

State of California

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2022



MALIA M. COHEN
California State Controller



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

Cover designed by Sacramento artist Matteo Borges



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

March 15, 2024

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, 2022. This report meets the requirements of Government Code section 12460 for an annual report prepared in accordance with generally accepted accounting principles and contains information to help readers gain a reasonable understanding of California's financial activities and 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 along with updates to my plan of action addressing this issue going forward.

California's economic recovery from the impacts of the pandemic continued during the fiscal year ended June 30, 2022, as the state ended the year with total General Fund revenues of \$199.2 billion, a \$2.2 billion increase compared to prior fiscal year revenues of \$197.0 billion. General Fund personal income tax revenues experienced a decrease of \$6.2 billion (5.0%), which was offset by increases in sales and use taxes of \$3.7 billion (12.6%) and corporation taxes \$3.7 billion (11.5%). Most notably, the General Fund ended the fiscal year with a \$120.2 billion cash balance, an increase of \$56.3 billion compared to the prior year ending cash balance of \$63.9 billion. This strong cash position has provided reserves for future fiscal years in which the state may experience less favorable revenues.

The ACFR for the fiscal year ended June 30, 2022, will mark the fifth consecutive year that California has published its financial statements well beyond the regulatory deadline of nine months after the fiscal year end. As reported last year, the late publication of the ACFR started when the SCO and departments began transitioning to the Financial Information System of California (FI\$Cal). Although departments have shown significant improvements in the timely and accurate submission of their financial reports, the SCO will continue to support departments in strengthening accounting processes. The California State Auditor has reported these conditions in its Internal Control and Compliance Audit Report for several years, in addition to issuing modified opinions on the ACFR for the fiscal years ended June 30, 2020, 2021, and 2022.

The SCO has taken decisive action to achieve timely and accurate financial reporting for the state, and has established and implemented statewide initiatives that I believe will lead to measurable advancements toward these goals. The SCO began its endeavor to produce the State of California's 2021-22 ACFR in April 2023. It was our intent to publish this ACFR by December 31, 2023. However, the federal government's unanticipated decision to extend the 2022 personal and corporate income tax filing deadlines through November 16, 2023, which was also adopted by California, directly impacted the planned release date. It is important to point out that even with the unprecedented tax filing extensions, the publication time of less than 12 months from the previous ACFR represents the fastest production cycle in recent history. The SCO attributes this progress to our statewide initiatives and the significant personnel and contract resources authorized in the 2023-24 Budget Act.

The SCO will continue to work earnestly toward the goal of publishing the 2024-25 ACFR in March 2026. The SCO's statewide ACFR process improvement initiative will increase efficiencies and data quality to advance the fiscal integrity of the state into a position to support our continued economic growth. These efforts include establishing an ACFR compilation governance structure, streamlining manual processes, and optimizing technology. The SCO will build upon our work with partner agencies to provide departments the technical assistance and resources needed to accurately and timely submit their financial reports.

We recognize and appreciate the unprecedented coordination and collaboration with our key stakeholders that is necessary to achieve this goal. I extend my sincere appreciation to all state government agencies for their efforts and cooperation in submitting the information required for the ACFR. Finally, thank you to my State Accounting and Reporting Division for their commitment, dedication, and tireless efforts to complete this complex financial report.

Sincerely,

Original signed by

MALIA M. COHEN

STATE OF CALIFORNIA

Annual

Comprehensive

Financial Report

For the Fiscal Year Ended
June 30, 2022



Prepared by the office of

MALIA M. COHEN
California State Controller

Table of Contents

INTRODUCTORY SECTION

Report Overview	v
Principal Officials of the State of California	ix
Organization Chart of the State of California	x

FINANCIAL SECTION

Independent Auditor's Report	2
Management's Discussion and Analysis	7

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position	34
Statement of Activities	38

FUND FINANCIAL STATEMENTS

Balance Sheet – Governmental Funds	42
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	44
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	46
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	48
Statement of Net Position – Proprietary Funds	50
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	54
Statement of Cash Flows – Proprietary Funds	56
Statement of Fiduciary Net Position – Fiduciary Funds and Similar Component Units	60
Statement of Changes in Fiduciary Net Position – Fiduciary Funds and Similar Component Units	61

DISCRETELY PRESENTED COMPONENT UNITS FINANCIAL STATEMENTS

Statement of Net Position – Discretely Presented Component Units – Enterprise Activity	64
Statement of Activities – Discretely Presented Component Units – Enterprise Activity	66

NOTES TO THE FINANCIAL STATEMENTS

Notes to the Financial Statements – Index	67
Notes to the Financial Statements	71

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Net Pension Liability and Related Ratios – PERF and Single-Employer Plans	188
Schedule of State Pension Contributions – PERF and Single-Employer Plans	204
Schedule of the State’s Proportionate Share of Net Pension Liability and Schedule of the State’s Contributions – CalSTRS	210
Schedule of Changes in Net OPEB Liability and Related Ratios – Retiree Health Benefits Program	212
Schedule of OPEB Contributions – Retiree Health Benefits Program	226
Infrastructure Assets Using the Modified Approach	231
Budgetary Comparison Schedule – General Fund and Major Special Revenue Funds	236
Reconciliation of Budgetary Basis Fund Balances of the General Fund and Major Special Revenue Funds to GAAP Basis Fund Balances	240
Notes to the Required Supplementary Information	240

COMBINING FINANCIAL STATEMENTS AND SCHEDULES – NONMAJOR AND OTHER FUNDS

Nonmajor Governmental Funds	245
Combining Balance Sheet	248
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	252
Budgetary Comparison Schedule – Nonmajor Governmental Funds	256
Internal Service Funds	257
Combining Statement of Net Position	258
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	262
Combining Statement of Cash Flows	264
Nonmajor Enterprise Funds	269
Combining Statement of Net Position	270
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	274
Combining Statement of Cash Flows	276
Fiduciary Funds and Similar Component Units – Pension and Other Employee Benefit Trust Funds	281
Combining Statement of Fiduciary Net Position	284
Combining Statement of Changes in Fiduciary Net Position	286
Private Purpose Trust Funds	289
Combining Statement of Fiduciary Net Position	290
Combining Statement of Changes in Fiduciary Net Position	291
Investment Trust Funds	293
Combining Statement of Fiduciary Net Position	294
Combining Statement of Changes in Fiduciary Net Position	295

Nonmajor Component Units	297
Combining Statement of Net Position	298
Combining Statement of Activities	302

STATISTICAL SECTION

Financial Trends	307
Schedule of Net Position by Component	308
Schedule of Changes in Net Position	310
Schedule of Fund Balances – Governmental Funds	314
Schedule of Changes in Fund Balances – Governmental Funds	316
Revenue Capacity	319
Schedule of Revenue Base	320
Schedule of Revenue Payers by Income Level/Industry	324
Schedule of Personal Income Tax Rates	326
Debt Capacity	329
Schedule of Ratios of Outstanding Debt by Type	330
Schedule of Ratios of General Bonded Debt Outstanding	332
Schedule of General Obligation Bonds Outstanding	334
Schedule of Pledged Revenue Coverage	336
Demographic and Economic Information	339
Schedule of Demographic and Economic Indicators	340
Schedule of Employment by Industry	342
Operating Information	343
Schedule of Full-time Equivalent State Employees by Function	344
Schedule of Operating Indicators by Function	346
Schedule of Capital Asset Statistics by Function	350
Acknowledgments	354

This page intentionally left blank

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 certain components of the State's basic financial statements for the year ended June 30, 2022, 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 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, Unemployment Programs Fund, aggregate remaining fund information, business-type activities within the government-wide Statement of Net Position and Statement of Activities, and aggregate discretely presented component units.
- 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, and for governmental activities within the government-wide Statement of Net Position and Statement of Activities.

The two 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. The modified opinions are the result of ongoing financial accounting and reporting challenges experienced by one state department in administering California's unemployment insurance program.

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, 2022, and its economic performance as of and for the year ended June 30, 2023, 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 2022, 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 14.2% of the U.S. Gross Domestic Product (GDP) in 2022 and continued to rank 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 \$3.6 trillion at fiscal year-end, and, as the nation's leader in agricultural production, the State's farming operations generated over \$51.1 billion in cash receipts for the 2021 crop year. In 2022, California exported \$186.2 billion in products; its three largest export markets are Mexico (\$30.8 billion), Canada (\$20.6 billion), and China (\$18.2 billion). California's six largest exports are computer and electronic products, machinery (except electrical), chemicals, transportation equipment, miscellaneous manufactured commodities, and agricultural products. California enjoys one of the finest and most diverse collections of natural, cultural, and recreational resources in the nation. In 2022, California's travel and tourism industry generated revenues of \$134.4 billion—a 31.7% increase over the previous

year; and travel-generated state and local tax revenues of \$11.9 billion—a 21.6% increase over the previous year. The increase was primarily due to continued interest in travel following the restrictions during the COVID-19 pandemic, and increased pricing of goods and services due to inflation. Compared to the peak of 2019 before the pandemic, travel spending in 2022 was still down 7.2% and travel-generated tax revenue was down 3.0%.

Budget Outlook

Fiscal Year 2022-23

The Governor’s enacted 2022-23 Budget aspired to address many challenges facing the State of California such as soaring prices due to global inflation, and climate change. The Budget provided relief to millions of Californians, added substantial investments to address homelessness and behavioral health, invested significantly in affordable housing development, made multi-year commitments to the state’s infrastructure, included critical actions to maintain energy reliability, and continued to build budgetary reserves. The enacted Budget projected General Fund revenues of \$219.7 billion after a \$3.0 billion transfer to the Budget Stabilization Account (BSA), the State’s “rainy day” fund. Despite many challenges, California continued to move forward successfully in an uncertain economy due to sustained fiscal responsibility.

Fiscal Year 2023-24

The State enacted the 2023-24 Budget Act on June 27, 2023. Following two years of unprecedented General Fund revenue growth fueled largely by federal pandemic relief programs, California faced a projected downturn in revenues driven by a declining stock market, persistently high inflation, rising interest rates, and job losses in high-wage sectors. The Budget addresses the shortfall with balanced solutions that protect core state programs and services, and preserves investments in the programs that are essential to millions of Californians. It protects commitments to education, affordable housing, homelessness, health care, climate change, infrastructure, and public safety. The Budget refines the Governor’s proposals to accelerate construction of water, transportation, and clean energy projects, and continues to prioritize building of reserves to provide a prudent insurance policy as the faces a growing number of revenue risks and uncertainties. By the end of fiscal year 2023-24, the Budget estimates an increase in total reserves to \$37.8 billion—\$22.3 billion in the BSA, \$10.8 billion in the Public School System Stabilization Account, \$3.8 billion in the Special Fund for Economic Uncertainties, and \$900 million in the Safety Net Reserve.

The 2023-24 Budget projects General Fund revenue of \$208.7 billion (\$235.0 billion after transfers) and expenditures of \$225.9 billion. The Budget anticipates decreased revenue from personal income taxes, increased revenue from sales and use taxes, and no change in revenue from corporation taxes. Personal income taxes contribute the majority of General Fund revenue at 56.6% (\$118.2 billion), while corporation taxes contribute 20.2% (\$42.1 billion), and sales and use taxes contribute 16.0% (\$33.4 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:

- A retreating stock market, high inflation, rising interest rates, and job losses in high-wage sectors weakened the State’s revenue growth entering into fiscal year 2023-24. The 2023-24 Budget reflects a nominal increase in overall expected General Fund revenues of 1.5% from the prior year. The Budget projects that fiscal year 2023-24 personal income tax revenues will decrease from \$122.8 billion in the previous fiscal year to \$118.2 billion, sales and use tax revenues will increase from \$33.1 billion in the previous fiscal year to \$33.4 billion, and corporation tax

revenues are expected to remain consistent with the previous year at \$42.1 billion. General Fund personal income tax and sales and use tax revenues are forecasted to rise to \$141.8 billion and \$36.3 billion, respectively, in fiscal year 2026-27. Corporation tax revenues are projected to decrease to \$26.6 billion in fiscal year 2026-27. The Budget is sensitive to these tax revenue amounts such that a slump in tax revenues could impact funding levels for critical programs or necessitate use of reserve funds.

- The Consumer Price Index increased 3.0% during the year ended June 30, 2023. The food index increased 5.7%, and the shelter index increased 7.8%. The energy index decreased by 16.7% after a steep increase of 41.6% in the prior year.
- Between March 17, 2022, and July 27, 2023, the Federal Reserve Board increased interest rates by 525 basis points, which will directly impact the State's future cost of borrowing.
- The 2023 Budget Act reflects the State's commitment to addressing the unfunded pension liabilities over the long-term. The Budget includes \$1.7 billion in one-time 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 \$3.4 billion in estimated savings for the State over the next three decades. Depending on the availability of Proposition 2 funding, an additional \$1.8 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, 2022, more than \$5.1 billion was set aside in a prefunding trust fund to pay future retiree health benefits. The trust fund is expected to approach \$8.8 billion in assets by the end of fiscal year 2023-24.
- Although a number of significant wildfires burned in California in 2022, less than 364,000 acres burned. The total acreage burned was well below the 5-year average of 2.3 million acres per year. The 2023 fire season total acreage burned was lower, with approximately 325,000 acres burned. The 2022-23 Budget Act provided for the continued building of forest and wildfire resilience statewide and fire protection operational enhancements to expand the state's wildfire response capacity. The 2023-24 Budget Act includes investments in restoring forest and wildland health to continue to reduce the risk of catastrophic wildfires.
- Despite three consecutive years of drought conditions, California experienced record flooding due to a series of atmospheric river storms during December 2022 and January 2023. The 2023-24 Budget Act maintains a total of \$8.1 billion of investments committed in the 2021 and 2022 Budget Acts over multiple years to enhance the state's capacity to withstand droughts and floods.
- Approval of the Governor's streamlining proposals has strengthened California's ability to secure federal infrastructure funds that will accelerate the construction of transportation, water, and clean energy projects to advance the state's ambitious economic, climate, and social goals. Over the next ten years, California has the potential to invest as much as \$180.0 billion in infrastructure projects that would create an estimated 400,000 direct and indirect jobs.

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

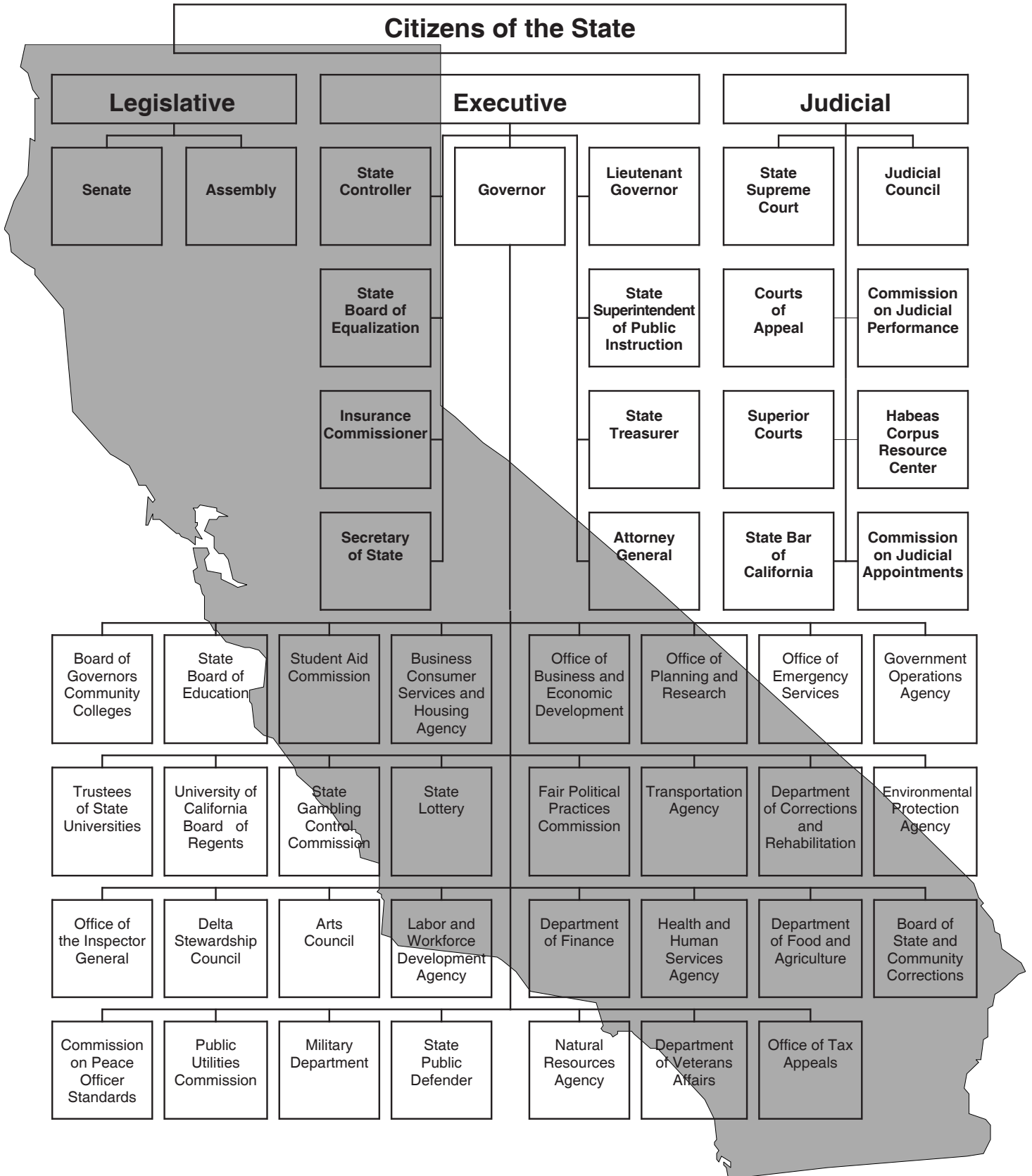
Mike McGuire
President pro Tempore, Senate

Robert Rivas
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

Qualified and Unmodified Opinions

We have audited 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, 2022, 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.

Summary of Opinions

<u>OPINION UNIT</u>	<u>TYPE OF OPINION</u>
Governmental Activities.....	.....Qualified
Business-Type Activities.....	.....Unmodified
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.....	.....Unmodified
California State University Fund.....	.....Unmodified
Aggregate Remaining Fund Information.....	.....Unmodified

Qualified Opinions on Governmental Activities and the Federal Fund

In our opinion, except for the possible effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of Governmental Activities and the Federal Fund of the State of California, as of June 30, 2022, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Each of the Other Opinion Units

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 business-type activities, aggregate discretely presented component units, each major fund except for the Federal Fund, and the aggregate remaining fund information of the State of California, as of June 30, 2022, 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.

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 82 percent of the assets and deferred outflows, and 59 percent of the revenues of the business-type activities.
- The University of California and the California Housing Finance Agency that represent 92 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 87 percent of the assets and deferred outflows, and less than 1 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.

Basis for Qualified and Unmodified Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. 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 represents 13 percent of university's total assets and deferred outflows, and 5 percent of its revenues, were not audited in accordance with *Government Auditing Standards*.

We are required to be independent of the State of California, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence

we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

Matter Giving Rise to the Qualified Opinions on Governmental Activities and the Federal Fund

The Employment Development Department had inadequate internal control over its financial reporting for federally funded unemployment insurance (UI) benefits, including not properly estimating the total population of ineligible payments. As a result, the department was unable to provide complete and accurate information for certain accounts within the federally funded portion of its UI program. We were therefore unable to obtain sufficient and appropriate audit evidence to conclude that the department's balances representing 100 percent of Other Liabilities, 11 percent of Intergovernmental Revenues, and 12 percent of Health and Human Services Expenditures within the Federal Fund are free from material misstatement.

