(1,583,254)	400,412	177,642	578,054	(2.74)
	2016	4,937,116	6,672,956	(1,735,840)	114,585	166,964	281,549	(6.17)
	2017	5,030,325	7,479,645	(2,449,320)	120,570	200,678	321,248	(7.62)
	2018	5,393,953	9,225,942	(3,831,989)	296,516	255,133	551,649	(6.95)
	2019	5,573,812	9,139,677	(3,565,865)	237,971	297,486	535,457	(6.66)
	2020	5,695,853	9,908,839	(4,212,986)	299,162	342,642	641,804	(6.56)
	2021	6,279,180	9,685,352	(3,406,172)	245,384	364,037	609,421	(5.59)

(continued)

Schedule of Pledged Revenue Coverage (continued)

For the Past Ten Fiscal Years

(amounts in thousands)

	June 30	Gross Revenue ¹	Operating Expenses ²	Net Revenue Available for Debt Service	Debt Service Requirements ³			Coverage
					Principal	Interest	Total	
Building Authorities	2012	\$ 57,386	\$ —	\$ 57,386	\$ 36,473	\$ 22,889	\$ 59,362	0.97
	2013	53,441	—	53,441	38,400	18,390	56,790	0.94
	2014	53,157	—	53,157	39,895	29,882	69,777	0.76
	2015	54,090	—	54,090	38,800	19,701	58,501	0.92
	2016	48,722	—	48,722	19,815	14,502	34,317	1.42
	2017	40,718	—	40,718	27,420	10,096	37,516	1.09
	2018	38,251	—	38,251	30,180	7,441	37,621	1.02
	2019	38,327	—	38,327	31,605	6,012	37,617	1.02
	2020	35,546	—	35,546	33,215	4,383	37,598	0.95
	2021	25,434	—	25,434	31,580	2,774	34,354	0.74
Golden State Tobacco Securitization Corporation	2012	\$ 368,853	\$ —	\$ 368,853	\$ 65,765	\$ 312,815	\$ 378,580	0.97
	2013	555,392	—	555,392	623,510	308,056	931,566	0.60
	2014	355,918	—	355,918	50,910	325,884	376,794	0.94
	2015	414,992	394	414,598	133,900	292,173	426,073	0.97
	2016	365,300	586	364,714	70,535	299,935	370,470	0.98
	2017	370,612	462	370,150	745,888	308,638	1,054,526	0.35
	2018	433,836	518	433,318	2,044,750	319,550	2,364,300	0.18
	2019	446,462	653	445,809	878,094	288,841	1,166,935	0.38
	2020	423,369	530	422,839	154,190	265,519	419,709	1.01
	2021	471,222	535	470,687	212,215	323,920	536,135	0.88
Grant Anticipation Revenue Vehicles ^{4,5}	2012	\$ 84,290	\$ —	\$ 84,290	\$ 67,730	\$ 16,560	\$ 84,290	1.00
	2013	84,296	—	84,296	70,990	13,306	84,296	1.00
	2014	84,289	—	84,289	74,400	9,889	84,289	1.00
	2015	84,289	—	84,289	78,090	6,199	84,289	1.00
	2016	11,393	—	11,393	8,970	2,423	11,393	1.00
	2017	11,390	—	11,390	9,360	2,030	11,390	1.00
	2018	11,393	—	11,393	9,830	1,563	11,393	1.00
	2019	11,390	—	11,390	10,320	1,070	11,390	1.00
	2020	11,390	—	11,390	10,835	555	11,390	1.00

(concluded)

Demographic and Economic Information

The *demographic and economic* schedules contain trend information to help the reader understand the environment in which the State's financial activities occur. This section includes the following demographic and economic schedules.