The issues pertaining to the Federal Fund also affect the Governmental Activities. Therefore, we were unable to obtain sufficient and appropriate audit evidence about the Federal Fund balances that represent 99 percent of Other Current Liabilities, 12 percent of Health and Human Services Revenues, and 8 percent of Health and Human Services Expenses within Governmental Activities.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2022, the State of California implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, and restated the beginning balances for its effect. Our opinions are not modified with respect to this matter.

As described in Note 1 to the financial statements, in 2022, the State of California restated the beginning net position of the Unemployment Programs Fund to correct a prior year misstatement. Our opinions are not modified with respect to this matter.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the State of California's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud

may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 State of California's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State of California's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 is the responsibility of management and, 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.

Supplementary 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 combining financial statements and schedules of nonmajor and other funds are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures by us and other auditors, 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. In our opinion, based on our audit and the report of the 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2024, 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



LINUS LI, CPA
Deputy State Auditor
Sacramento, California

March 8, 2024

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, 2022. We encourage readers to consider the information that we present here in conjunction with the information presented in the Controller's transmittal letter at the front of this report and in the State's financial statements and notes, which follow this section.

Financial Highlights – Primary Government

Government-wide Highlights

In the wake of the pandemic, California's priorities shifted from emergency response to economic resurgence going into fiscal year 2021-22. Circumstances during the previous year brought several of the less attended programmatic needs for the State to the forefront such as increasing disaster preparedness, expanding access to broadband infrastructure, addressing the homelessness crisis, and rebalancing the State's unemployment insurance program. As its coffers were filled with substantial inflows of federal funding through the CARES Act and the American Rescue Plan Act, and higher than anticipated tax revenues in spite of purported economic impediments, California ended the previous fiscal year with a fund balance of \$74.1 billion and cash and pooled investments of \$63.9 billion in the General Fund. Fiscal year 2021-22 presented a couple new challenges – managing spending levels to circumspectly tackle the State's many novel priorities while maintaining a watchful eye on future revenue projections still marked with uncertainty and volatility, and mitigating the onset of inflationary pressures that could impact both revenue and expenditure levels. For fiscal year 2021-22, General revenues, comprised primarily of taxes, showed continued growth with an increase of \$6.6 billion (2.9%), a residual of the unexpected significant increase of \$48.7 billion (27.2%) in general revenues recorded for fiscal year 2020-21. The increase in general revenues for both fiscal years is attributed to substantial tax collections from high-income Californians who experienced favorable 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 decreased by \$72.0 billion (14.5%) and were less than total revenues received, resulting in an \$18.8 billion increase in the governmental activities' net position, as restated. Total revenues and transfers for the State's business-type activities also exceeded expenses, resulting in a \$3.3 billion increase in the business-type activities' net position, as restated, for fiscal year 2021-22.

Net Position – Activity for fiscal year 2021-22 reflects a combined \$22.1 billion increase in the primary government's net position. Beginning net position included significant restatements related to the State's unemployment programs, which resulted in a decrease in the beginning net position of governmental activities of \$47.0 billion, and an increase in beginning net position of business-type activities of \$19.8 billion. Beginning net position was also restated as a result of implementing GASB Statement No. 87, *Leases*, which established a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The impact on the primary government's beginning net position as a result of this implementation was an increase of \$360 million. See Note 1 for additional details related to restatements.

The primary government ended fiscal year 2021-22 with a deficit net position of \$54.7 billion, an increase of \$22.1 billion (28.8%) from the previous year, as restated. The total deficit net position is

reduced by \$129.2 billion for net investment in capital assets and by \$71.1 billion for restricted net position, yielding a negative unrestricted net position of \$255.1 billion. Restricted net position is dedicated for specified uses and is not available to fund current activities. More than 60.4%, or \$154.0 billion, of the negative \$255.1 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 \$64.6 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, 2022, the primary government's governmental funds reported a combined ending fund balance of \$68.6 billion, which was an increase of \$7.2 billion over the prior fiscal year fund balance, as restated. The unrestricted fund balance, comprised of committed, assigned, and unassigned balances, was \$5.2 billion, a decrease of \$54.5 billion from the prior fiscal year unrestricted fund balance of \$59.7 billion. The nonspendable and restricted fund balances were \$3.0 billion and \$60.4 billion, respectively.

Proprietary Funds – As of June 30, 2022, the primary government's proprietary funds reported a combined ending deficit net position of \$20.8 billion, an increase of \$3.6 billion from the prior fiscal year, as restated. The total net position is reduced by \$4.1 billion for net investment in capital assets, expendable restrictions of \$10.7 billion, and nonexpendable restrictions of \$2 million, yielding a negative unrestricted net position of \$35.6 billion.

Noncurrent Assets and Liabilities

As of June 30, 2022, the primary government's noncurrent assets totaled \$187.0 billion, of which \$165.6 billion is related to capital assets. State highway infrastructure assets of \$82.0 billion represent the largest portion of the State's capital assets, while buildings and other depreciable property are the second largest portion with a total of \$56.1 billion.

The primary government's noncurrent liabilities totaled \$272.7 billion, which consists of \$154.0 billion in unfunded employee-related future obligations, \$73.5 billion in general obligation bonds, \$30.2 billion in revenue bonds, and \$15.0 billion in other noncurrent liabilities. During fiscal year 2021-22, the primary government's noncurrent liabilities decreased by \$56.8 billion (17.2%) from the previously reported noncurrent liabilities. The net decrease in noncurrent liabilities is driven by a decrease of \$40.1 billion in net pension liability, and a decrease of \$19.8 billion in loans payable due to the aforementioned restatement.

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 \$22.1 billion (28.8%), from a negative \$76.9 billion, as restated, to a negative \$54.7 billion at June 30, 2022. As previously mentioned, the net position at the beginning of fiscal year 2021-22 was restated as a result of the implementation of GASB Statement No. 87, and there were significant restatements to the Federal Fund and Unemployment Programs Fund due to error corrections in accounting for the State's unemployment programs.

The primary government’s \$129.2 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 \$71.1 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, 2022, the primary government’s combined unrestricted deficit net position was \$255.1 billion—\$221.9 billion for governmental activities and \$33.2 billion for business-type activities.

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, 2022 and 2021

(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
ASSETS						
Current and other assets	\$ 272,237	\$ 232,590	\$ 30,040	\$ 28,979	\$ 302,277	\$ 261,569
Capital assets	148,939	142,535	16,646	15,358	165,585	157,893
Total assets	421,176	375,125	46,686	44,337	467,862	419,462
DEFERRED OUTFLOWS OF RESOURCES						
Total assets and deferred outflows of resources	29,093	26,921	3,778	3,598	32,871	30,519
LIABILITIES						
Noncurrent liabilities	\$ 233,183	\$ 267,265	\$ 39,470	\$ 62,207	\$ 272,653	\$ 329,472
Other liabilities	202,779	127,774	22,722	23,565	225,501	151,339
Total liabilities	435,962	395,039	62,192	85,772	498,154	480,811
DEFERRED INFLOWS OF RESOURCES						
Total liabilities and deferred inflows of resources	49,826	14,327	7,501	4,500	57,327	18,827
NET POSITION						
Net investment in capital assets	125,863	120,745	3,341	2,678	129,204	123,423
Restricted	60,482	46,363	10,642	7,653	71,124	54,016
Unrestricted	(221,864)	(174,428)	(33,212)	(52,668)	(255,076)	(227,096)
Total net position (deficit)	(35,519)	(7,320)	(19,229)	(42,337)	(54,748)	(49,657)
Total liabilities, deferred inflows of resources, and net position	\$ 450,269	\$ 402,046	\$ 50,464	\$ 47,935	\$ 500,733	\$ 449,981

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

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, 2022, the primary government

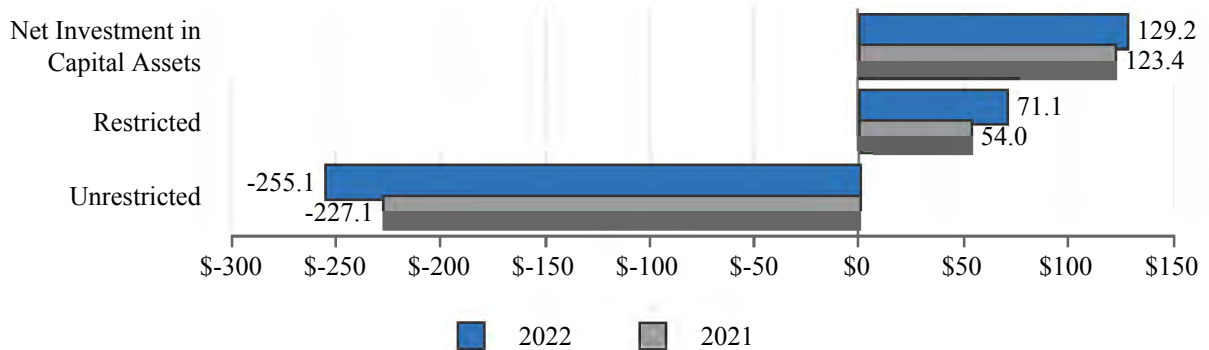
recognized \$154.0 billion (60.4% of the \$255.1 billion unrestricted net deficit) in unfunded employee-related obligations—net pension liability, net OPEB liability, and compensated absences. In addition, the primary government recognized \$64.6 billion in outstanding bonded debt issued to build capital 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.

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

Chart 1

Net Position – Primary Government – Two-year Comparison

June 30, 2022 and 2021
(amounts in billions)



Changes in Net Position

The expenses of the primary government totaled \$455.3 billion for the fiscal year ended June 30, 2022. Of this amount, \$242.8 billion (53.3%) was funded with program revenues (charges for services or program-specific grants and contributions), leaving a negative \$212.5 billion to be funded with general revenues (mainly taxes). The primary government's general revenues of \$234.6 billion were greater than the unfunded expenses. As a result, the total net position, as restated, increased by \$22.1 billion, or 28.8%.

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, 2022 and 2021

(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
REVENUES						
Program Revenues:						
Charges for services	\$ 36,222	\$ 35,355	\$ 29,967	\$ 37,327	\$ 66,189	\$ 72,682
Operating grants and contributions	170,663	268,258	4,010	3,103	174,673	271,361
Capital grants and contributions	1,895	1,847	—	—	1,895	1,847
General Revenues:						
Taxes	233,194	227,301	—	—	233,194	227,301
Investment and interest	789	140	—	—	789	140
Miscellaneous	660	640	—	—	660	640
Total revenues	443,423	533,541	33,977	40,430	477,400	573,971
EXPENSES						
Program Expenses:						
General government	38,760	30,605	—	—	38,760	30,605
Education	108,451	101,570	—	—	108,451	101,570
Health and human services	216,232	311,926	—	—	216,232	311,926
Natural resources and environmental protection	12,503	9,923	—	—	12,503	9,923
Business, consumer services, and housing	7,364	2,947	—	—	7,364	2,947
Transportation	15,793	18,120	—	—	15,793	18,120
Corrections and rehabilitation	16,526	14,185	—	—	16,526	14,185
Interest on long-term debt	3,508	3,504	—	—	3,508	3,504
Electric Power	—	—	36	290	36	290
Water Resources	—	—	1,233	1,157	1,233	1,157
State Lottery	—	—	8,885	8,453	8,885	8,453
Unemployment Programs	—	—	14,966	55,737	14,966	55,737
California State University	—	—	10,778	10,391	10,778	10,391
Other enterprise programs	—	—	271	209	271	209
Total expenses	419,137	492,780	36,169	76,237	455,306	569,017
Excess (deficiency) before transfers	24,286	40,761	(2,192)	(35,807)	22,094	4,954
Gain on early extinguishment of debt	12	—	—	—	12	—
Transfers	(5,466)	(3,852)	5,466	3,852	—	—
Change in net position	18,832	36,909	3,274	(31,955)	22,106	4,954
Net position (deficit), beginning	(54,350) *	(44,230) *	(22,504) *	(10,381) *	(76,854)	(54,611)
Net position (deficit), ending	\$ (35,518)	\$ (7,321)	\$ (19,230)	\$ (42,336)	\$ (54,748)	\$ (49,657)

*Restated

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

Governmental Activities

During fiscal year 2021-22, governmental activities' expenses and transfers totaled \$424.6 billion. Program revenues totaling \$208.8 billion, including \$172.6 billion in federal grants and contributions, funded 49.2% of expenses and transfers, leaving \$215.8 billion to be funded with general revenues (mainly taxes). General revenues for governmental activities (\$234.6 billion) exceeded net unfunded expenses and transfers, resulting in the governmental activities' deficit net position of \$35.5 billion, after restatement, as of June 30, 2022, an improvement of \$18.8 billion (34.7%) over the prior year's restated deficit net position of \$54.3 billion.

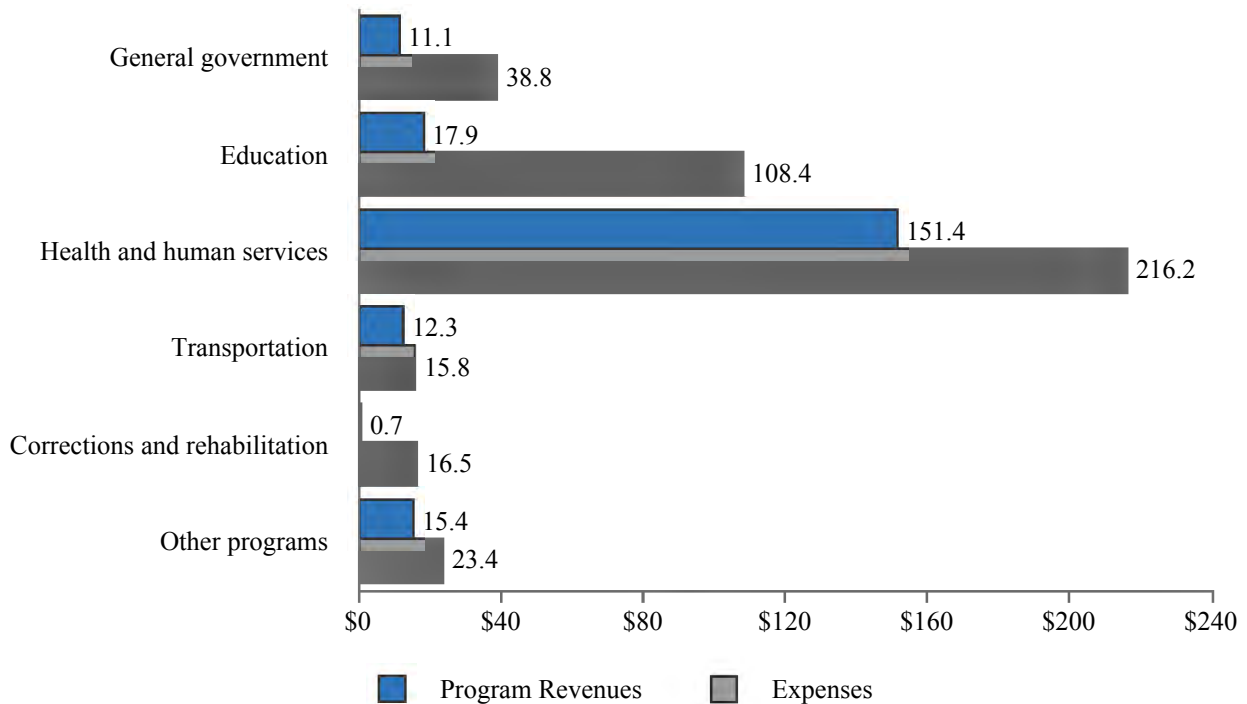
Chart 2 presents a comparison of governmental activities' expenses to related revenue by program.

Chart 2

Program Revenues and Expenses – Governmental Activities

Year ended June 30, 2022

(amounts in billions)



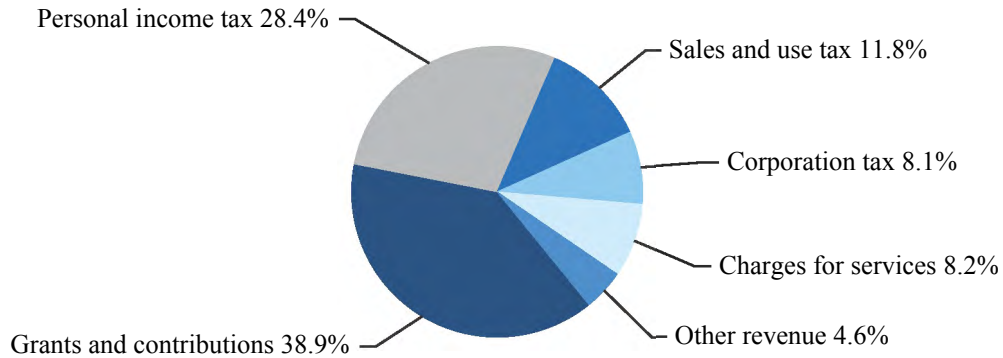
For the fiscal year ended June 30, 2022, total governmental activities' revenue was \$443.4 billion, a decrease of 16.9% from the prior year. General revenues increased by \$6.6 billion (2.9%), to \$234.6 billion, and program revenues decreased by \$96.7 billion (31.7%), to \$208.8 billion. Corporation taxes continued to surge, increasing by \$3.7 billion (11.7%) over the prior year due to growth in retail sales and corporate investment earnings. Sales and use taxes increased by \$6.4 billion (14.0%) from the prior year due to the collection of deferred payments granted during the last quarter of fiscal year 2021-22 for relief from the COVID-19 pandemic. Personal income taxes decreased by \$6.0 billion (4.5%) from the prior year in fiscal year 2021-22, compared to an increase of \$23.7 billion (21.9%) for fiscal year 2020-21. The decrease occurred despite an improving and overall positive job market. This

could be attributed in part to a slump in employee compensation levels due to the economic uncertainty of the pandemic, and significantly less corporate initial public offerings (IPOs) to fuel individual investment earnings.

Chart 3 presents the percentage of total revenues by source for each governmental activities program.

Chart 3

Revenues by Source
Year ended June 30, 2022
(as a percent)

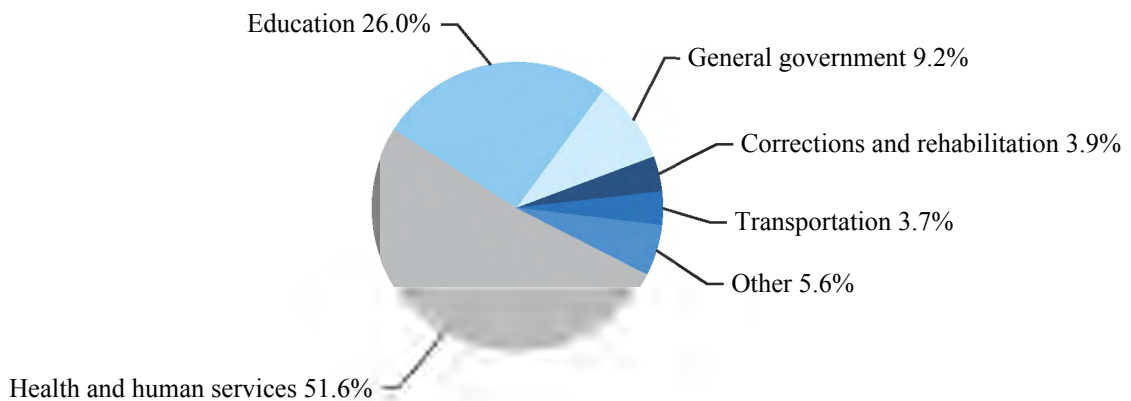


Overall, expenses for governmental activities decreased by \$73.6 billion (14.9%) from the prior year. The largest decrease in expenditures, \$95.7 billion (30.7%), occurred in health and human services programs. In the prior year, the Department of Health Care Services and the Employment Development Department, in administering the California Medical Assistance (Medi-Cal) program and unemployment benefit programs, respectively, received significant assistance under the CARES act to support California’s recovery from the COVID-19 recession and thereby incurred a spike in program expenditures. In the current year, the level of activity was greatly reduced.

Chart 4 presents the percentage of total expenses for each governmental activities program.

Chart 4

Expenses by Program
Year ended June 30, 2022
(as a percent)



Business-type Activities

As of June 30, 2022, business-type activities' expenses totaled \$36.2 billion. Program revenues of \$34.0 billion, primarily generated from charges for services, and \$5.5 billion in transfers, exceeded business-type activities expenses. As a result, the business-type activities' total deficit net position improved by \$3.3 billion over the prior year's restated deficit net position of \$22.5 billion, to a net deficit of \$19.2 billion at June 30, 2022. Business-type activities' expenses for fiscal year 2021-22 decreased by \$40.1 billion from the prior year total of \$76.2 billion due to a significant reduction in unemployment benefit expenses.

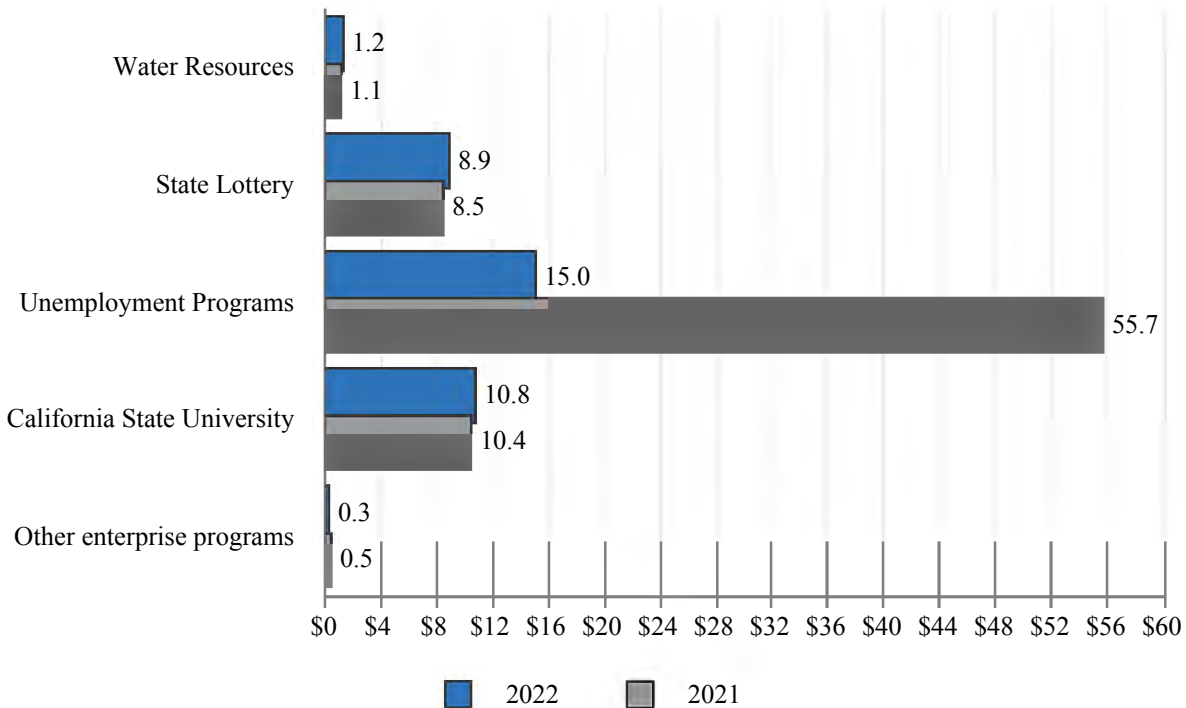
Chart 5 presents a two-year comparison of the expenses of the State's business-type activities.

Chart 5

Expenses – Business-type Activities – Two-year Comparison

Years ended June 30, 2022 and 2021

(amounts in billions)



Fund Financial Analysis

The financial position of the State's governmental funds improved in fiscal year 2021-22, with a combined fund balance increase of \$7.2 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) had a net increase during the fiscal year. The proprietary funds' total net position increased by \$3.6 billion during fiscal year 2021-22—comprised of a \$3.3 billion increase for enterprise funds, as well as a \$302 million increase for internal service funds. The increase in the enterprise funds' net position is attributable to a

net position increase of \$1.6 billion for the California State University driven largely by subsidies, and a net position increase of \$1.3 billion in the Unemployment Programs Fund to improve to a deficit balance of \$11.7 billion. The deficit net position for Unemployment Programs is due to the programs' inability to confirm eligibility for revenue sources associated with certain claims payments, beginning in previous fiscal years.

Governmental Funds

As of June 30, 2022, the governmental funds' balance sheet reported \$288.6 billion in assets, \$220.0 billion in liabilities and deferred inflows of resources, and fund balances totaling \$68.6 billion. Total assets of governmental funds increased by 11.2%, while total liabilities and deferred inflows of resources increased by 45.9%, which still yielded a net fund balance increase of \$7.2 billion (11.7%) above the prior year's restated balance.

Within the governmental funds' total fund balance, \$3.0 billion is classified as nonspendable, as this amount consists of long-term interfund receivables, loans receivable, and legal or contractual requirements. Another \$60.4 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, \$16.9 billion of the total fund balance is classified as committed for specific purposes and \$7.4 billion is classified as assigned for specific purposes. The remaining unassigned balance of the governmental funds is deficit \$19.1 billion — \$63.0 billion less than the unassigned balance from the prior fiscal year.

The Statement of Revenues, Expenditures, and Changes in Fund Balances of the governmental funds reported \$443.9 billion in revenues, \$445.4 billion in expenditures, and \$8.6 billion in net receipts from other financing sources. The ending fund balance of the governmental funds for the fiscal year ended June 30, 2022, was \$68.6 billion, a \$7.2 billion increase over the prior year's restated ending fund balance of \$61.4 billion.

Governmental funds' revenue consists primarily of taxes (52.5%) and intergovernmental revenue (39.4%). Personal income taxes accounted for 54.0% of tax revenues and decreased by \$6.2 billion from the prior fiscal year. Sales and use taxes accounted for 22.5% of tax revenues and increased by \$6.4 billion over the prior fiscal year. Corporation taxes accounted for 15.4% of tax revenues and increased by \$3.7 billion over the prior fiscal year. Intergovernmental revenue, primarily from the federal government, plummeted by \$97.6 billion (35.8%) from the prior fiscal year as funding from the American Rescue Plan Act was exhausted.

Governmental funds' expenditures decreased by \$53.6 billion (10.7%) from the prior fiscal year. The decrease includes a decline in health and human services expenditures of \$94.9 billion (30.5%) due to a reduction in Medi-Cal spending from pandemic levels. The overall decrease in governmental funds' expenditures also consists of an increase in education expenditures of \$11.8 billion (11.8%) 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 2021-22.

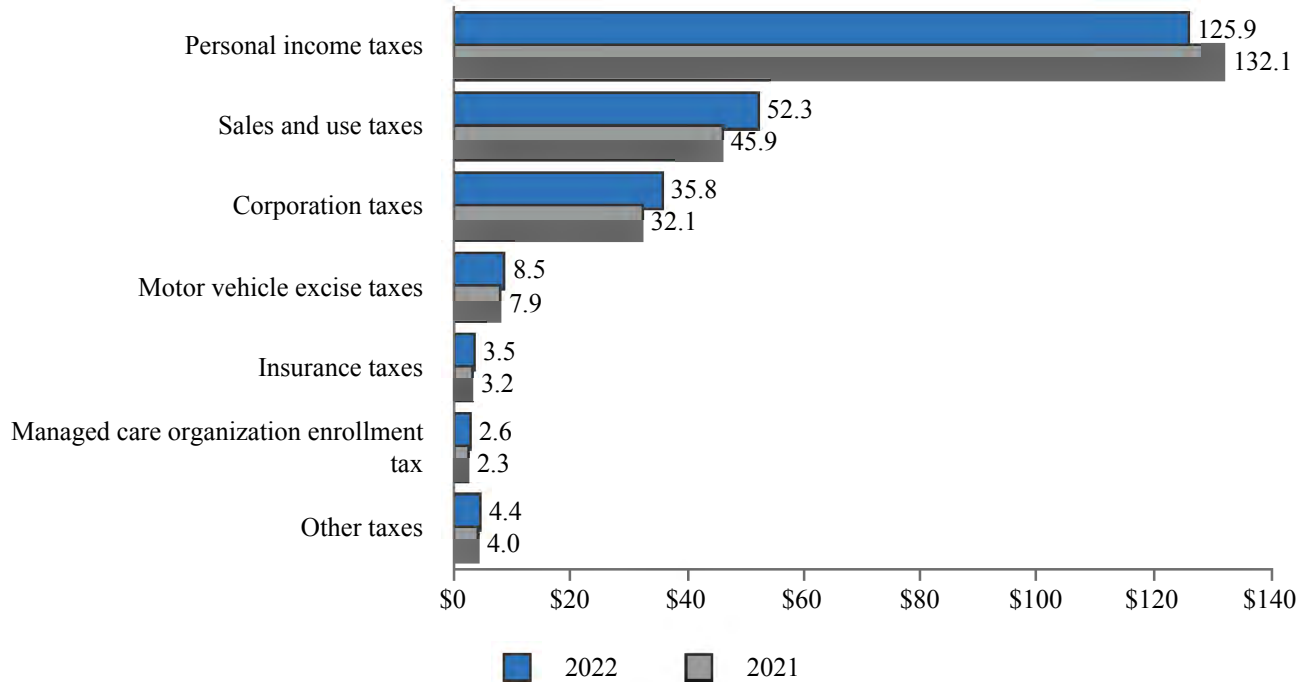
Chart 6 presents a two-year comparison of governmental funds' tax revenues.

Chart 6

Governmental Funds Tax Revenue – Two-year Comparison

Years ended June 30, 2022 and 2021

(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 \$74.0 billion, a decrease of \$93 million over the prior year's fund balance. The Federal Fund ended the year with a negative fund balance of \$54.7 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 \$10.2 billion, \$17.6 billion, and \$1.8 billion, respectively. The nonmajor governmental funds ended the fiscal year with a combined fund balance of \$19.7 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 \$168.5 billion; liabilities and deferred inflows of resources of \$94.4 billion; and nonspendable, restricted, committed, and assigned fund balances of \$3.0 billion, \$23.3 billion, \$4.0 billion, and \$7.3 billion, respectively. This left the General Fund with an unassigned fund balance of \$36.5 billion, a decrease of \$16.2 billion over the prior year. Total assets of the General Fund increased by \$40.7 billion (31.9%) over the prior fiscal year, and total liabilities and deferred inflows of resources increased by \$40.8 billion (76.2%) over the prior year.

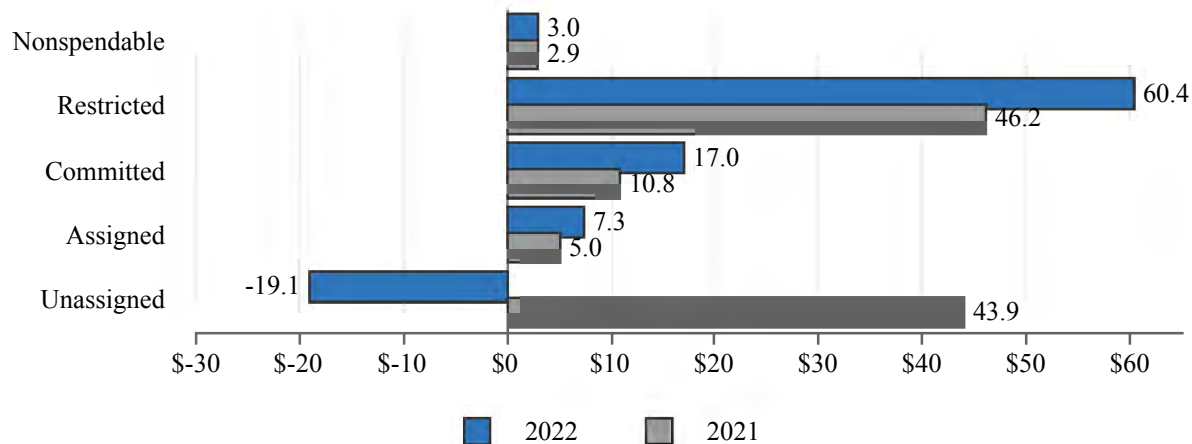
Chart 7 presents a two-year comparison of the components of the governmental funds' balance.

Chart 7

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

Years ended June 30, 2022 and 2021

(amounts in billions)



As shown on the Statement of Revenue, Expenditures, and Changes in Fund Balances, General Fund revenues exceeded expenditures by \$8.1 billion (\$199.2 billion in revenues and \$191.1 billion in expenditures). Approximately \$192.0 billion (96.4%) of General Fund revenue is derived from the State’s largest three taxes—personal income taxes (\$123.3 billion), corporation taxes (\$35.8 billion), and the sales and use taxes (\$32.8 billion). A total of \$498 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 2021-22, total General Fund revenue increased by \$2.2 billion (1.1%), attributable primarily to increases of corporation taxes and sales and use taxes of \$3.7 billion and \$3.7 billion, respectively. General Fund expenditures increased by \$44.7 billion (30.6%). The largest components of the expenditure increase were education and health and human services, which rose by \$21.2 billion and \$4.9 billion, respectively. The General Fund ended the fiscal year with a fund balance of \$74.0 billion, a decrease of \$93 million over the prior year’s restated ending fund balance of \$74.1 billion. The General Fund’s ending fund balance includes \$20.3 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, including Medi-Cal and unemployment programs, which accounted for \$138.2 billion (81.1%) of the total \$170.4 billion in fund expenditures. Education and general government programs also constituted \$18.0 billion (10.6%) and \$4.3 billion (2.5%) of the fund’s expenditures, respectively. The Federal Fund’s revenues decreased by \$97.5 billion from the prior year, while expenditures and transfers had a combined decrease of

\$105.1 billion, and resulted in a \$1.2 billion improvement over the prior year's ending deficit fund balance of \$55.9 billion, to a \$54.7 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 \$727 million (4.5%) and its expenditures increased by \$389 million (2.4%), 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 \$156 million. The Transportation Fund ended the fiscal year with a \$10.2 billion fund balance, an increase of \$383 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 \$1.7 billion (22.9%), and expenditures increased by \$79 million (0.9%) 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 \$2.4 billion, mainly from bond proceeds, including those sold under Proposition 68. The Environmental and Natural Resources Fund ended the fiscal year with a \$17.6 billion fund balance, an increase of \$2.8 billion (18.8%) over the prior year.

Health Care Related Programs Fund: The Health Care Related Programs Fund accounts for fees, taxes, intergovernmental revenue, bond proceeds, transfers from other state funds, and other revenue used for the Medi-Cal program, medical research, and other health care-related programs. The Health Care Related Programs Fund's revenues decreased by \$350 million (3.5%), and expenditures decreased by \$304 million (3.0%). Other financing sources provided net receipts of \$221 million. The Health Care Related Programs Fund ended the fiscal year with a \$1.8 billion fund balance, a decrease of \$164 million from the prior year.

Proprietary Funds

Enterprise Funds: The total deficit net position of the enterprise funds at June 30, 2022, was \$19.2 billion—a \$3.3 billion improvement from the prior year's restated deficit net position of \$22.5 billion. The largest portion of the net increase in net position was in the California State University Fund and totaled \$1.6 billion. The Unemployment Programs Fund accounted for \$1.3 billion of the net increase, ending the fiscal year with a deficit net position of \$11.7 billion. The net position of nonmajor enterprise funds increased by \$258 million, while the net position of the State Lottery Fund decreased by \$100 million.

As shown on the proprietary funds' Statement of Net Position, total assets and deferred outflows of resources for the enterprise funds were \$51.2 billion as of June 30, 2022. Of this amount, current assets totaled \$16.2 billion, noncurrent assets totaled \$31.2 billion, and deferred outflows of resources totaled \$3.8 billion. The total liabilities and deferred inflows of resources for the enterprise funds was \$70.4 billion. One of the largest liabilities of the enterprise funds is \$18.2 billion due to other governments, \$17.9 billion of which represents the balance in the Unemployment Programs Fund for which the program was unable to confirm eligibility for revenue sources associated with certain claims payments. As of June 30, 2022, the Unemployment Programs Fund also reported a balance on deposit with the U.S. Treasury of \$480 million, funds used to pay unemployment claims during the pandemic. Other noteworthy cumulative liabilities of the enterprise funds include a net OPEB liability of \$16.9 billion and \$13.9 billion in revenue bonds payable, including the current portion.

Total net position for enterprise funds consisted of four segments: net investment in capital assets of \$3.3 billion, nonexpendable restricted net position of \$2 million, restricted expendable net position of \$10.6 billion, and unrestricted net deficit of \$33.2 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 \$29.9 billion, operating expenses of \$33.4 billion, and net revenues from other transactions and transfers of \$6.8 billion. The largest sources of operating revenues were unemployment and disability insurance receipts of \$16.3 billion in the Unemployment Programs Fund, and lottery ticket sales of \$8.9 billion collected by the State Lottery Fund. Unemployment and disability insurance receipts in the Unemployment Programs Fund were \$7.6 billion (31.9%) less than the prior fiscal year. The largest operating expenses were distributions to beneficiaries of \$14.9 billion reported in the Unemployment Programs Fund, personal services expenses of \$6.1 billion reported in the California State University Fund, and lottery prizes of \$5.8 billion distributed by the State Lottery Fund.

Internal Service Funds: The total net deficit of the internal service funds was \$1.6 billion as of June 30, 2022. The net position consists of three segments: net investment in capital assets of \$705 million, restricted expendable net position of \$99 million, and unrestricted deficit net position of \$2.4 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 \$778.8 billion. The private purpose trust funds ended the fiscal year with a net position of \$12.6 billion. The investment trust funds ended the fiscal year with a net position of \$35.8 billion. The custodial fund ended the fiscal year with a net position of \$690 million.

For the fiscal year ended June 30, 2022, the fiduciary funds' combined net position was \$827.9 billion, a \$52.9 billion decrease from the prior year net position. The net position decreased primarily due to payments made to participants which exceeded the contributions received and investment income earned in pension and other employee benefit trust funds.

General Fund Budget Highlights

The original General Fund budget of \$168.6 billion was increased by \$48.3 billion during fiscal year 2021-22. This increase is primarily attributed to additional funding for education, health and human services, and other general government.

Education increased due to an increase in guaranteed minimum funding levels for K-12 schools and community colleges under Proposition 98.

The increase in health & human services is due to increased funding for home and community-based services made available by the American Rescue Plan Act, and additional allocations to children's behavioral health.