Schedule of Demographic and Economic Indicators

Schedule of Employment by Industry

Schedule of Demographic and Economic Indicators

For the Past Ten Calendar Years

	2011	2012	2013	2014
Population (in thousands) ¹				
California	37,651	37,970	38,291	38,636
% Change	0.9%	0.8%	0.8%	0.9%
United States	311,842	314,344	316,735	319,270
% Change	0.8%	0.8%	0.8%	0.8%
Total personal income (in millions) ¹				
California	\$ 1,715,227	\$ 1,827,167	\$ 1,857,201	\$ 1,980,737
% Change	6.3%	6.5%	1.6%	6.7%
United States	\$ 13,330,436	\$ 14,003,346	\$ 14,189,228	\$ 14,969,527
% Change	5.9%	5.0%	1.3%	5.5%
Per capita personal income ^{1,2}				
California	\$ 45,557	\$ 48,121	\$ 48,502	\$ 51,266
% Change	5.3%	5.6%	0.8%	5.7%
United States	\$ 42,747	\$ 44,548	\$ 44,798	\$ 46,887
% Change	5.1%	4.2%	0.6%	4.7%
Labor force and employment (in thousands)				
California				
Civilian labor force	18,385	18,511	18,573	18,941
Employed	16,227	16,740	17,044	17,600
Unemployed	2,158	1,771	1,530	1,341
Unemployment rate	11.7%	9.6%	8.2%	7.1%
United States employment rate	8.9%	8.1%	7.4%	6.2%

Sources: Economic Research Unit, California Department of Finance; Bureau of Economic Analysis, U.S. Department of Commerce; Labor Market Information Division, California Employment Development Department; and Bureau of Labor Statistics, U.S. Department of Labor.

Note: This schedule presents data available as of July 2022.

¹ Some prior years were updated based on more current information.

² Calculated by dividing total personal income by population.

2015	2016	2017	2018	2019	2020
38,966	39,223	39,424	39,536	39,548	39,500
0.9%	0.7%	0.5%	0.3%	0.0%	-0.1%
321,829	324,368	326,623	328,542	330,233	331,501
0.8%	0.8%	0.7%	0.6%	0.5%	0.4%
\$ 2,125,430	\$ 2,218,458	\$ 2,318,644	\$ 2,431,822	\$ 2,544,235	\$ 2,763,312
7.3%	4.4%	4.5%	4.9%	4.6%	8.6%
\$ 15,681,233	\$ 16,092,713	\$ 16,845,028	\$ 17,681,159	\$ 18,402,004	\$ 19,607,447
4.8%	2.6%	4.7%	5.0%	4.1%	6.6%
\$ 54,546	\$ 56,560	\$ 58,813	\$ 61,509	\$ 64,333	\$ 69,958
6.4%	3.7%	4.0%	4.6%	4.6%	8.7%
\$ 48,725	\$ 49,613	\$ 51,573	\$ 53,817	\$ 55,724	\$ 59,147
3.9%	1.8%	4.0%	4.4%	3.5%	6.1%
18,996	19,099	19,319	19,534	18,743	18,920
17,894	18,141	18,515	18,740	16,104	17,367
1,102	957	804	794	2,640	1,553
5.8%	5.0%	4.2%	4.1%	14.1%	8.2%
5.3%	4.9%	4.4%	3.9%	3.7%	8.1%

Schedule of Employment by Industry

For Calendar Years 2011 and 2020

Industry	2011		2020	
	Employees	Percent of Total State Employment	Employees	Percent of Total State Employment
Services	6,331,900	42.7 %	7,298,700	44.0 %
Government				
Federal	193,100	1.3	195,100	1.2
Military	62,200	0.4	64,800	0.4
State and Local	2,149,700	14.5	2,233,300	13.5
Retail trade	1,545,400	10.4	1,527,300	9.2
Manufacturing	1,254,400	8.5	1,264,400	7.5
Information, finance, and insurance	946,000	6.4	1,071,500	6.5
Construction and utilities	620,000	4.2	914,200	5.5
Wholesale trade	641,700	4.3	642,600	3.9
Transportation and warehousing	416,100	2.8	674,200	4.0
Farming	389,800	2.6	406,600	2.5
Real estate	247,200	1.7	281,900	1.7
Natural resources and mining	26,700	0.2	20,000	0.1
Total	14,824,200	100.0 %	16,594,600	100.0 %

Source: Labor Market Information Division, California Employment Development Department

Operating Information

The *operating information* schedules assist the reader in evaluating the size, efficiency, and effectiveness of the State's government. This section includes the following operating information schedules.

Schedule of Full-time Equivalent State Employees by Function

Schedule of Operating Indicators by Function

Schedule of Capital Asset Statistics by Function

Schedule of Full-time Equivalent State Employees by Function

For the Past Ten Fiscal Years

Fiscal Year	General Government	Education	Health and Human Services	Natural Resources and Environmental Protection	State and Consumer Services	Business, Transportation, and Housing	Corrections and Rehabilitation	Total
	2012	44,673	131,039	46,431	24,199	6,236	41,758	62,472	356,808
2013	43,241	132,492	43,431	23,796	5,395	39,222	58,742	346,319

Fiscal Year	General Government ¹	Education	Health and Human Services	Natural Resources and Environmental Protection	Business, Consumer Services, and Housing ¹	Transportation ¹	Corrections and Rehabilitation	Total
	2014	43,858	136,244	44,343	24,156	5,409	39,015	60,871	353,896
2015	45,383	139,958	44,589	24,996	5,552	39,636	60,745	360,859
2016	42,904	146,552	40,943	22,804	5,083	39,050	53,344	350,680
2017	44,844	154,479	41,350	23,880	5,153	38,375	53,662	361,743
2018	44,041	161,842	40,399	21,785	5,327	38,488	56,638	368,520
2019	44,989	164,337	40,761	24,447	5,644	39,670	57,140	376,988
2020	45,028	166,059	41,965	25,410	5,876	40,316	57,812	382,466
2021	45,300	166,799	48,596	26,187	6,008	40,454	57,350	390,694

Source: Annual Governor's Budget Summary, California Department of Finance

Note: The number of full-time equivalent employees is calculated by counting each person who works full time as one full-time equivalent and those who work part time as fractional equivalents based on time worked.

¹ Effective July 1, 2013, under the Governor's 2012 Reorganization Plan No. 2, a significant reorganization took place that impacted previously reported functions. The Government Operations Agency, including but not limited to Franchise Tax Board, Department of General Services, and the Public Employees' Retirement System, was created and added to the General Government function. Also, the business and housing components under the previously reported Business, Transportation, and Housing function merged with the State and Consumer Services function and the remaining transportation components now comprise the Transportation Agency. Information reported under the new functions are not comparable to that of prior years.

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Schedule of Operating Indicators by Function

For the Past Ten Fiscal Years

	2012	2013	2014	2015
General Government				
State Lottery				
Total revenue ¹	\$ 4,371	\$ 4,446	\$ 5,035	\$ 5,525
Allocation to Education Fund ¹	\$ 1,300	\$ 1,262	\$ 1,328	\$ 1,364
Judicial Council of California				
Supreme Court ^{2,9}				
Cases filed	9,232	8,029	7,907	7,860
Cases disposed	9,720	8,492	7,774	7,549
Courts of Appeal ⁹				
Notices of appeal filed ³				
Civil	6,505	6,052	5,983	6,062
Criminal	6,387	6,004	6,373	7,113
Juvenile	2,830	2,713	2,857	3,036
Trial Courts ⁹				
Total civil cases ⁴				
Filings	1,458,898	1,358,481	1,264,983	1,145,892
Dispositions	1,436,658	1,327,078	1,216,185	1,118,443
Department of Food and Agriculture				
Milk production (million lbs.) ^{5,9}	41,801	41,256	42,339	40,897
Farm land (thousand acres) ⁵	25,600	25,300	25,200	24,900
Education				
Public Colleges and Universities				
Fall enrollment ⁹				
Community Colleges	1,668,219	1,664,430	1,664,174	1,674,652
California State University	436,560	446,530	460,200	474,571
University of California	238,617	244,126	252,263	257,438
K-12 Schools				
Fall enrollment ⁹				
Public	6,220,993	6,226,989	6,236,672	6,235,520
Private	497,019	516,119	511,286	503,295

Sources: California State Lottery; Judicial Council of California; U.S. Department of Agriculture, National Agricultural Statistics Service; California Departments of the California Highway Patrol, Finance, Fish and Wildlife, Education, Public Health, Motor Vehicles, Transportation, and Corrections and Rehabilitation; Employment Development Department; California Energy Commission; Franchise Tax Board; California Community Colleges Chancellor's office; The California State University, and California Department of Education.