Other general government increased due to the one-time Golden State Stimulus II Tax Refund 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, 2022

(amounts in millions)

	Original	Final	Increase/ (Decrease)
Budgeted amounts			
Business, consumer services, and housing	\$ 1,114	\$ 1,158	\$ 44
Transportation	1,303	3,028	1,725
Natural resources and environmental protection	8,855	9,816	961
Health and human services	50,630	56,204	5,574
Corrections and rehabilitation	13,833	14,262	429
Education	68,498	107,428	38,930
General government:			
Tax relief	393	415	22
Debt service	6,188	4,718	(1,470)
Other general government	17,834	19,966	2,132
Total	\$ 168,648	\$ 216,995	\$ 48,347

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2022, the State's investment in capital assets for its governmental and business-type activities amounted to \$165.6 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, 2022, the State's capital assets increased by \$7.7 billion, or 4.9% over the prior fiscal year. The majority of the increase is attributed to right to use leased assets of \$3.3 billion due to the implementation of GASB Statement No. 87, Leases, as well as net additions to buildings and other depreciable property of \$2.9 billion. Additional information on the State's capital assets can be found in Note 6.

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, 2022 and 2021

(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 21,699	\$ 21,547	\$ 448	\$ 423	\$ 22,147	\$ 21,970
State highway infrastructure	81,997	81,019	—	—	81,997	81,019
Collections – nondepreciable	23	23	35	34	58	57
Buildings and other						
depreciable property	35,948	34,249	20,114	18,914	56,062	53,163
Intangible assets – amortizable	3,129	2,937	497	458	3,626	3,395
Right to use leased assets	2,953	—	386	—	3,339	—
Less: accumulated						
depreciation/amortization	(18,875)	(17,947)	(8,170)	(7,564)	(27,045)	(25,511)
Construction/development in progress	20,917	19,783	3,210	2,969	24,127	22,752
Intangible assets – nonamortizable	1,148	924	126	124	1,274	1,048
Total	\$ 148,939	\$ 142,535	\$ 16,646	\$ 15,358	\$ 165,585	\$ 157,893

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 2021-22, the actual amount spent on preservation was 51.8% of the estimated budgeted amount needed to maintain the infrastructure assets at established condition levels. Although the amount spent fell short of the budgeted amount, the assessed condition of the State’s bridges and roadways is better than the established condition baselines, with 94.1% of bridge deck area judged to be of fair or better quality and 86.1% of lane miles judged to be of fair or better quality in the last completed pavement-condition survey. The State is responsible for maintaining 13,055 bridges and tunnels and 50,182 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, 2022, the State had total bonded debt outstanding of \$109.5 billion. Of this amount, \$77.9 billion (71.2%) 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 \$73.5 billion. The remaining \$31.6 billion (28.8%) of bonded debt outstanding represents revenue bonds, which are secured solely by specified revenue sources. The current portion of revenue bonds outstanding is \$1.4 billion and the long-term portion is \$30.2 billion.

During the fiscal year, the State issued a total of \$6.6 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, 2022 and 2021

(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Government-wide noncurrent liabilities						
General obligation bonds	\$ 72,977	\$ 74,088	\$ 533	\$ 551	\$ 73,510	\$ 74,639
Revenue bonds payable	16,310	15,144	13,858	13,411	30,168	28,555
Total bonded debt	89,287	89,232	14,391	13,962	103,678	103,194
Net pension liability	47,921	84,713	6,248	9,543	54,169	94,256
Net other postemployment benefits liability	77,369	76,992	16,914	16,960	94,283	93,952
Mandated cost claims payable	1,923	2,044	—	—	1,923	2,044
Loans payable	40	46	—	19,769	40	19,815
Compensated absences payable	5,225	5,384	287	374	5,512	5,758
Workers' compensation benefits payable	4,909	4,416	15	13	4,924	4,429
Lease liability	2,091	316	300	316	2,391	632
Commercial paper	1,449	1,176	307	401	1,756	1,577
Other noncurrent liabilities	2,968	2,945	1,009	870	3,977	3,815
Total noncurrent liabilities	233,182	267,264	39,471	62,208	272,653	329,472
Current portion of long-term obligations	6,475	6,113	1,769	2,576	8,244	8,689
Total long-term obligations	\$ 239,657	\$ 273,377	\$ 41,240	\$ 64,784	\$ 280,897	\$ 338,161

During the fiscal year ended June 30, 2022, the primary government's total long-term obligations decreased by \$57.3 billion from the prior year's balance. The largest decrease in long-term obligations during the fiscal year was a \$40.1 billion decrease in net pension liability resulting from an increase in pension plan net investment income. Another notable decrease included \$19.8 billion in loans payable due to a prior period adjustment to the Unemployment Program Funds. Significant increases included \$1.6 billion in revenue bonds payable, as well as \$1.8 billion in lease liability due to the implementation of GASB Statement No. 87.

Note 9, Long-term Obligations, and Notes 10 through 17 include additional information on the State's long-term obligations.

During the year ended June 30, 2022, 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, 2022

As California's economy experienced rapid expansion during the 2021-22 fiscal year spurred by pandemic-related federal stimulus, evidence began to mount that this economic expansion was unsustainable. Businesses were strained to meet surging customer demand amid global supply chain challenges, and as a result, the state experienced a one-year rise in consumer prices that was the highest in four decades. At a lofty 6.6%, the consumer price index in California nearly tripled the prior year inflation rate, and lagged slightly behind the national average of 7.2%. The Federal Reserve Board – tasked with maintaining stable price growth – enacted large interest rate increases during the fiscal year in efforts to cool the economy and slow inflation. After two years of stable, record low federal funds interest rates plateauing around 0.2%, the Federal Reserve Board raised rates by 150 basis points between March and June 2022, which was a mere foretaste of things to come. Higher interest rates dampen economic activity by increasing borrowing costs for home buyers, consumers, and businesses, as well as depressing the value of riskier assets like stocks. The impacts of these interest rate hikes were readily apparent in certain other economic indicators during the year.

As of June 2022, California's real gross domestic product (GDP) had reached \$3.6 trillion, an increase of 7.5% during fiscal year 2021-22, compared to growth of 17.7% during the 2020-21 fiscal year to \$3.4 trillion. California's economic growth slowed but did not trail far behind that of the United States GDP, which increased by 9.7% during fiscal year 2021-22.

The California real estate market felt a downshift in June 2022 as housing demands slowed with the rise of interest rates. In keeping with the trend of inflation, the median price of homes in California continued to rise to another record high of \$858,000 as of June 2022, an additional increase of 4.7% on top of the prior year's explosive growth, for a total increase of 37.0% over a two-year span. The national median home price increased by 11.3% to \$413,800. The housing market saw 30-year fixed mortgage rates rise to an average of 5.52% in June 2022, compared to 2.98% in June 2021. This impacted sales of existing single-family homes, which were down 20.9% from the prior year at June 30, 2022. New active listings surged by 64.0%, the largest year-over-year growth in more than seven years. New California privately owned residential units increased during the 2021-22 fiscal year by approximately 16,127 units. Despite the dampening of the housing market with high home prices and rising interest rates, buying opportunities are anticipated with cooling off of competition, rates stabilizing, and a larger number of listings available.

The real estate market was not the only segment of the state's economy that was adjusting during the 2021-22 fiscal year. New light vehicle registrations declined by 17.9% from the prior year, as supply constraints continued and prices escalated. The end of the 2021-22 fiscal year marked six months of consecutive labor force gains for California's workforce, and a twelve month decrease in unemployment. At the beginning of the 2021-22 fiscal year, California was issuing approximately 626,000 unemployment insurance claims per week to unemployed workers. By June 30, 2022, weekly claims had been cut in half to roughly 299,000. The unemployment rate responded comparably, falling to 3.9% by the end of the 2021-22 fiscal year compared to 7.8% at the end of the prior period. The increase in non-farm employment of 1 million jobs in both fiscal year 2021-22 and the previous fiscal year led California to regain about 94% of non-farm jobs lost during the COVID-19 pandemic during

2020. Seven of California's eleven major industry sectors experienced job growth. The leisure and hospitality sector also saw growth for a consecutive year with a 26.8% gain of jobs during fiscal year 2020-21 and another 279,000 jobs added in fiscal year 2021-22, an increase of 16.9%. The leisure and hospitality sector includes jobs in arts, entertainment, and recreation, as well as food service and accommodations.

California's personal income remained steady with an incremental increase of 0.3% during the period, which underperformed the national increase of 2.9%. Since 2011, personal income of Californians has grown an average of 5.9% annually, due largely to the low unemployment rate sustained during the majority of this period. Comparatively, United States personal income grew an average of 5.0% during the same period. Effective January 1, 2022, California's minimum wage increased to either \$14.00 or \$15.00 per hour, depending on the number of employees of a business. The minimum wage continued to increase each year until it reached \$15.50 per hour for all businesses in 2023. In spite of the long-term growth trend, the current stagnation of personal income will place a considerable strain on the lifestyles of Californians given the accelerated rate of price inflation. Economic factors such as changes in consumer spending, incomes, and prices for food and energy suggest that inflationary pressures will continue to remain high for the near future. The longer inflation persists and the higher the Federal Reserve increases interest rates in response, the greater the risk to the economy.

Economic Conditions for the 2022-23 Fiscal Year and Future Outlook

With economic indicators signaling a potential recession on the horizon, California's government faced a steep revenue decline in fiscal year 2022-23, with total income tax collections down 25.0%. Still, at June 30, 2023, the state's GDP climbed to \$3.8 trillion, an increase of 5.1% over the previous fiscal year, which equaled the United States GDP increase of 5.1% over the same period. Personal income growth for Californians continued to be sluggish, increasing by a modest 4.03% during fiscal year 2022-23. Income growth was adequate to cover the change in Consumer Price Index of 3.1% during the period, but trailed the U.S. national personal income increase of 5.7%.

California's unemployment rate for the 2022-23 fiscal year was relatively stable throughout the year, ending at 4.6% at June 30, 2023, and hovering around 4.9% thereafter. Coinciding with the return to low unemployment rates, the leisure and hospitality sector saw continued improvement with an additional 161,000 jobs gained during fiscal year 2022-23, an increase of 8.5% from June 30, 2022.

To limit available funds for investments and temper the economy, the Federal Reserve Board continued its aggressive hoist of interest rates, raising rates by 350 basis points during fiscal year 2022-23, and another 25 basis points thereafter in July 2023. This impacted the housing market with lower existing home sales in June 2023 totaling 277,490 units, a 4.1% decrease from June 2022. The 30-year fixed mortgage interest rate jumped again from an average of 5.52% in June 2022, to a 6.71% average in June 2023, which elicited a drop in the statewide median home price to \$838,260 in June 2023, a decrease of 2.4% from June 2022. The U.S. national median home price experienced a comparable decrease of 1.9% from June 2022 to June 2023, at \$406,700. In contrast, the automotive industry rebounded in fiscal year 2022-23, with an 11.6% increase in new vehicle registrations in the first six months of 2023 when compared to the same period during the prior year. The market could soften once the inflation subsides allowing for improvements in interest rates and supply conditions.

In March 2023, Silicon Valley Bank in Santa Clara, the 16th largest bank in the United States with assets of about \$209.0 billion, was abruptly shut down by the California Department of Financial Protection and Innovation. Silicon Valley Bank had a large investment portfolio of low risk U.S. Treasuries and other bonds. As the Federal Reserve continued increasing interest rates in response to high inflation, these bonds became riskier investments and declined in value. Simultaneously several of

Silicon Valley Bank's customers in the technology sector were experiencing financial troubles and made a run on the bank's deposits, withdrawing large amounts of funds from their accounts. To accommodate the large withdrawals, Silicon Valley Bank sold its bonds at a loss of \$1.8 billion, which marked the beginning of the end for the bank. Less than two months later, in May 2023, First Republic Bank of San Francisco, with assets totaling approximately \$229.1 billion, followed suit in failure. In addition to bank closures, numerous large chains in the retail sector filed bankruptcy through 2023, resulting in dozens of store closures throughout the state.

It is yet to be seen what the long term impact of these closures will be to California's economy. While initially thought to be the early symptoms of an impending recession, the state has managed to stabilize its economy somehow; however, these instances exposed the sensitivity of the state, its business community, and its revenues to the actions of the Federal Reserve. Sustained upticks in the Consumer Price Index, the added volatility of the state conforming to the federal actions of postponing payment deadlines on investment and business income taxes, and the highest interest rates in two decades contribute to an uncomfortable uncertainty for California's future economic outlook.

California's 2022-23 Budget

California's 2022-23 Budget Act was enacted on June 27, 2022. The Budget Act appropriated \$307.9 billion; \$234.4 billion from the General Fund, \$69.1 billion from special funds, and \$4.4 billion from bond funds. Budgeted expenditures for the General Fund decreased by \$8.6 billion, or 3.5% less than last year's budget, and General Fund revenues were projected to be \$219.7 billion after a \$3.0 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 61.8% of total revenue in fiscal year 2022-23. California's major taxes, including personal income taxes, sales and use taxes, and corporation taxes were projected to supply approximately 94.3% of the General Fund's resources in the 2022-23 fiscal year. The General Fund was projected to end the 2022-2023 fiscal year with \$37.2 billion in total reserves, including \$23.3 billion in the BSA for fiscal emergencies, \$9.5 billion in the Public School System Stabilization Account (PSSSA), \$3.5 billion in the state's operating reserve, and \$900 million in the Safety Net Reserve (SNR).

The 2022-23 Budget Act increased total state expenditures by \$45.8 billion over the 2021-22 budgeted level. General Fund spending increases included \$14.1 billion for General Government operations, \$12.8 billion for K-12 education, and \$10.6 billion for Health and Human Services. While the elevated cost of living in the aftermath of the COVID-19 pandemic exerted economic pressure on millions of California families and small businesses, the Budget provided \$17.2 billion in assistance and relief, including \$449 million for direct relief and support of small businesses. The General Fund's share of the Proposition 98 guaranteed minimum funding level for K-12 schools and community colleges decreased by \$1.4 billion from the revised 2021-22 level to \$82.3 billion

The Budget included 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 allocated \$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

Continuing the State's comprehensive approach toward services and supports for individuals experiencing homelessness, the Budget provided an additional \$3.4 billion over three years. The Budget took measures to improve health care affordability and increase access to Medi-Cal coverage for children, young adults, and older adults regardless of immigration status. This included expanding

Covered California premium subsidies for the middle class, providing greater coverage for preventative services, and taking actions to reduce prescription drug costs. The Budget continued 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 sought 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 included measures to maintain energy reliability, protect energy ratepayers, and accelerate clean energy projects.

In June 2023, the 2023-24 Budget Act was enacted, and provided updated estimates of fiscal year 2022-23 General Fund revenues, expenditures, and reserves. The 2023-24 Budget Act projected fiscal year 2022-23 General Fund revenue of \$205.1 billion after transfers—\$14.6 billion (6.6%) less than projected in the 2022-23 Budget Act — and expenditures of \$234.6 billion. Total year-end reserves were estimated at \$33.1 billion—\$22.3 billion in the BSA, \$9.9 billion in the Public School System Stabilization Account, and \$900 million in the SNR — which is \$621 million less than projected in the 2022-23 Budget Act.

California's 2023-24 Budget

California's fiscal year 2023-24 Budget Act was enacted in June 2023, and includes projections of fiscal year 2023-24 General Fund revenues, expenditures, and reserves. General Fund revenues are anticipated to be \$208.7 billion, an increase of \$3.0 billion (1.5%) from revised fiscal year 2022-23 revenue estimates, primarily due to projected increases of \$7.1 billion in other revenue sources, which are expected to be offset by a \$4.6 billion decrease in personal income tax revenues. The reduction in personal income taxes is attributable to a declining stock market, persistently high inflation in 2022, rising interest rates, and job losses in high wage sectors. General Fund expenditures for fiscal year 2023-24 are budgeted at \$225.9 billion, a decrease of \$8.7 billion (3.7%) compared to the fiscal year 2022-23 estimates. This results in a budget deficit of \$17.2 billion for the General Fund. The Budget avoids new significant ongoing commitments and maintains fiscal discipline by preserving a total of \$37.8 billion in budgetary reserves: \$22.3 billion in the BSA for fiscal emergencies, \$10.8 billion in the PSSSA, \$3.8 billion in the state's operating reserve, and \$900 million in the SNR.

The 2023-24 Budget Act maintains the State's commitment to increase funding for K-12 schools and higher education, combat the impacts of climate change, and to address homelessness. The Budget allocates total funding of \$129.2 billion for all K-12 education programs, and \$40.0 billion for all higher education entities in 2023-24. The Budget also includes \$52.0 billion in multi-year climate investments to accelerate clean energy projects to meet the State's ambitious climate goals. Additionally, \$3.5 billion in new accountability measures will be added to the State's \$15.3 billion investment to reduce homelessness.

After two years of unprecedented General Fund revenue growth, California faces an economic downturn due to slower revenue growth for fiscal year 2023-24 than previously projected. Through prudent planning and budget resilience built into previous budgets, the State is in a solid position to address this downturn and the associated budget deficit. By paying down debt and using on-time surplus funds on one-time commitments, the Budget is able to address the shortfall with balanced solutions that protect core state programs and services.