Note: This schedule presents data available as of June 2021.

¹ Dollars in millions.

² Includes death penalty cases, habeas corpus related to automatic appeals, petitions for review, original proceedings, and State Bar matters.

³ Includes only one notice of appeal per case.

⁴ Includes personal injury, property damage, wrongful death, small claims, family law, probate, and other cases.

⁵ Data based on calendar year.

⁶ Total nonfarm and farm.

⁷ Data compiled from a 10% sample of California licensed drivers.

⁸ A center-line mile is measured by the yellow dividing strip that runs down the middle of the road, regardless of the number of lanes on each side.

⁹ Some prior years were updated based on more current information.

¹⁰ The amount for fiscal year 2021 is projected.

N/A = Not Available

2016		2017		2018		2019		2020		2021	
\$	6,276	\$	6,233	\$	6,966	\$	7,388	\$	6,622	\$	8,418
\$	1,563	\$	1,499	\$	1,665	\$	1,825	\$	1,437	\$	1,863
	8,081		7,317		6,812		6,917		6,470		N/A
	7,951		6,992		6,759		6,816		6,417		N/A
	5,935		5,975		6,002		5,697		5,144		N/A
	6,714		5,593		5,221		5,577		6,286		N/A
	3,025		3,029		3,068		3,332		2,818		N/A
	1,148,205		1,198,076		1,235,568		1,289,311		1,108,779		N/A
	1,031,105		1,039,092		985,039		1,108,732		989,026		N/A
	40,469		39,798		40,404		40,595		41,311		41,864
	24,800		24,500		24,300		24,300		24,300		24,200
	1,674,798		1,681,195		1,681,514		1,659,399		1,459,860		1,354,880
	478,638		484,297		481,210		481,929		485,550		477,466
	270,112		278,996		286,271		285,216		285,862		294,662
	6,226,737		6,228,235		6,220,413		6,186,278		6,163,001		6,002,523
	500,543		490,966		488,854		495,693		488,984		471,653

(continued)

Schedule of Operating Indicators by Function (continued)

For the Past Ten Fiscal Years

	2012	2013	2014	2015
Health and Human Services				
Department of Public Health				
Vital statistics				
Live births ^{5,10}	503,788	494,392	502,973	491,789
Department of Social Services				
Calfresh programs households (avg. per month).....	1,757,387	1,898,283	2,004,016	2,102,031
Employment Development Department				
Number of employed ^{5,6,9}	15,161,400	15,563,600	15,992,500	16,474,600
Resources				
Department of Fish and Wildlife				
Sport fishing licenses sold ^{5,9}	2,581,840	2,540,439	2,491,578	2,485,400
Hunting licenses sold ^{5,9}	1,989,196	2,033,573	1,980,655	2,131,655
California Energy Commission				
Electrical energy generation plus net imports (gigawatt hours) ⁹	302,184	296,280	296,147	295,878
Business, Consumer Services, and Housing				
Franchise Tax Board				
Personal Income Tax ^{5,9}				
Number of tax returns filed.....	15,152,800	15,487,100	15,877,000	16,257,600
Taxable income ¹	\$ 948,523	\$ 949,655	\$ 1,064,347	\$ 1,107,474
Total tax liability ¹	\$ 58,652	\$ 55,679	\$ 66,583	\$ 68,498
Corporation Tax ^{5,9}				
Number of tax returns filed.....	784,086	801,045	828,080	865,593
Income reported for taxation ¹	\$ 96,772	\$ 101,913	\$ 122,976	\$ 140,534
Total tax liability ¹	\$ 6,921	\$ 7,166	\$ 8,593	\$ 9,235
Transportation				
California Highway Patrol				
Total number of DUI arrests ⁵	79,993	76,860	73,425	65,016
Department of Motor Vehicles				
Motor vehicle registration ^{5,9}	31,946,422	32,903,847	33,550,486	34,346,325
License issued by age ^{5,7,9}				
Under age 18	224,809	221,385	223,024	221,250
Between 18-80	23,462,971	23,824,697	24,195,705	25,089,910
Over age 80	602,508	597,350	595,739	603,691
Department of Transportation				
Highway center-line miles – rural ^{5,8,9}	10,784	10,315	10,312	10,407
Highway center-line miles – urban ^{5,8,9}	4,363	4,789	4,787	4,685
Correctional Programs				
Department of Corrections and Rehabilitation				
Division of Adult Institutions				
Institution population at December 31 each year ...	132,768	134,333	134,431	127,815
Division of Juvenile Justice				
Institution population at June 30 each year	922	712	675	681