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



This page intentionally left blank

Government-wide Financial Statements



Statement of Net Position

June 30, 2022

(amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and pooled investments	\$ 182,275,479	\$ 8,155,648	\$ 190,431,127	\$ 5,033,192
Amount on deposit with U.S. Treasury	—	480,441	480,441	—
Investments	1,582,628	3,234,579	4,817,207	15,572,902
Restricted assets:				
Cash and pooled investments	570,780	514,017	1,084,797	176,943
Investments	—	—	—	48,275
Due from other governments	—	201,236	201,236	—
Contracts and installments receivable	9,998	—	9,998	—
Receivables (net)	38,929,055	2,985,429	41,914,484	7,252,571
Internal balances	(1,359)	1,359	—	—
Due from primary government	—	—	—	307,167
Due from other governments	40,830,431	292,979	41,123,410	198,186
Prepaid items	190,695	83,744	274,439	3,533
Inventories	81,866	28,048	109,914	382,683
Other current assets	390,426	4,881	395,307	722,760
Total current assets	264,859,999	15,982,361	280,842,360	29,698,212
Noncurrent assets:				
Restricted assets:				
Cash and pooled investments	117,598	179,052	296,650	55,194
Investments	—	50,503	50,503	331,522
Loans receivable	—	4,420,705	4,420,705	—
Investments	—	3,593,580	3,593,580	41,701,614
Contracts and installments receivable	193,787	—	193,787	—
Receivables (net)	2,519,767	1,455,262	3,975,029	3,726,820
Loans receivable	4,545,883	3,293,342	7,839,225	2,722,968
Long-term prepaid charges	181	1,018,969	1,019,150	111
Capital assets:				
Land	21,699,463	448,053	22,147,516	1,718,527
State highway infrastructure	81,997,377	—	81,997,377	—
Collections – nondepreciable	22,682	35,492	58,174	630,251
Buildings and other depreciable property	35,947,695	20,114,457	56,062,152	65,774,461
Intangible assets – amortizable	6,081,345	882,651	6,963,996	5,155,138
Less: accumulated depreciation/amortization	(18,875,282)	(8,170,532)	(27,045,814)	(34,890,244)
Construction/development in progress	20,917,469	3,210,423	24,127,892	4,884,386
Intangible assets – nonamortizable	1,148,029	125,527	1,273,556	5,214
Other noncurrent assets	—	45,950	45,950	587,267
Total noncurrent assets	156,315,994	30,703,434	187,019,428	92,403,229
Total assets	421,175,993	46,685,795	467,861,788	122,101,441
DEFERRED OUTFLOWS OF RESOURCES	29,093,342	3,777,736	32,871,078	11,630,982
Total assets and deferred outflows of resources	\$ 450,269,335	\$ 50,463,531	\$ 500,732,866	\$ 133,732,423

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 50,951,793	\$ 1,004,084	\$ 51,955,877	\$ 3,657,593
Due to component units	307,167	—	307,167	—
Due to other governments	50,333,045	18,197,662	68,530,707	—
Revenues received in advance	9,841,162	535,939	10,377,101	2,093,878
Tax overpayments	26,038,172	—	26,038,172	—
Deposits	485,662	—	485,662	229,887
Contracts and notes payable	2,840	—	2,840	12,580
Unclaimed property liability	1,181,367	—	1,181,367	—
Interest payable	1,037,316	37,239	1,074,555	8,993
Securities lending obligations	—	—	—	2,162,521
Benefits payable	69,614	375,524	445,138	—
Current portion of long-term obligations	6,474,713	1,769,514	8,244,227	6,290,056
Other current liabilities	56,056,528	802,228	56,858,756	3,416,770
Total current liabilities	<u>202,779,379</u>	<u>22,722,190</u>	<u>225,501,569</u>	<u>17,872,278</u>
Noncurrent liabilities:				
Loans payable	40,323	—	40,323	13,939
Lottery prizes and annuities	—	657,795	657,795	—
Compensated absences payable	5,225,979	286,710	5,512,689	521,229
Workers' compensation benefits payable	4,908,543	14,535	4,923,078	862,838
Commercial paper and other borrowings	1,448,725	306,965	1,755,690	75,490
Lease liability	2,090,734	299,526	2,390,260	2,500,876
General obligation bonds payable	72,977,118	533,152	73,510,270	—
Revenue bonds payable	16,310,232	13,857,735	30,167,967	30,639,373
Mandated cost claims payable	1,922,968	—	1,922,968	—
Net other postemployment benefits liability	77,369,354	16,913,829	94,283,183	20,445,975
Net pension liability	47,920,644	6,248,484	54,169,128	21,647,206
Revenues received in advance	—	5,529	5,529	17,829
Other noncurrent liabilities	2,967,917	346,122	3,314,039	3,225,353
Total noncurrent liabilities	<u>233,182,537</u>	<u>39,470,382</u>	<u>272,652,919</u>	<u>79,950,108</u>
Total liabilities	<u>435,961,916</u>	<u>62,192,572</u>	<u>498,154,488</u>	<u>97,822,386</u>
DEFERRED INFLOWS OF RESOURCES	49,825,591	7,500,845	57,326,436	12,212,899
Total liabilities and deferred inflows of resources	<u>\$ 485,787,507</u>	<u>\$ 69,693,417</u>	<u>\$ 555,480,924</u>	<u>\$ 110,035,285</u>

(continued)

Statement of Net Position (continued)

June 30, 2022

(amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
NET POSITION				
Net investment in capital assets	\$ 125,862,983	\$ 3,340,905	\$ 129,203,888	\$ 12,526,731
Restricted:				
Nonexpendable – endowments	—	1,641	1,641	9,492,189
Expendable:				
Endowments and gifts	—	—	—	17,710,500
General government	6,645,255	112,474	6,757,729	—
Education	1,342,603	144,365	1,486,968	2,315,188
Health and human services	7,939,856	2,262,988	10,202,844	—
Natural resources and environmental protection	6,849,035	4,456,847	11,305,882	—
Business, consumer services, and housing	7,085,032	95	7,085,127	—
Transportation	9,971,146	2,296	9,973,442	—
Corrections and rehabilitation	329,112	7,372	336,484	—
Unemployment programs	—	3,653,204	3,653,204	—
Indenture	—	—	—	709,312
Statute	—	—	—	3,367,884
Budget stabilization	20,320,422	—	20,320,422	—
Other purposes	—	—	—	20,752
Total expendable	60,482,461	10,639,641	71,122,102	24,123,636
Unrestricted	(221,863,616)	(33,212,073)	(255,075,689)	(22,445,418)
Total net position (deficit)	(35,518,172)	(19,229,886)	(54,748,058)	23,697,138
Total liabilities, deferred inflows of resources, and net position	\$ 450,269,335	\$ 50,463,531	\$ 500,732,866	\$ 133,732,423

(concluded)

This page intentionally left blank

Statement of Activities

Year Ended June 30, 2022

(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	\$ 38,760,471	\$ 6,167,925	\$ 4,893,649	\$ —
Education	108,450,558	65,810	17,877,033	—
Health and human services	216,232,017	11,402,121	139,977,859	—
Natural resources and environmental protection	12,502,619	8,422,029	1,363,823	—
Business, consumer services, and housing	7,364,028	1,671,025	3,979,747	—
Transportation	15,792,836	8,479,493	1,938,933	1,895,160
Corrections and rehabilitation	16,526,318	13,563	631,617	—
Interest on long-term debt	3,508,229	—	—	—
Total governmental activities	<u>419,137,076</u>	<u>36,221,966</u>	<u>170,662,661</u>	<u>1,895,160</u>
Business-type activities:				
Electric Power	36,239	124,467	—	—
Water Resources	1,233,036	1,295,670	—	—
State Lottery	8,885,370	8,785,557	—	—
Unemployment Programs	14,965,703	16,288,566	—	—
California State University	10,778,052	3,199,357	3,806,925	—
State Water Pollution Control Revolving	35,334	69,695	136,956	—
Safe Drinking Water State Revolving	24,608	27,377	66,607	—
Housing Loan	45,316	45,820	—	—
Other enterprise programs	165,655	130,837	—	—
Total business-type activities	<u>36,169,313</u>	<u>29,967,346</u>	<u>4,010,488</u>	<u>—</u>
Total primary government	<u>\$ 455,306,389</u>	<u>\$ 66,189,312</u>	<u>\$ 174,673,149</u>	<u>\$ 1,895,160</u>
Component Units				
University of California	48,524,057	30,936,266	13,287,117	78,860
California Housing Finance Agency	265,146	15,559	—	—
Nonmajor component units	2,199,263	699,932	865,950	42,822
Total component units	<u>\$ 50,988,466</u>	<u>\$ 31,651,757</u>	<u>\$ 14,153,067</u>	<u>\$ 121,682</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 (loss)				
Escheat				
Other				
Gain on early extinguishment of debt				
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
\$ (27,698,897)		\$ (27,698,897)	
(90,507,715)		(90,507,715)	
(64,852,037)		(64,852,037)	
(2,716,767)		(2,716,767)	
(1,713,256)		(1,713,256)	
(3,479,250)		(3,479,250)	
(15,881,138)		(15,881,138)	
(3,508,229)		(3,508,229)	
<u>(210,357,289)</u>		<u>(210,357,289)</u>	
	\$ 88,228	88,228	
	62,634	62,634	
	(99,813)	(99,813)	
	1,322,863	1,322,863	
	(3,771,770)	(3,771,770)	
	171,317	171,317	
	69,376	69,376	
	504	504	
	(34,818)	(34,818)	
	<u>(2,191,479)</u>	<u>(2,191,479)</u>	
\$ (210,357,289)	\$ (2,191,479)	\$ (212,548,768)	
			\$ (4,221,814)
			(249,587)
			(590,559)
			\$ (5,061,960)
\$ 126,058,884	\$ —	\$ 126,058,884	\$ —
52,328,196	—	52,328,196	—
35,850,573	—	35,850,573	—
8,453,232	—	8,453,232	—
3,516,612	—	3,516,612	—
2,584,077	—	2,584,077	—
4,402,939	—	4,402,939	—
788,612	—	788,612	(4,142,882)
660,143	—	660,143	—
—	—	—	4,658,828
11,576	—	11,576	—
(5,465,790)	5,465,790	—	—
229,189,054	5,465,790	234,654,844	515,946
18,831,765	3,274,311	22,106,076	(4,546,014)
(54,349,937)	(22,504,197)	(76,854,134)	28,243,152
\$ (35,518,172)	\$ (19,229,886)	\$ (54,748,058)	\$ 23,697,138

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

This page intentionally left blank

Fund Financial Statements



Balance Sheet

Governmental Funds

June 30, 2022

(amounts in thousands)

	<u>General</u>	<u>Federal</u>
ASSETS		
Cash and pooled investments	\$ 120,294,535	\$ 12,258,999
Investments	—	—
Receivables (net)	30,901,376	1,969,773
Due from other funds	10,531,227	—
Due from other governments	3,393,042	36,675,364
Interfund receivables	2,979,985	—
Loans receivable	30,805	268,575
Other assets	334,682	—
Total assets	\$ 168,465,652	\$ 51,172,711
LIABILITIES		
Accounts payable	\$ 21,512,563	\$ 21,450,337
Due to other funds	2,017,063	9,250,730
Due to component units	266,914	—
Due to other governments	31,714,994	12,011,316
Interfund payables	3,398,838	—
Benefits payable	—	69,614
Revenues received in advance	21,632	7,717,420
Tax overpayments	26,038,172	—
Deposits	3,930	—
Unclaimed property liability	1,181,367	—
Other liabilities	534,024	55,350,762
Total liabilities	86,689,497	105,850,179
DEFERRED INFLOWS OF RESOURCES	7,728,997	19,932
Total liabilities and deferred inflows of resources	94,418,494	105,870,111
FUND BALANCES		
Nonspendable	2,958,319	—
Restricted	23,251,079	958,234
Committed	4,024,689	—
Assigned	7,290,655	—
Unassigned	36,522,416	(55,655,634)
Total fund balances (deficit)	74,047,158	(54,697,400)
Total liabilities, deferred inflows of resources, and fund balances	\$ 168,465,652	\$ 51,172,711

<u>Transportation</u>	<u>Environmental and Natural Resources</u>	<u>Health Care Related Programs</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
\$ 10,276,659	\$ 16,035,431	\$ 2,708,064	\$ 18,302,113	\$ 179,875,801
—	—	—	1,582,628	1,582,628
1,505,899	588,201	4,662,142	1,762,280	41,389,671
1,455,308	187,883	55,957	1,621,865	13,852,240
4,358	10,209	404,474	299,284	40,786,731
168,220	1,893,490	202,479	907,843	6,152,017
144,967	877,520	76,478	3,139,420	4,537,765
13,717	—	—	42,027	390,426
\$ 13,569,128	\$ 19,592,734	\$ 8,109,594	\$ 27,657,460	\$ 288,567,279
\$ 1,351,818	\$ 784,270	\$ 3,347,680	\$ 1,231,529	\$ 49,678,197
444,387	161,468	2,471,020	510,397	14,855,065
6,449	84	—	33,720	307,167
831,497	395,485	388,222	4,975,198	50,316,712
666	358,400	—	42,200	3,800,104
—	—	—	—	69,614
178,534	230,840	705	328,007	8,477,138
—	—	—	—	26,038,172
2,847	349	—	476,171	483,297
—	—	—	—	1,181,367
514,442	3,340	—	187,628	56,590,196
3,330,640	1,934,236	6,207,627	7,784,850	211,797,029
70,887	15,501	131,829	227,598	8,194,744
3,401,527	1,949,737	6,339,456	8,012,448	219,991,773
—	—	—	39,130	2,997,449
10,118,064	6,562,285	1,705,333	17,788,410	60,383,405
49,537	11,080,712	64,805	1,754,015	16,973,758
—	—	—	63,457	7,354,112
—	—	—	—	(19,133,218)
10,167,601	17,642,997	1,770,138	19,645,012	68,575,506
\$ 13,569,128	\$ 19,592,734	\$ 8,109,594	\$ 27,657,460	\$ 288,567,279

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

(amounts in thousands)

Total fund balances – governmental funds **\$ 68,575,506**

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	21,697,383	
State highway infrastructure	81,997,377	
Collections – nondepreciable	22,682	
Buildings and other depreciable property	35,275,349	
Intangible assets – amortizable	5,728,508	
Less: accumulated depreciation/amortization	(18,295,237)	
Construction/development in progress	17,945,833	
Intangible assets – nonamortizable	<u>1,148,029</u>	
		145,519,924

- 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. 2,390,277
- 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. (9,790,670)
- 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. (8,130,444)
- Deferred inflows and outflows of resources related to pension and OPEB transactions are not reported in the funds. (15,030,952)
- 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. 296,885
- General obligation bonds and related accrued interest totaling \$70,137,642, revenue bonds totaling \$8,014,592, and commercial paper totaling \$1,448,725 are not due and payable in the current period and are not reported in the funds. (79,600,959)

- The following liabilities are not due and payable in the current period and are not reported in the funds:

Compensated absences	(5,034,430)	
Lease liability	(2,243,912)	
Net pension liability	(47,072,939)	
Net other postemployment benefits liability	(75,500,252)	
Mandated cost claims	(1,922,968)	
Workers' compensation	(4,856,241)	
Pollution remediation obligations	(1,678,279)	
Other noncurrent liabilities	<u>(1,438,718)</u>	
		(139,747,739)

Net position of governmental activities **\$ (35,518,172)**

This page intentionally left blank

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2022

(amounts in thousands)

	<u>General</u>	<u>Federal</u>
REVENUES		
Personal income taxes	\$ 123,335,790	\$ —
Sales and use taxes	32,794,344	—
Corporation taxes	35,824,715	—
Motor vehicle excise taxes	156,593	—
Insurance taxes	3,516,612	—
Managed care organization enrollment tax	—	—
Other taxes	702,572	—
Intergovernmental	1,117	172,554,453
Licenses and permits	7,884	—
Charges for services	302,701	—
Fees	17,634	—
Penalties	767,567	3
Investment and interest	408,597	61,577
Escheat	660,143	—
Other	663,099	—
Total revenues	<u>199,159,368</u>	<u>172,616,033</u>
EXPENDITURES		
Current:		
General government	25,791,674	4,263,234
Education	91,985,006	17,984,391
Health and human services	48,077,423	138,239,878
Natural resources and environmental protection	4,491,067	1,394,871
Business, consumer services, and housing	2,422,394	3,987,644
Transportation	292,816	3,835,223
Corrections and rehabilitation	12,671,069	681,687
Capital outlay	67,975	1,106
Debt service:		
Bond, commercial paper, and lease principal retirement	2,841,818	6,339
Interest and fiscal charges	2,478,618	113
Total expenditures	<u>191,119,860</u>	<u>170,394,486</u>
Excess (deficiency) of revenues over (under) expenditures	8,039,508	2,221,547
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	94,322	—
Proceeds from leases	67,971	1,106
Transfers in	1,232,925	—
Transfers out	(9,528,023)	(982,800)
Total other financing sources (uses)	<u>(8,132,805)</u>	<u>(981,694)</u>
Net change in fund balances	(93,297)	1,239,853
Fund balances – beginning	74,140,455 *	(55,937,253) *
Fund balances (deficits) – ending	<u>\$ 74,047,158</u>	<u>\$ (54,697,400)</u>

* Restated

Transportation	Environmental and Natural Resources	Health Care Related Programs	Nonmajor Governmental	Total
\$ —	\$ —	\$ —	\$ 2,579,075	\$ 125,914,865
988,138	—	—	18,534,894	52,317,376
—	—	—	—	35,824,715
8,062,673	97,472	—	136,494	8,453,232
—	—	—	—	3,516,612
—	—	2,584,077	—	2,584,077
—	217,711	—	3,501,072	4,421,355
—	—	1,721,478	830,373	175,107,421
5,553,083	478,711	—	4,086,871	10,126,549
131,827	155,062	181	438,976	1,028,747
2,007,852	2,935,970	4,899,137	4,207,243	14,067,836
7,826	48,697	3,929	565,781	1,393,803
38,957	56,235	9,297	68,931	643,594
—	—	—	1,555	661,698
108,300	5,090,104	421,854	1,579,473	7,862,830
16,898,656	9,079,962	9,639,953	36,530,738	443,924,710
609,138	242,384	4,891	13,338,276	44,249,597
9,708	2,747	137,485	1,644,829	111,764,166
9,540	67,734	9,862,068	19,917,448	216,174,091
191,656	5,796,765	164	301,220	12,175,743
111,584	96,227	—	1,019,618	7,637,467
14,115,447	1,228,597	—	18,922	19,491,005
—	—	—	2,336,984	15,689,740
41,704	235,526	9,009	327,584	682,904
1,543,724	1,020,969	3,128	7,986,512	13,402,490
39,290	5,377	7,454	1,595,170	4,126,022
16,671,791	8,696,326	10,024,199	48,486,563	445,393,225
226,865	383,636	(384,246)	(11,955,825)	(1,468,515)
326,935	1,745,805	32,735	2,447,215	4,552,690
—	—	—	1,050,000	1,050,000
1,160,180	252,220	—	8,599,011	10,011,411
—	—	—	(2,935,087)	(2,935,087)
198,587	180,156	13	756,107	1,229,185
41,704	8,124	9,009	15,845	143,759
1,226	416,526	178,997	5,291,528	7,121,202
(1,572,393)	(194,459)	(94)	(269,450)	(12,547,219)
156,239	2,408,372	220,660	14,955,169	8,625,941
383,104	2,792,008	(163,586)	2,999,344	7,157,426
9,784,497	14,850,989	1,933,724	16,645,668	61,418,080
\$ 10,167,601	\$ 17,642,997	\$ 1,770,138	\$ 19,645,012	\$ 68,575,506

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 **\$ 7,157,426**

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	5,015,288	
Disposal of assets	(780,495)	
Depreciation expense, net of asset disposal	<u>(1,231,880)</u>	
		3,002,913
- Some revenues in the Statement of Activities do not provide current financial resources and, therefore, are unavailable in governmental funds. (517,010)
- 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. 301,630
- 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	(6,639,495)	(7,074,571)	(1,900,035)	(15,614,101)	
Premium on debt issued	(1,229,185)	—	—	(1,229,185)	
Accreted interest	—	(35,570)	—	(35,570)	
Principal repayments	8,261,145	3,108,024	1,627,545	12,996,714	
Payments to refund/remarket long-term debt	—	2,935,087	—	2,935,087	
Related expenses not reported in governmental funds:					
Premium/discount amortization	495,927	261,787	—	757,714	
Deferred gain/loss on refunding	3,561	282,857	—	286,418	
Prepaid insurance	—	(404)	—	(404)	
Accrued interest	16,531	4,529	—	21,060	
	<u>908,484</u>	<u>(518,261)</u>	<u>(272,490)</u>		117,733 (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	127,394	
Lease liability	260,904	
Net pension liability	8,365,136	
Net other postemployment benefits liability	362,565	
Mandated cost claims	120,638	
Workers' compensation	(489,151)	
Proposition 98 funding guarantee	—	
Pollution remediation obligations	(161,582)	
Other noncurrent liabilities	183,169	
		8,769,073

Change in net position of governmental activities

\$ 18,831,765
(concluded)

Statement of Net Position

Proprietary Funds

June 30, 2022

(amounts in thousands)