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
488,925	471,806	454,244	446,548	448,758	436,883
2,130,583	2,032,818	1,979,526	1,782,500	2,249,323	2,446,529
16,906,000	17,249,700	17,594,400	17,853,100	16,547,900	17,115,600
2,508,490	2,502,863	2,498,077	2,371,800	2,780,352	2,713,546
2,143,146	2,143,026	2,113,888	2,043,323	2,404,425	2,387,932
290,790	292,076	285,757	277,964	273,169	277,205
16,547,100	16,868,000	17,074,000	17,524	18,315	N/A
\$ 1,154,906	\$ 1,254,483	\$ 1,352,592	\$ 1,406,487	\$ 1,509,060	N/A
\$ 71,348	\$ 79,927	\$ 86,902	\$ 89,690	\$ 103,082	N/A
900,358	936,211	974,652	1,003,389	N/A	N/A
\$ 129,452	\$ 127,290	\$ 172,954	\$ 191,621	N/A	N/A
\$ 9,276	\$ 8,822	\$ 11,625	\$ 13,861	N/A	N/A
60,202	58,195	60,336	65,765	55,478	59,752
35,310,563	35,391,347	35,707,821	35,805,757	35,191,744	N/A
225,569	219,572	213,402	215,084	182,187	N/A
25,639,270	26,078,773	26,275,559	26,439,138	26,063,084	N/A
619,807	659,530	647,831	650,998	624,254	N/A
10,259	10,259	10,259	10,510	10,458	N/A
4,833	4,833	4,833	4,547	4,564	N/A
129,415	130,263	127,709	124,027	95,432	99,729
690	638	629	720	782	677
					(concluded)

Schedule of Capital Asset Statistics by Function

For the Past Ten Fiscal Years

	2012	2013	2014	2015
General Government				
Department of Food and Agriculture				
Vehicles and mobile equipment	804	792	747	747
Square footage of structures (in thousands)	466	455	455	455
Department of Justice				
Vehicles and mobile equipment	531	527	520	520
Department of Military				
Vehicles and mobile equipment	233	211	211	211
Square footage of structures (in thousands)	3,511	3,623	4,019	3,977
Department of Veterans Affairs				
Veterans homes	6	8	8	8
Vehicles and mobile equipment	143	267	285	285
Square footage of structures (in thousands)	2,086	2,488	2,543	2,541
Education				
California State University				
Vehicles and mobile equipment	4,326	4,467	4,555	4,619
Campuses	23	23	23	23
Square footage of structures (in thousands)	73,785	73,866	73,316	73,988
Health and Human Services				
Department of Developmental Services				
Vehicles and mobile equipment	789	632	424	571
Developmental centers	5	4	4	3
Square footage of structures (in thousands)	5,294	5,279	5,308	4,699
Department of State Hospitals ¹				
Vehicles and mobile equipment	718	699	886	752
State hospitals	5	7	7	7
Square footage of structures (in thousands)	6,336	6,457	6,460	6,445

Source: California Department of General Services (DGS)

Note: This schedule presents data available as of June 2022.

¹ In fiscal year 2012, portions of the Department of Mental Health became the Department of State Hospitals.