	Electric Power	Water Resources
ASSETS		
Current assets:		
Cash and pooled investments	\$ —	\$ 760,918
Amount on deposit with U.S. Treasury	—	—
Investments	—	—
Restricted assets:		
Cash and pooled investments	113,059	—
Due from other governments	—	—
Contracts and installments receivable	—	—
Receivables (net)	198,543	93,790
Due from other funds	—	—
Due from other governments	—	94,301
Prepaid items	—	—
Inventories	—	5,140
Other current assets	—	—
Total current assets	<u>311,602</u>	<u>954,149</u>
Noncurrent assets:		
Restricted assets:		
Cash and pooled investments	—	179,052
Investments	—	50,503
Loans receivable	—	—
Investments	—	—
Contracts and installments receivable	—	—
Receivables (net)	—	—
Interfund receivables	—	183,339
Loans receivable	—	7,711
Long-term prepaid charges	—	1,012,113
Capital assets:		
Land	—	209,046
Collections – nondepreciable	—	—
Buildings and other depreciable property	—	7,257,750
Intangible assets – amortizable	641	78,962
Less: accumulated depreciation/amortization	(136)	(2,619,445)
Construction/development in progress	—	1,196,323
Intangible assets – nonamortizable	—	114,144
Other noncurrent assets	—	—
Total noncurrent assets	<u>505</u>	<u>7,669,498</u>
Total assets	<u>312,107</u>	<u>8,623,647</u>
DEFERRED OUTFLOWS OF RESOURCES	12,625	281,114
Total assets and deferred outflows of resources	<u>\$ 324,732</u>	<u>\$ 8,904,761</u>

Business-type Activities – Enterprise Funds					Governmental
State	Unemployment	California State	Nonmajor	Total	Internal
Lottery	Programs	University	Enterprise		Service Funds
\$ 690,363	\$ 4,177,516	\$ 1,553,518	\$ 973,333	\$ 8,155,648	\$ 2,399,678
—	480,441	—	—	480,441	—
70,250	—	3,164,329	—	3,234,579	—
—	—	—	400,958	514,017	570,780
—	—	—	201,236	201,236	—
—	—	—	—	—	533,138
730,174	1,583,689	341,976	37,257	2,985,429	29,480
2,026	167,700	3,241	25,458	198,425	892,341
—	106,805	—	91,873	292,979	43,700
—	—	83,723	21	83,744	190,695
17,210	—	—	5,698	28,048	81,866
4,881	—	—	—	4,881	—
1,514,904	6,516,151	5,146,787	1,735,834	16,179,427	4,741,678
—	—	—	—	179,052	117,598
—	—	—	—	50,503	—
—	—	—	4,420,705	4,420,705	—
625,339	—	2,948,679	19,562	3,593,580	—
—	—	—	—	—	7,861,763
—	813,663	641,599	—	1,455,262	5,136
—	315,970	—	7,538	506,847	37,844
—	85,714	36,764	3,163,153	3,293,342	8,118
6,856	—	—	—	1,018,969	181
18,798	—	218,936	1,273	448,053	2,080
—	—	35,492	—	35,492	—
307,999	29,433	12,492,689	26,586	20,114,457	672,346
18,884	244,118	536,306	3,740	882,651	352,837
(153,715)	(85,594)	(5,286,218)	(25,424)	(8,170,532)	(580,045)
—	—	2,013,994	106	3,210,423	2,971,636
—	—	11,383	—	125,527	—
—	—	35,986	9,964	45,950	—
824,161	1,403,304	13,685,610	7,627,203	31,210,281	11,449,494
2,339,065	7,919,455	18,832,397	9,363,037	47,389,708	16,191,172
72,378	87,667	3,312,096	11,856	3,777,736	556,221
\$ 2,411,443	\$ 8,007,122	\$ 22,144,493	\$ 9,374,893	\$ 51,167,444	\$ 16,747,393

(continued)

Statement of Net Position (continued)

Proprietary Funds

June 30, 2022

(amounts in thousands)

	Electric Power	Water Resources
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 79,618	\$ 130,429
Due to other funds	—	60,205
Due to other governments	—	331,770
Revenues received in advance	—	—
Deposits	—	—
Contracts and notes payable	—	—
Interest payable	—	9,862
Benefits payable	—	—
Current portion of long-term obligations	613	274,791
Other current liabilities	—	—
Total current liabilities	80,231	807,057
Noncurrent liabilities:		
Interfund payables	—	24,813
Lottery prizes and annuities	—	—
Compensated absences payable	—	37,221
Workers' compensation benefits payable	—	—
Commercial paper and other borrowings	—	207,943
Lease liability	377	24,951
General obligation bonds payable	—	120
Revenue bonds payable	—	3,297,413
Net other postemployment benefits liability	8,984	787,182
Net pension liability	3,712	356,813
Revenues received in advance	—	—
Other noncurrent liabilities	—	92,399
Total noncurrent liabilities	13,073	4,828,855
Total liabilities	93,304	5,635,912
DEFERRED INFLOWS OF RESOURCES	29,138	2,101,646
Total liabilities and deferred inflows of resources	122,442	7,737,558
NET POSITION		
Net investment in capital assets	—	1,139,038
Restricted:		
Nonexpendable – endowments	—	—
Expendable:		
Construction	—	—
Debt service	—	28,165
Security for revenue bonds	—	—
Lottery	—	—
Unemployment programs	—	—
Other purposes	202,290	—
Total expendable	202,290	28,165
Unrestricted	—	—
Total net position (deficit)	202,290	1,167,203
Total liabilities, deferred inflows of resources, and net position	\$ 324,732	\$ 8,904,761

Business-type Activities – Enterprise Funds					Governmental Activities
State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
\$ 93,327	\$ 315,831	\$ 374,350	\$ 10,529	\$ 1,004,084	\$ 462,019
508,182	—	—	24,488	592,875	306,641
—	17,865,577	—	315	18,197,662	69,714
2,599	246,151	287,135	54	535,939	1,364,024
—	—	—	—	—	2,365
—	—	—	—	—	34,468
—	—	—	27,377	37,239	98,520
—	375,524	—	—	375,524	—
945,274	—	399,690	149,146	1,769,514	631,265
162	157,583	644,483	—	802,228	21,342
<u>1,549,544</u>	<u>18,960,666</u>	<u>1,705,658</u>	<u>211,909</u>	<u>23,315,065</u>	<u>2,990,358</u>
5,579	—	58,153	22,493	111,038	2,825,889
657,795	—	—	—	657,795	—
—	90,692	145,482	13,315	286,710	200,788
9,791	—	—	4,744	14,535	52,302
—	—	99,022	—	306,965	—
—	—	274,102	96	299,526	238,365
—	—	—	533,032	533,152	—
—	—	9,138,030	1,422,292	13,857,735	8,574,870
246,200	396,575	15,434,384	40,504	16,913,829	1,869,102
92,523	155,907	5,618,682	20,847	6,248,484	847,705
—	—	5,529	—	5,529	—
—	—	236,753	16,970	346,122	22,165
<u>1,011,888</u>	<u>643,174</u>	<u>31,010,137</u>	<u>2,074,293</u>	<u>39,581,420</u>	<u>14,631,186</u>
2,561,432	19,603,840	32,715,795	2,286,202	62,896,485	17,621,544
88,257	134,939	5,115,906	30,959	7,500,845	725,403
<u>2,649,689</u>	<u>19,738,779</u>	<u>37,831,701</u>	<u>2,317,161</u>	<u>70,397,330</u>	<u>18,346,947</u>
191,966	187,957	1,817,665	4,279	3,340,905	705,151
—	—	1,641	—	1,641	—
—	—	23,396	—	23,396	99,056
—	—	14,931	373,249	416,345	—
—	—	—	3,853,096	3,853,096	—
7,117	—	—	—	7,117	—
—	3,653,204	—	—	3,653,204	—
—	—	106,038	2,378,155	2,686,483	—
<u>7,117</u>	<u>3,653,204</u>	<u>144,365</u>	<u>6,604,500</u>	<u>10,639,641</u>	<u>99,056</u>
<u>(437,329)</u>	<u>(15,572,818)</u>	<u>(17,650,879)</u>	<u>448,953</u>	<u>(33,212,073)</u>	<u>(2,403,761)</u>
<u>(238,246)</u>	<u>(11,731,657)</u>	<u>(15,687,208)</u>	<u>7,057,732</u>	<u>(19,229,886)</u>	<u>(1,599,554)</u>
<u>\$ 2,411,443</u>	<u>\$ 8,007,122</u>	<u>\$ 22,144,493</u>	<u>\$ 9,374,893</u>	<u>\$ 51,167,444</u>	<u>\$ 16,747,393</u>

(concluded)

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

Proprietary Funds

Year Ended June 30, 2022

(amounts in thousands)

	Electric Power	Water Resources
OPERATING REVENUES		
Unemployment and disability insurance	\$ —	\$ —
Lottery ticket sales	—	—
Power sales	(140,000)	82,196
Student tuition and fees	—	—
Services and sales	—	1,207,961
Investment and interest	—	—
Rent	—	—
Grants and contracts	—	—
Other	—	—
Total operating revenues	(140,000)	1,290,157
OPERATING EXPENSES		
Lottery prizes	—	—
Power purchases (net of recoverable power costs)	(142,000)	167,977
Personal services	2,000	464,559
Supplies	—	—
Services and charges	5,103	28,001
Depreciation	136	140,220
Scholarships and fellowships	—	—
Distributions to beneficiaries	—	—
Interest expense	—	—
Amortization of long-term prepaid charges	—	—
Other	—	186,323
Total operating expenses	(134,761)	987,080
Operating income (loss)	(5,239)	303,077
NONOPERATING REVENUES (EXPENSES)		
Donations and grants	—	—
Private gifts	—	—
Investment and interest income (loss)	171,465	5,513
Interest expense and fiscal charges	(171,000)	(88,217)
Lottery payments for education	—	—
Other	93,002	(157,739)
Total nonoperating revenues (expenses)	93,467	(240,443)
Income (loss) before capital contributions and transfers	88,228	62,634
Gain on early extinguishment of debt	—	—
Transfers in	—	—
Transfers out	—	—
Change in net position	88,228	62,634
Total net position (deficit) – beginning	114,062	1,104,569
Total net position (deficit) – ending	\$ 202,290	\$ 1,167,203

* Restated

Business-type Activities – Enterprise Funds					Governmental
State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
\$ —	\$ 16,273,212	\$ —	\$ —	\$ 16,273,212	\$ —
8,853,250	—	—	—	8,853,250	—
—	—	—	—	(57,804)	—
—	—	2,331,726	—	2,331,726	—
—	—	666,125	131,984	2,006,070	4,787,622
—	—	—	127,741	127,741	4,965
—	—	—	—	—	349,797
—	—	73,966	—	73,966	—
—	—	258,134	3,261	261,395	—
8,853,250	16,273,212	3,329,951	262,986	29,869,556	5,142,384
5,825,673	—	—	—	5,825,673	—
—	—	—	—	25,977	—
101,244	—	6,073,140	42,270	6,683,213	891,162
16,924	—	2,189,922	65,463	2,272,309	23,330
878,377	7,588	—	93,868	1,012,937	3,388,262
15,983	10,513	489,479	2,534	658,865	94,799
—	—	1,706,130	—	1,706,130	—
—	14,947,420	—	—	14,947,420	—
—	—	—	26,708	26,708	411,642
—	—	—	—	—	42
—	—	—	7,815	194,138	—
6,838,201	14,965,521	10,458,671	238,658	33,353,370	4,809,237
2,015,049	1,307,691	(7,128,720)	24,328	(3,483,814)	333,147
—	—	3,806,925	203,563	4,010,488	—
—	—	71,860	—	71,860	—
(68,305)	15,354	(334,395)	10,641	(199,727)	726
(27,487)	(182)	(319,381)	(32,303)	(638,570)	(4,042)
(2,019,682)	—	—	—	(2,019,682)	—
612	—	131,941	150	67,966	(4)
(2,114,862)	15,172	3,356,950	182,051	1,292,335	(3,320)
(99,813)	1,322,863	(3,771,770)	206,379	(2,191,479)	329,827
—	—	—	—	—	11,576
—	—	5,413,763	52,082	5,465,845	3,711
—	—	—	(55)	(55)	(43,484)
(99,813)	1,322,863	1,641,993	258,406	3,274,311	301,630
(138,433)	(13,054,520)*	(17,329,201)	6,799,326	(22,504,197)	(1,901,184)*
\$ (238,246)	\$ (11,731,657)	\$ (15,687,208)	\$ 7,057,732	\$ (19,229,886)	\$ (1,599,554)

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2022

(amounts in thousands)

	Electric Power	Water Resources
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers/employers	\$ (140,000)	\$ 1,239,371
Receipts from interfund services provided	—	—
Payments to suppliers	(1,639)	(387,509)
Payments to employees	(4,199)	(464,559)
Payments for interfund services used	—	—
Payments for Lottery prizes	—	—
Claims paid to other than employees	—	—
Other receipts (payments)	141,000	(3,009)
Net cash provided by (used in) operating activities	(4,838)	384,294
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Changes in notes receivable and leases receivable	—	—
Changes in interfund receivables	—	—
Changes in interfund payables and loans payable	—	—
Receipt of bond charges	(171,000)	—
Retirement of general obligation bonds	—	—
Proceeds from revenue bonds	—	—
Retirement of revenue bonds	—	—
Interest received	—	—
Interest paid	—	—
Transfers in	—	—
Transfers out	—	—
Grants received	—	—
Lottery payments for education	—	—
Other receipts (payments)	(57,436)	—
Net cash provided by (used in) noncapital financing activities	(228,436)	—
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	—	(361,846)
Proceeds from sale of capital assets	—	—
Proceeds from notes payable and commercial paper	—	102,242
Principal paid on notes payable and commercial paper	—	(232,252)
Proceeds from long-term capital financing	—	—
Payment on long-term capital financing	(141)	—
Retirement of general obligation bonds	—	(1,885)
Proceeds from revenue bonds	—	—
Retirement of revenue bonds	—	(160,300)
Interest paid	—	(127,204)
Grants received	—	4,996
Net cash used in capital and related financing activities	(141)	(776,249)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	—	(153,337)
Proceeds from maturity and sale of investments	—	153,369
Change in loans receivable	—	790
Earnings on investments	355	5,102
Net cash provided by (used in) investing activities	355	5,924
Net increase (decrease) in cash and pooled investments	(233,060)	(386,031)
Cash and pooled investments – beginning	346,119	1,326,001
Cash and pooled investments – ending	\$ 113,059	\$ 939,970

Business-type Activities – Enterprise Funds						Governmental Activities
State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds	
\$ 8,805,269	\$ 15,900,807	\$ 2,924,867	\$ 480,163	\$ 29,210,477	\$ 12,212	
—	—	—	3,995	3,995	6,018,417	
(255,273)	(10,649)	(2,169,587)	(166,982)	(2,991,639)	(2,758,346)	
(104,464)	(168,040)	(5,824,841)	(32,718)	(6,598,821)	(1,049,880)	
(16,212)	(107,250)	—	(2,990)	(126,452)	(39,943)	
(6,663,937)	—	—	—	(6,663,937)	—	
(614,727)	(15,468,618)	—	—	(16,083,345)	(655,842)	
859,644	462,948	(1,407,807)	(483,378)	(430,602)	(427,224)	
2,010,300	609,198	(6,477,368)	(201,910)	(3,680,324)	1,099,394	
—	—	(48,599)	—	(48,599)	—	
—	84,462	—	15,610	100,072	12,999	
—	—	(60,203)	762	(59,441)	7,965	
—	—	—	—	(171,000)	—	
—	—	—	(59,270)	(59,270)	—	
—	—	168,627	108,565	277,192	—	
—	—	(117,132)	(235,640)	(352,772)	—	
—	—	18,256	—	18,256	—	
—	—	(16,339)	(55,371)	(71,710)	(61)	
—	—	5,024,669	52,082	5,076,751	3,711	
—	—	—	(55)	(55)	(43,484)	
—	—	3,841,184	201,060	4,042,244	—	
(2,063,977)	—	—	—	(2,063,977)	—	
—	—	—	102	(57,334)	4,367	
(2,063,977)	84,462	8,810,463	27,845	6,630,357	(14,503)	
(3,114)	(1,025)	(1,171,042)	(2,420)	(1,539,447)	(1,570,838)	
59	193	14,405	7	14,664	8,380	
—	—	—	—	102,242	—	
—	—	—	—	(232,252)	—	
—	—	88,610	1,014	89,624	270,804	
—	—	(645,281)	—	(645,422)	—	
—	—	—	—	(1,885)	—	
—	—	1,769,683	—	1,769,683	2,434,342	
—	—	(741,196)	—	(901,496)	(1,922,085)	
—	(182)	—	(4)	(127,390)	(3,979)	
—	—	138,788	—	143,784	—	
(3,055)	(1,014)	(546,033)	(1,403)	(1,327,895)	(783,376)	
(22,035)	—	(12,138,315)	(2,675)	(12,316,362)	—	
67,538	386,412	10,492,566	3,221	11,103,106	—	
—	—	—	—	790	(2)	
10,229	15,354	114,651	9,879	155,570	731	
55,732	401,766	(1,531,098)	10,425	(1,056,896)	729	
(1,000)	1,094,412	255,964	(165,043)	565,242	302,244	
691,363	3,083,104	1,297,554	1,539,334	8,283,475	2,785,812	
\$ 690,363	\$ 4,177,516	\$ 1,553,518	\$ 1,374,291	\$ 8,848,717	\$ 3,088,056	

(continued)

Statement of Cash Flows (continued)

Proprietary Funds

Year Ended June 30, 2022

(amounts in thousands)

	<u>Electric Power</u>	<u>Water Resources</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss).....	\$ (5,239)	\$ 303,077
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation.....	136	140,220
Provisions and allowances.....	—	—
Amortization of premiums and discounts.....	—	—
Amortization of long-term prepaid charges and credits.....	—	336,880
Other.....	—	(3,009)
Change in account balances:		
Receivables.....	—	(71,200)
Due from other funds.....	—	—
Due from other governments.....	—	(1,395)
Prepaid items.....	—	—
Inventories.....	—	(365)
Contracts and installments receivable.....	—	—
Leases receivable.....	—	—
Recoverable power costs (net).....	(1,000)	—
Other current assets.....	—	—
Loans receivable.....	—	—
Deferred outflow of resources.....	(11,625)	—
Accounts payable.....	56	(320,730)
Due to other funds.....	—	(9,636)
Due to component units.....	—	—
Due to other governments.....	—	21,406
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.....	8,696	(10,954)
Deferred inflow of resources.....	4,138	—
Total adjustments.....	<u>401</u>	<u>81,217</u>
Net cash provided by (used in) operating activities.....	<u>\$ (4,838)</u>	<u>\$ 384,294</u>
Noncash investing, capital, and financing activities:		
Change in capital assets.....	\$ —	\$ —
Unrealized loss on investments.....	—	—
State's contribution for pension and OPEB.....	—	—
Amortization/defeasance of bond premium and discount.....	12,000	51,022
Other assets paid through long-term debt.....	—	—
Gifts in-kind.....	—	—
Unclaimed lottery prizes directly allocated to another entity.....	—	—
Amortization of deferred loss on refundings.....	12,000	16,744
Other miscellaneous noncash transactions.....	—	—