2016	2017	2018	2019	2020	2021
752	677	823	633	780	752
455	462	384	384	384	394
484	511	509	495	485	549
217	218	261	221	241	212
3,965	3,954	3,770	3,268	3,254	3,253
8	8	8	8	8	8
235	280	292	247	276	279
2,541	2,552	2,552	2,536	2,541	2,541
4,945	4,838	5,216	5,246	5,397	5,447
23	23	23	23	23	23
75,292	75,786	76,227	76,969	78,447	79,572
640	559	616	600	490	418
3	3	3	2	2	2
3,664	3,664	3,595	3,578	2,321	2,321
678	674	728	820	969	900
8	5	5	5	5	5
6,445	5,944	5,944	6,425	6,433	6,478

(continued)

Schedule of Capital Asset Statistics by Function (continued)

For the Past Ten Fiscal Years

	2012	2013	2014	2015
Resources				
Department of Fish and Wildlife				
Vehicles and mobile equipment	3,012	2,896	2,954	2,954
Square footage of structures (in thousands)	1,317	1,317	1,311	1,311
Department of Forestry and Fire Protection				
Vehicles and mobile equipment	2,810	2,845	2,748	2,748
Square footage of structures (in thousands)	3,935	3,641	3,632	3,664
Department of Parks and Recreation				
Vehicles and mobile equipment	4,200	3,311	3,489	3,489
State Parks	280	280	279	280
Acres of state park land (in thousands)	1,333	1,590	1,590	1,605
Square footage of structures (in thousands)	6,623	6,598	6,751	6,761
State Lands Commission				
Vehicles and mobile equipment	42	42	41	41
Acres of land (in thousands)	4,491	4,489	4,489	4,482
Business, Consumer Services, and Housing				
Department of Consumer Affairs				
Vehicles and mobile equipment	574	518	554	554
Department of General Services				
Vehicles and mobile equipment	4,991	5,226	5,053	5,053
Square footage of structures (in thousands)	19,180	19,098	19,367	19,448
Transportation				
California Highway Patrol				
Vehicles and mobile equipment	5,013	5,341	5,170	5,170
Square footage of structures (in thousands)	1,149	1,149	1,166	1,169
Department of Motor Vehicles				
Vehicles and mobile equipment	366	294	295	295
Square footage of structures (in thousands)	1,842	1,842	1,845	1,786
Department of Transportation				
Vehicles and mobile equipment	12,690	11,767	11,596	11,596
Square footage of structures (in thousands)	8,131	8,170	7,960	7,965
Correctional Programs				
Department of Corrections and Rehabilitation				
Vehicles and mobile equipment	5,952	5,156	5,137	5,968
Prisons and juvenile facilities	39	37	37	39
Square footage of structures (in thousands)	41,399	40,606	40,726	40,590

2016	2017	2018	2019	2020	2021
3,104	3,126	2,970	3,266	3,334	3,392
1,297	1,322	1,322	1,333	1,333	1,334
3,151	3,073	3,115	3,144	3,090	3,681
3,666	3,677	3,640	3,626	3,654	3,765
3,538	3,542	3,804	3,571	3,794	3,835
280	280	280	280	280	279
1,605	1,617	1,619	1,618	1,641	1,360
6,790	7,363	7,360	7,544	7,554	7,558
41	43	48	42	43	44
4,480	4,480	4,480	4,480	4,480	4,480
588	596	600	622	671	614
4,697	4,476	4,465	4,552	4,664	4,838
19,311	19,487	19,565	19,490	20,267	20,285
5,167	5,336	4,912	4,946	4,807	5,656
1,211	1,191	1,182	1,199	1,301	1,302
287	276	283	266	314	308
1,780	1,777	1,785	1,785	1,785	1,785
11,776	11,585	11,494	11,483	11,449	11,416
7,968	7,960	7,933	8,074	8,096	8,365
5,291	8,079	7,571	7,139	7,312	7,632
39	40	39	39	39	38
40,485	42,198	42,209	42,605	42,936	42,932

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