Business-type Activities – Enterprise Funds					Governmental Activities
State Lottery	Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
\$ 2,015,049	\$ 1,307,691	\$ (7,128,720)	\$ 24,328	\$ (3,483,814)	\$ 333,147
15,983	10,513	489,479	2,534	658,865	94,799
38,019	—	—	(6)	38,013	—
—	—	—	(1,326)	(1,326)	(107,355)
—	—	—	—	336,880	42
565	—	(8,117)	(14,046)	(24,607)	11,491
(107,899)	(384,498)	(46,430)	2,141	(607,886)	38,103
(28)	76,461	(8,614)	(1,051)	66,768	(241,387)
—	(54,067)	—	7,088	(48,374)	(11,428)
(6,499)	—	(21,963)	—	(28,462)	(39,955)
494	—	—	(965)	(836)	(8,568)
—	—	—	—	—	578,355
—	—	—	—	—	(5,287)
—	—	—	—	(1,000)	—
(1,725)	—	—	(5,699)	(7,424)	—
—	—	—	(209,674)	(209,674)	—
—	20,011	166,712	412	175,510	(15,005)
41,360	239,639	62,843	887	24,055	29,069
(1,491)	(40,976)	—	5,143	(46,960)	176,709
—	—	—	—	—	1,015
—	277,912	—	60	299,378	31,143
—	—	—	—	—	26
—	—	—	—	—	7,025
—	—	—	(388)	(388)	6,593
264	12,093	(47,754)	(8)	(35,405)	360,480
3,964	96,368	(6,168)	(3,888)	90,276	9,521
—	(603,537)	34,401	(613)	(569,749)	1
20,628	—	—	—	20,628	—
—	(44,294)	(9,936)	(4,547)	(58,777)	(21,039)
(8,384)	(359,035)	(2,603,054)	(13,525)	(2,986,256)	(556,965)
—	54,917	2,649,953	11,233	2,720,241	428,864
(4,749)	(698,493)	651,352	(226,238)	(196,510)	766,247
\$ 2,010,300	\$ 609,198	\$ (6,477,368)	\$ (201,910)	\$ (3,680,324)	\$ 1,099,394

(concluded)

\$ —	\$ —	\$ 633,088	\$ —	\$ 633,088	\$ —
98,716	—	474,374	—	573,090	—
—	—	389,094	—	389,094	—
—	—	41,888	—	104,910	—
—	—	82,378	—	82,378	—
—	—	71,822	—	71,822	—
57,691	—	—	—	57,691	—
—	—	8,643	—	37,387	—
46,512	—	2,224	169	48,905	3,784

Statement of Fiduciary Net Position

Fiduciary Funds and Similar Component Units

June 30, 2022

(amounts in thousands)

	Pension and Other Employee Benefit Trust	Private Purpose Trust	Investment Trust	Custodial
ASSETS				
Cash and pooled investments	\$ 3,658,730	\$ 98,076	\$ 35,829,554	\$ 2,511,099
Investments, at fair value:				
Short-term	30,691,989	426,667	9,153	—
Equity securities	326,057,025	6,195,815	27,711	—
Debt securities	163,546,023	3,020,599	47,122	—
Real estate	122,063,988	323,663	—	—
Securities lending collateral	39,605,270	—	—	—
Other	142,001,627	2,594,641	—	—
Total investments	<u>823,965,922</u>	<u>12,561,385</u>	<u>83,986</u>	<u>—</u>
Receivables (net)	24,315,291	8,081	1,117	2,322,961
Due from other funds	810,805	55	—	715
Due from other governments	—	—	—	51
Interfund receivable	—	—	—	40,323
Loans receivable	5,503,712	—	—	10,559
Other assets	853,782	249,476	—	15
Total assets	<u>859,108,242</u>	<u>12,917,073</u>	<u>35,914,657</u>	<u>4,885,723</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>208,806</u>	<u>—</u>	<u>19</u>	<u>18</u>
Total assets and deferred outflows of resources	<u>859,317,048</u>	<u>12,917,073</u>	<u>35,914,676</u>	<u>4,885,741</u>
LIABILITIES				
Accounts payable	13,395,301	21,750	30	20,937
Due to other governments	6	6,160	67,382	3,087,467
Tax overpayments	—	—	—	—
Benefits payable	4,377,521	—	—	—
Revenues received in advance	—	19,876	—	675
Deposits	—	249,459	—	1,065,985
Securities lending obligations	39,584,962	—	—	—
Loans payable	5,510,766	—	—	—
Other liabilities	17,081,759	—	15	20,399
Total liabilities	<u>79,950,315</u>	<u>297,245</u>	<u>67,427</u>	<u>4,195,463</u>
DEFERRED INFLOWS OF RESOURCES	<u>593,468</u>	<u>—</u>	<u>85</u>	<u>420</u>
Total liabilities and deferred inflows of resources	<u>80,543,783</u>	<u>297,245</u>	<u>67,512</u>	<u>4,195,883</u>
NET POSITION				
Restricted:				
Pension and other postemployment benefits	757,144,831	—	85,069	—
Deferred compensation participants	21,620,467	—	—	—
Pool participants	—	—	35,762,095	—
Individuals, organizations, or other governments	7,967	12,619,828	—	689,858
Total net position	<u>\$ 778,773,265</u>	<u>\$ 12,619,828</u>	<u>\$ 35,847,164</u>	<u>\$ 689,858</u>

Statement of Changes in Fiduciary Net Position

Fiduciary Funds and Similar Component Units

Year Ended June 30, 2022

(amounts in thousands)

	Pension and Other Employee Benefit Trust	Private Purpose Trust	Investment Trust	Custodial
ADDITIONS				
Contributions:				
Employer	\$ 35,043,283	\$ —	\$ 36,474	\$ 37,072
Plan member	10,375,684	—	—	—
Non-employer	4,279,964	—	—	—
Total contributions	<u>49,698,931</u>	<u>—</u>	<u>36,474</u>	<u>37,072</u>
Investment income:				
Net appreciation (depreciation) in fair value of investments	(62,036,425)	(1,712,311)	(9,532)	—
Interest, dividends, and other investment income	14,750,420	373,581	140,426	972
Less: investment expense	(1,881,988)	(4,452)	(21)	—
Net investment income (loss)	<u>(49,167,993)</u>	<u>(1,343,182)</u>	<u>130,873</u>	<u>972</u>
Receipts from depositors	—	3,903,287	25,058,778	—
Other	180,846	—	154	9,364
Total additions	<u>711,784</u>	<u>2,560,105</u>	<u>25,226,279</u>	<u>47,408</u>
DEDUCTIONS				
Distributions paid and payable to participants	50,303,119	—	138,418	37,071
Refunds of contributions	448,263	—	—	—
Administrative expense	530,040	1,920	2,042	1,397
Interest expense	123,067	—	—	—
Payments to and for depositors	745,661	2,690,815	26,363,290	30,908
Total deductions	<u>52,150,150</u>	<u>2,692,735</u>	<u>26,503,750</u>	<u>69,376</u>
Change in net position	(51,438,366)	(132,630)	(1,277,471)	(21,968)
Net position – beginning	<u>830,211,631</u> *	<u>12,752,458</u>	<u>37,124,635</u> *	<u>711,826</u>
Net position – ending	<u><u>\$ 778,773,265</u></u>	<u><u>\$ 12,619,828</u></u>	<u><u>\$ 35,847,164</u></u>	<u><u>\$ 689,858</u></u>

* Restated

This page intentionally left blank

Discretely Presented Component Units Financial Statements

Statement of Net Position

Discretely Presented Component Units – Enterprise Activity

June 30, 2022

(amounts in thousands)

	University of California	California Housing Finance Agency	Nonmajor Component Units	Total
ASSETS				
Current assets:				
Cash and pooled investments	\$ 1,656,366	\$ 1,769,048	\$ 1,607,778	\$ 5,033,192
Investments	14,933,556	—	639,346	15,572,902
Restricted assets:				
Cash and pooled investments	—	—	176,943	176,943
Investments	—	—	48,275	48,275
Receivables (net)	6,443,806	234,069	574,696	7,252,571
Due from primary government	307,083	—	84	307,167
Due from other governments	196,186	—	2,000	198,186
Prepaid items	—	399	3,134	3,533
Inventories	382,683	—	—	382,683
Other current assets	594,776	93,513	34,471	722,760
Total current assets	<u>24,514,456</u>	<u>2,097,029</u>	<u>3,086,727</u>	<u>29,698,212</u>
Noncurrent assets:				
Restricted assets:				
Cash and pooled investments	—	—	55,194	55,194
Investments	—	—	331,522	331,522
Investments	38,378,181	236,080	3,087,353	41,701,614
Receivables (net)	3,026,206	—	700,614	3,726,820
Loans receivable	—	2,280,513	442,455	2,722,968
Long-term prepaid charges	—	—	111	111
Capital assets:				
Land	1,544,104	—	174,423	1,718,527
Collections – nondepreciable	618,141	—	12,110	630,251
Buildings and other depreciable property	63,567,190	868	2,206,403	65,774,461
Intangible assets – amortizable	4,925,981	27,990	201,167	5,155,138
Less: accumulated depreciation/amortization	(33,614,742)	(2,760)	(1,272,742)	(34,890,244)
Construction/development in progress	4,634,766	—	249,620	4,884,386
Intangible assets – nonamortizable	—	—	5,214	5,214
Other noncurrent assets	493,610	14,263	79,394	587,267
Total noncurrent assets	<u>83,573,437</u>	<u>2,556,954</u>	<u>6,272,838</u>	<u>92,403,229</u>
Total assets	<u>108,087,893</u>	<u>4,653,983</u>	<u>9,359,565</u>	<u>122,101,441</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>11,498,564</u>	<u>14,775</u>	<u>117,643</u>	<u>11,630,982</u>
Total assets and deferred outflows of resources	<u>\$ 119,586,457</u>	<u>\$ 4,668,758</u>	<u>\$ 9,477,208</u>	<u>\$ 133,732,423</u>

	University of California	California Housing Finance Agency	Nonmajor Component Units	Total
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 2,668,668	\$ 44,534	\$ 944,391	\$ 3,657,593
Revenues received in advance	1,928,589	—	165,289	2,093,878
Deposits	—	228,704	1,183	229,887
Contracts and notes payable	—	—	12,580	12,580
Interest payable	—	7,239	1,754	8,993
Securities lending obligations	2,162,521	—	—	2,162,521
Current portion of long-term obligations	6,133,649	27,118	129,289	6,290,056
Other current liabilities	3,149,923	107,168	159,679	3,416,770
Total current liabilities	16,043,350	414,763	1,414,165	17,872,278
Noncurrent liabilities:				
Compensated absences payable	504,283	2,793	14,153	521,229
Workers' compensation benefits payable	854,774	—	8,064	862,838
Loans payable	—	2,180	11,759	13,939
Commercial paper and other borrowings	—	—	75,490	75,490
Lease liability	2,258,370	23,547	218,959	2,500,876
Revenue bonds payable	29,733,296	99,530	806,547	30,639,373
Net other postemployment benefits liability	20,171,887	63,998	210,090	20,445,975
Net pension liability	21,403,045	23,622	220,539	21,647,206
Revenues received in advance	—	—	17,829	17,829
Other noncurrent liabilities	1,923,114	588,364	713,875	3,225,353
Total noncurrent liabilities	76,848,769	804,034	2,297,305	79,950,108
Total liabilities	92,892,119	1,218,797	3,711,470	97,822,386
DEFERRED INFLOWS OF RESOURCES	11,633,217	41,609	538,073	12,212,899
Total liabilities and deferred inflows of resources	104,525,336	1,260,406	4,249,543	110,035,285
NET POSITION				
Net investment in capital assets	11,804,936	305	721,490	12,526,731
Restricted:				
Nonexpendable – endowments	7,735,222	—	1,756,967	9,492,189
Expendable:				
Endowments and gifts	17,692,863	—	17,637	17,710,500
Education	1,025,523	—	1,289,665	2,315,188
Indenture	—	709,312	—	709,312
Statute	—	2,739,956	627,928	3,367,884
Other purposes	—	—	20,752	20,752
Total expendable	18,718,386	3,449,268	1,955,982	24,123,636
Unrestricted	(23,197,423)	(41,221)	793,226	(22,445,418)
Total net position	15,061,121	3,408,352	5,227,665	23,697,138
Total liabilities, deferred inflows of resources, and net position	\$ 119,586,457	\$ 4,668,758	\$ 9,477,208	\$ 133,732,423

(concluded)

Statement of Activities

Discretely Presented Component Units – Enterprise Activity

Year Ended June 30, 2022

(amounts in thousands)

	University of California	California Housing Finance Agency	Nonmajor Component Units	Total
OPERATING EXPENSES				
Personal services	\$ 30,077,938	\$ 22,487	\$ 511,073	\$ 30,611,498
Scholarships and fellowships	1,182,024	—	106,824	1,288,848
Supplies	5,361,451	—	17,909	5,379,360
Services and charges	463,127	223,170	1,318,083	2,004,380
Department of Energy laboratories	990,713	—	—	990,713
Depreciation	2,626,612	2,574	99,186	2,728,372
Interest expense and fiscal charges	1,126,368	14,283	50,702	1,191,353
Other	6,695,824	2,632	95,486	6,793,942
Total operating expenses	48,524,057	265,146	2,199,263	50,988,466
PROGRAM REVENUES				
Charges for services	30,936,266	15,559	699,932	31,651,757
Operating grants and contributions	13,287,117	—	865,950	14,153,067
Capital grants and contributions	78,860	—	42,822	121,682
Total program revenues	44,302,243	15,559	1,608,704	45,926,506
Net revenues (expenses)	(4,221,814)	(249,587)	(590,559)	(5,061,960)
GENERAL REVENUES				
Investment and interest income (loss)	(3,981,479)	189,018	(350,421)	(4,142,882)
Other	3,654,517	32,843	971,468	4,658,828
Total general revenues	(326,962)	221,861	621,047	515,946
Change in net position	(4,548,776)	(27,726)	30,488	(4,546,014)
Net position – beginning	19,609,897 *	3,436,078	5,197,177 *	28,243,152
Net position – ending	\$ 15,061,121	\$ 3,408,352	\$ 5,227,665	\$ 23,697,138

* Restated

Notes to the Financial Statements – Index

Note 1. Summary of Significant Accounting Policies	71
A. Reporting Entity	73
1. Blended Component Units	73
2. Fiduciary Component Units	73
3. Discretely Presented Component Units	74
4. Joint Venture	75
5. Related Organizations	76
B. Government-wide and Fund Financial Statements	78
C. Measurement Focus and Basis of Accounting	81
1. Government-wide Financial Statements	81
2. Fund Financial Statements	81
D. Cash and Investments	82
E. Receivables	82
F. Inventories	82
G. Long-term Prepaid Charges	82
H. Capital Assets and Right-to-Use Assets	82
I. Long-term Obligations	84
J. Compensated Absences	85
K. Deferred Outflows and Deferred Inflows of Resources	85
1. Deferred Outflows of Resources	85
2. Deferred Inflows of Resources	86
L. Nonmajor Enterprise Segment Information	88
M. Net Position and Fund Balance	88
1. Net Position	88
2. Fund Balance	88
3. Stabilization Arrangements	89
a. Budget Stabilization Account	89
b. Special Fund for Economic Uncertainties	90
c. Public School System Stabilization Account	90
N. Restatement of Beginning Fund Balances and Net Position	90
1. Fund Financial Statements	90
2. Government-wide Financial Statements	91
O. Guaranty Deposits	91

Note 2. Budgetary and Legal Compliance	91
A. Budgeting and Budgetary Control	91
B. Legal Compliance	92
Note 3. Deposits and Investments	92
A. Primary Government	92
1. Control of State Funds	92
2. Valuation of State Investments	93
3. Oversight of Investing Activities	95
4. Risk of Investments	96
a. Interest Rate Risk	97
b. Credit Risk	98
c. Custodial Credit Risk	98
d. Concentration of Credit Risk	98
B. Fiduciary Funds	99
C. Discretely Presented Component Units	99
Note 4. Accounts Receivable	100
Note 5. Restricted Assets	102
Note 6. Capital Assets	103
Note 7. Deferred Outflows and Deferred Inflows of Resources	107
Note 8. Accounts Payable	108
Note 9. Long-term Obligations	110
Note 10. Pension Trusts	114
A. California Public Employees' Retirement System	115
1. Public Employees' Retirement Fund (PERF)	115
2. Single-employer Plans	125
B. California State Teachers' Retirement System	134
C. Trial Court Pension Plans	138
Note 11. Other Postemployment Benefits	140
A. Retiree Health Benefits Program	140
B. Trial Court OPEB Plans	156
Note 12. Commercial Paper and Other Long-term Borrowings	158
Note 13. Leases	158
Note 14. Commitments	159

Note 15. General Obligation Bonds	161
A. Variable-rate General Obligation Bonds	161
B. Mandatory Tender Bonds	162
C. Build America Bonds	162
D. Debt Service Requirements	163
E. General Obligation Bond Defeasances	163
1. Current Year Activity	163
2. Outstanding Balance	164
Note 16. Revenue Bonds	164
A. Governmental Activities	164
B. Business-type Activities	165
C. Discretely Presented Component Units	166
D. Revenue Bond Defeasances	167
1. Current Year – Governmental Activities	167
2. Current Year – Business-type Activities	168
3. Outstanding Balances	168
Note 17. Risk Management	168
Note 18. Interfund Balances and Transfers	170
A. Interfund Balances	170
B. Interfund Transfers	176
Note 19. Fund Balances, Net Position Deficits, and Endowments	178
A. Fund Balances	178
B. Net Position Deficits	179
C. Discretely Presented Component Unit Endowments and Gifts	179
Note 20. No Commitment Debt	179
Note 21. Contingent Liabilities	180
A. Litigation	180
B. Federal Audit Exceptions	184
Note 22. Subsequent Events	184
A. Debt Issuances	184
B. Other	185

This page intentionally left blank

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, 2022:

GASB Statement No. 87, *Leases*, as amended, is effective for the fiscal year ended June 30, 2022. This Statement better meets the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB Statement No. 87 defines a lease as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in the Statement. Implementation of GASB Statement No. 87 resulted in a restatement of beginning net position, recognition of right-to-use lease assets, lease receivables, lease liabilities, deferred inflows of resources, and additional note disclosures related to leases where the State is a lessee or a lessor.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, as amended, is effective for the fiscal year ended June 30, 2022. This Statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. Implementation of GASB Statement No. 89 resulted in an immaterial impact on the State's Annual Comprehensive Financial Report (ACFR).

GASB Statement No. 92, *Omnibus 2020*, as amended, is effective for the fiscal year ended June 30, 2022. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- a. The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports.
- b. Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan.
- c. The applicability of Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits.
- d. The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements.
- e. Measurement of liabilities (and assets, if any) related to asset retirement obligations in a government acquisition.
- f. Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers.
- g. Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature.
- h. Terminology used to refer to derivative instrument.

Implementation of GASB Statement No. 92 had an insignificant impact to the State's ACFR and resulted in the replacement of the word "derivatives" with "derivative instruments" in the Notes to the Financial Statements.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, is effective for the fiscal year ended June 30, 2022. The objectives of this Statement are to (a) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (b) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (c) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. Implementation of GASB Statement No. 97 resulted in an insignificant impact to the State's ACFR.

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, contracts receivable 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 plans. 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 administers one investment trust fund: the California Employers' Pension Prefunding Trust Fund. CalPERS also maintains two custodial funds: the Replacement Benefit Fund, and the Old Age and Survivors' Insurance Revolving 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, 2021).

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, 2022, CADA had total assets and deferred outflows of resources of \$76.9 million, total liabilities and deferred inflows of resources of \$55.0 million, and total net position of \$21.9 million. Total revenues for the fiscal year were \$15.9 million and expenses were \$12.9 million, resulting in an increase in net position of \$3.0 million. As the primary government does not have equity interest in CADA, CADA's financial information is not included in the financial statements of this report. Separately issued financial statements may be obtained on CADA's website at www.cadanet.org.

5. Related Organizations

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

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

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.

Investment trust funds consist of the external portion of investment pools and account for the deposits, withdrawals, and earnings of 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. 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.

H. Capital Assets and Right-to-Use 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, trademarks, and right-to-use assets. 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.

The State is a lessee for various noncancelable leases of land, buildings, equipment. For leases that meet the capitalization threshold of \$100,000 or greater in total payments over the lease term, the State recognizes right-to-use lease assets at the commencement of a lease. Right-to-use lease assets represent the State's right to use an underlying asset for the lease term. Right-to-use lease assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right-to-use lease assets are amortized over the shorter of the lease term or useful life of the underlying asset, ranging from 2 to

50 years, using the straight-line method. Leases below the capitalization threshold and leases with a maximum possible term of 12 months or less at commencement are expensed or expensed as incurred.

I. Long-term Obligations

Long-term obligations consist of various types of bonds and other long-term payables including unmatured general obligation bond, unmatured revenue bonds, lease liabilities, 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.

Lease liabilities represent the State's obligation to make lease payments arising from a lease contract. Lease liabilities are recognized by the State at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments is discounted based on a borrowing rate explicitly stated in the lease contract, the incremental borrowing rate published on the State Controller's website, or other determined incremental borrowing rates. Variable lease payments based on future performance of the lessee or usage of the underlying asset are expensed as incurred, and are not included in the measurement of the lease liability. Subsequent to their initial measurement, lease liabilities are reduced by the principal portion of lease payments made. The State assesses each lease liability annually for changes in the terms of the lease, interest rate, impairment of the underlying leased asset, or other factors that may impact the expected future lease payments. Lease amendments and other modifications could necessitate remeasuring the lease liability.

J. 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.

K. 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.
- *Deferred Inflows of Resources Related to Leases:* For lease contracts where the State is a lessor, deferred inflows of resources are reported for governmental and proprietary funds, governmental activities, business-type activities, and component units. Deferred inflows of resources related to leases are recognized as inflows of resources (revenue) on a straight-line basis over the term of each lease contract.
- *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.

L. 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.

M. 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, 2022, the government-wide financial statements show restricted net position for the primary government of \$71.1 billion, of which \$18.2 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 or 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, 2022, the Budget Stabilization Account had a restricted fund balance of \$20.3 billion.

b. Special Fund for Economic Uncertainties

State law established the Special Fund for Economic Uncertainties (SFEU) as a contingency reserve to help the State meet its General Fund obligations in the event of declining revenues or unanticipated expenditures. A control section of the State’s Budget Act establishes the annual reserve balance of the SFEU, but that amount would be reduced if certain constitutionally defined excess revenue limits are met during the fiscal year. In addition, SFEU funds may be set aside in a separate account and committed for disaster response operation costs incurred by state agencies as a result of a proclamation of a state of emergency by the Governor. The SFEU is a discretionary budget reserve and is available without additional legislative action to meet the cash needs of the General Fund and to eliminate any General Fund deficit at the end of a fiscal year. The SFEU is reported in the General Fund, and at June 30, 2022, the SFEU represented \$4.0 billion of the unassigned balance of the General Fund.

c. Public School System Stabilization Account

State law established the Public School System Stabilization Account (PSSSA) as a reserve specifically for schools and community colleges. The State deposits Proposition 98 funding into this reserve when it receives high levels of capital gains revenue and the minimum guarantee is growing relatively quickly, and will withdraw funding from the reserve under certain conditions—generally when the guarantee is growing slowly relative to inflation and student attendance. If the Governor declares a budget emergency, the Legislature can make discretionary withdrawals. At June 30, 2022, the PSSSA represented \$4.5 billion of cash reported in the General Fund, all of which was due to other governments. Accordingly, the PSSSA reported no fund balance as of June 30, 2022.

N. Restatement of Beginning Fund Balances and Net Position

1. Fund Financial Statements

The beginning fund balance of *governmental funds* decreased by \$47.4 billion. This decrease primarily consists of a \$47.4 billion restatement reducing the Federal Fund beginning balance for a correction due to unemployment insurance eligibility. In addition, a reduction of receivables for pandemic relief benefit overpayments caused a \$5 million decrease to the beginning balance of the General Fund.

The beginning net position of *internal service funds* decreased by \$1 million due to prior period corrections to capital asset balances.

The beginning net position of *enterprise funds* increased by \$19.8 billion. The increase is comprised of a \$19.8 billion restatement of the loan payable to the U.S. Department of Labor and \$63 million in net adjustments to prior period unemployment benefit payments in the Unemployment Programs Fund.

The beginning net position of *discretely presented component units* decreased by \$65 million. The restatement is comprised of an \$80 million decrease for the University of California, and a \$15 million increase for a nonmajor component unit, due to the implementation of GASB Statement No. 87, *Leases*. Further information related to the University's restatement is included in its separately issued financial statements, which can be obtained from its website at www.ucop.edu.

2. Government-wide Financial Statements

The beginning net position of *governmental activities* decreased by \$47.0 billion. In addition to the restatements described in the previous section for governmental funds and internal services funds, the restatement also includes a \$360 million increase in beginning net position resulting from the elimination of former capital lease obligations in the implementation of GASB Statement No. 87, a \$2 million decrease due to understatement of prior period pollution remediation obligations, a \$326 million decrease due to overstatement of prior period capital assets, and a \$342 million increase due to overstatement of prior period accumulated depreciation.

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

0. 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, 2022, 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, 2022, these discretely presented component units and related organizations account for approximately 1.4% 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, 2022, totaling approximately \$5.9 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, 2022, the State Treasurer's Office had on deposit with a fiscal agent amounts totaling \$20 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 \$342 million in interest revenue received by the General Fund from the pooled investment program in fiscal year 2021-22 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, 2022

(amounts in thousands)

	June 30, 2022	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	\$ 156,942,317	\$ 156,942,317	\$ —
U.S. Agency bonds and discount notes	34,469,111	34,469,111	—
Supranational debentures and discount notes	9,205,209	9,205,209	—
Small Business Administration loans	308,985	308,985	—
Mortgage-backed securities	4,761	4,761	—
Certificates of deposit	13,259,761	—	13,259,761
Bank notes	100,127	—	100,127
Commercial paper	11,525,498	—	11,525,498
Corporate bonds	473,146	—	473,146
Total pooled investments at fair value	226,288,915	\$ 200,930,383	\$ 25,358,532
Other primary government investments			
U.S. Treasuries and agencies	3,920,432	\$ 1,782,400	\$ 2,138,032
Commercial paper	66,743	—	66,743
Corporate debt securities	1,761,525	—	1,761,525
Other	2,169,509	145,113	2,024,396
Total other primary government investments at fair value	7,918,209	\$ 1,927,513	\$ 5,990,696
Investments measured at the net asset value (NAV)			
Money market funds/2a-7 money market funds	544,720		
Total investments measured at the NAV	544,720		
Other investment instruments			
State and Local Government Series securities ¹	3,863,402		
Total other investment instruments	3,863,402		
Funds outside primary government included in pooled investments			
Less: investment trust funds	35,829,502		
Less: other trust and custodial funds	5,092,974		
Less: discretely presented component units and related organizations	3,052,750		
Total primary government investments	\$ 194,640,020		

¹ Reported at carrying value

As of June 30, 2022, the weighted average maturity of the securities in the pooled investment program administered by the State Treasurer's Office was approximately 315 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, 2022, 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, 2022, structured notes and medium-term asset-backed securities comprised approximately 1.18% of the pooled investments. A portion of the structured notes was callable agency securities, which represented 1.04% 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 0.8% 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 \$4.5 billion of time deposits and \$828 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, 2022, only \$5 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, 2022

(amounts in thousands)

	Fair Value at Year End	Weighted Average Maturity (in years)
Pooled investments		
U.S. Treasury bills and notes	\$ 156,942,317	1.01
U.S. Agency bonds and discount notes	34,469,111	0.71
Supranational debentures and discount notes	9,205,209	0.52
Small Business Administration loans	308,985	0.25
Mortgage-backed securities	4,761	0.40
Certificates of deposit	13,259,761	0.26
Bank notes	100,127	0.51
Commercial paper	11,525,498	0.24
Corporate bonds	473,146	2.13
Total pooled investments	226,288,915	
Other primary government investments		
U.S. Treasuries and agencies	3,920,432	2.59
State and Local Government Series securities ¹	3,863,402	—
Corporate debt securities	1,761,526	2.70
Other	2,780,971	2.10
Total other primary government investments	12,326,331	
Funds outside primary government included in pooled investments		
Less: investment trust funds	35,829,502	
Less: other trust and custodial funds	5,092,974	
Less: discretely presented component units and related organizations	3,052,750	
Total primary government investments	\$ 194,640,020	

¹ Reported at carrying value

b. Credit Risk

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

Table 4

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

June 30, 2022

(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	\$ 38,124,503
A-1/P-1/F-1	AA/Aa/AA	30,453,637
A-2/P-2/F-2	A/A/A	459,473
Not rated		—
Not applicable.....		157,251,302
Total pooled investments		\$ 226,288,915
Other primary government investments		
A-1+/P-1/F-1+	AAA/Aaa/AAA	\$ 1,283,342
A-1/P-1/F-1	AA/Aa/AA	2,728,020
A-2/P-2/F-2	A/A/A	1,762,241
A-3/P-3/F-3	BBB/Baa/BBB	12,459
B/NP/B	BB/Ba/BB	42,662
B/NP/B	B2/B	123,741
Not rated		6,373,866
Total other primary government investments		\$ 12,326,331

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, 2022, 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, 2022, the State had investments in the Federal Home Loan Bank totaling 10.4% of the total pooled investments and other primary government investments.

B. Fiduciary Funds

The fiduciary funds include investment and 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 96.36% 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 92.88% 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, 2022

(amounts in thousands)

	<u>Taxes</u>	<u>Licenses, Permits, and Fees</u>	<u>Lottery Retailers</u>
Current governmental activities			
General Fund	\$ 28,493,709	\$ —	\$ —
Federal Fund	—	—	—
Transportation Fund	820,732	367,488	—
Environmental and Natural Resources Fund	29,302	417,425	—
Health Care Related Programs Fund	646,008	3,738,940	—
Nonmajor governmental funds	249,098	1,081,361	—
Internal service funds	—	—	—
Adjustment:			
Unavailable revenue ¹	(1,884,165)	(16,133)	—
Leases receivable	—	—	—
Total current governmental activities	\$ 28,354,684	\$ 5,589,081	\$ —
Amounts not scheduled for collection during the subsequent year (unavailable revenue)	\$ 1,884,165	\$ 16,133	\$ —
Current business-type activities			
Electric Power Fund	\$ —	\$ —	\$ —
Water Resources Fund	—	—	—
State Lottery Fund	—	—	730,174
Unemployment Programs Fund	—	—	—
California State University	—	—	—
Nonmajor enterprise funds	—	—	—
Total current business-type activities	\$ —	\$ —	\$ 730,174
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 \$25 million that were not included in the governmental fund financial statements.

Unemployment Programs	California State University	Other	Total
\$ 656,128	\$ —	\$ 1,751,539	\$ 30,901,376
—	—	1,969,773	1,969,773
—	—	317,679	1,505,899
—	—	141,474	588,201
—	—	277,194	4,662,142
—	—	431,821	1,762,280
—	—	29,480	29,480
(222,684)	—	(267,295)	(2,390,277)
—	—	(99,819)	(99,819)
\$ 433,444	\$ —	\$ 4,551,846	\$ 38,929,055
\$ 222,684	\$ —	\$ 396,785	² \$ 2,519,767
\$ —	\$ —	\$ 198,543	\$ 198,543
—	—	93,790	93,790
—	—	—	730,174
1,583,689	—	—	1,583,689
—	341,976	—	341,976
—	—	37,257	37,257
\$ 1,583,689	\$ 341,976	\$ 329,590	\$ 2,985,429
\$ 813,663	\$ 641,599	\$ —	\$ 1,455,262

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, 2022

(amounts in thousands)

	Cash and Pooled Investments	Investments	Due From Other Governments	Loans Receivable	Total
Primary government					
Debt service	\$ 607,656	\$ 50,503	\$ 201,236	\$ 4,420,705	\$ 5,280,100
Construction	660,529	—	—	—	660,529
Operations	113,059	—	—	—	113,059
Other	203	—	—	—	203
Total primary government	1,381,447	50,503	201,236	4,420,705	6,053,891
Discretely presented component units					
Debt service	154,596	379,797	—	—	534,393
Other	77,541	—	—	—	77,541
Total discretely presented component units	232,137	379,797	—	—	611,934
Total restricted assets	\$ 1,613,584	\$ 430,300	\$ 201,236	\$ 4,420,705	\$ 6,665,825

NOTE 6: CAPITAL ASSETS

Table 7 summarizes the capital activity for the primary government.

Table 7**Schedule of Changes in Capital Assets – Primary Government**

June 30, 2022

(amounts in thousands)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated/amortized				
Land	\$ 21,501,907 *	\$ 200,544	\$ 2,988	\$ 21,699,463
State highway infrastructure	80,847,105 *	1,160,883	10,611	81,997,377
Collections	22,682	—	—	22,682
Construction/development in progress	19,076,936 *	4,001,494	2,160,961	20,917,469
Intangible assets	928,380 *	219,649	—	1,148,029
Total capital assets not being depreciated/amortized	122,377,010	5,582,570	2,174,560	125,785,020
Capital assets being depreciated/amortized				
Buildings and improvements	28,165,325 *	1,451,883	612,928	29,004,280
Infrastructure	752,156 *	844	220	752,780
Equipment and other depreciable assets	5,925,879 *	468,214	203,458	6,190,635
Other intangible assets	2,969,629 *	162,032	2,948	3,128,713
Total capital assets being depreciated/amortized	37,812,989	2,082,973	819,554	39,076,408
Less accumulated depreciation/amortization for:				
Buildings and improvements	10,964,934 *	696,531	398,240	11,263,225
Infrastructure	452,810 *	15,079	71	467,818
Equipment and other depreciable assets	4,890,450 *	400,537	189,474	5,101,513
Other intangible assets	1,296,216 *	275,858	1,399	1,570,675
Total accumulated depreciation/amortization	17,604,410	1,388,005	589,184	18,403,231
Right to use leased assets being amortized				
Right to use leased land	31,282 *	6,971	—	38,253
Right to use leased buildings	2,766,967 *	140,846	—	2,907,813
Right to use leased equipment	6,566 *	—	—	6,566
Total right to use leased assets being amortized	2,804,815	147,817	—	2,952,632
Less accumulated amortization for:				
Right to use leased land	—	2,784	—	2,784
Right to use leased buildings	—	466,168	—	466,168
Right to use leased equipment	—	3,099	—	3,099
Total accumulated amortization	—	472,051	—	472,051
Net right to use leased assets	2,804,815	(324,234)	—	2,480,581
Total capital assets being depreciated/amortized, net	23,013,394	370,734	230,370	23,153,758
Governmental activities, capital assets, net	\$ 145,390,404	\$ 5,953,304	\$ 2,404,930	\$ 148,938,778

*Restated

(continued)

Table 7 (continued)

Schedule of Changes in Capital Assets – Primary Government (continued)

June 30, 2022

(amounts in thousands)

	Beginning Balance	Additions	Deductions	Ending Balance
Business-type activities				
Capital assets not being depreciated/amortized				
Land	\$ 423,324	\$ 29,506	\$ 4,777	\$ 448,053
Collections	34,431	1,061	—	35,492
Construction/development in progress	2,968,926	1,316,853	1,075,356	3,210,423
Intangible assets	123,800	5,621	3,894	125,527
Total capital assets not being depreciated/amortized	3,550,481	1,353,041	1,084,027	3,819,495
Capital assets being depreciated/amortized				
Buildings and improvements	17,228,198 *	1,243,007	114,499	18,356,706
Infrastructure	578,629	61,714	16,302	624,041
Equipment and other assets	1,088,048 *	65,885	20,223	1,133,710
Other intangible assets	476,154 *	21,330	734	496,750
Total capital assets being depreciated/amortized	19,371,029	1,391,936	151,758	20,611,207
Less accumulated depreciation/amortization for:				
Buildings and improvements	6,372,091 *	487,781	20,169	6,839,703
Infrastructure	171,942	23,908	12,680	183,170
Equipment and other assets	771,899 *	82,616	18,304	836,211
Other intangible assets	247,668 *	21,003	690	267,981
Total accumulated depreciation/amortization	7,563,600	615,308	51,843	8,127,065
Right to use leased assets being amortized				
Right to use leased land	6,757 *	202	—	6,959
Right to use leased buildings	361,035 *	9,525	480	370,080
Right to use leased equipment	5,548 *	3,314	—	8,862
Total right to use leased assets being amortized	373,340	13,041	480	385,901
Less accumulated amortization for:				
Right to use leased land	—	472	—	472
Right to use leased buildings	—	40,708	90	40,618
Right to use leased equipment	—	2,377	—	2,377
Total accumulated amortization	—	43,557	90	43,467
Net right to use leased assets	373,340	(30,516)	390	342,434
Total capital assets being depreciated/amortized, net....	12,180,769	746,112	100,305	12,826,576
Business-type activities, capital assets, net	\$ 15,731,250	\$ 2,099,153	\$ 1,184,332	\$ 16,646,071
* Restated				(concluded)

Table 8 summarizes the depreciation expense charged to the activities of the primary government.

Table 8**Schedule of Depreciation Expense – Primary Government**

June 30, 2022

(amounts in thousands)

	Amount
Governmental activities	
General government	\$ 457,315
Education	120,671
Health and human services	282,335
Natural resources and environmental protection	176,211
Business, consumer services, and housing	33,060
Transportation	306,472
Corrections and rehabilitation	368,435
Internal service funds (charged to the activities that utilize the fund)	94,799
Total governmental activities	1,839,298
Business-type activities	658,865
Total primary government	\$ 2,498,163

Table 9 summarizes the capital activity for discretely presented component units.

Table 9

Schedule of Changes in Capital Assets – Discretely Presented Component Units

June 30, 2022

(amounts in thousands)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Capital assets not being depreciated/amortized				
Land	\$ 1,648,822	\$ 69,812	\$ 107	\$ 1,718,527
Collections	618,290	12,725	764	630,251
Construction/development in progress	4,623,454 *	288,909	27,977	4,884,386
Intangible assets	5,214	—	—	5,214
Total capital assets not being depreciated/amortized	6,895,780	371,446	28,848	7,238,378
Capital assets being depreciated/amortized				
Buildings and improvements	48,992,306 *	2,686,408	150,797	51,527,917
Infrastructure	1,029,419	23,502	58,976	993,945
Equipment and other depreciable assets	12,958,964 *	739,871	446,236	13,252,599
Other intangible assets	1,827,522	143,364	105,584	1,865,302
Total capital assets being depreciated/amortized	64,808,211	3,593,145	761,593	67,639,763
Less accumulated depreciation/amortization for:				
Buildings and improvements	21,317,933 *	1,559,256	169,571	22,707,618
Infrastructure	521,368	31,478	26,908	525,938
Equipment and other depreciable assets	9,398,454 *	658,783	442,186	9,615,051
Other intangible assets	1,173,245	180,777	95,644	1,258,378
Total accumulated depreciation/amortization	32,411,000	2,430,294	734,309	34,106,985
Right to use leased assets being amortized				
Right to use leased land	59,933 *	47,058	—	106,991
Right to use leased buildings	2,776,123 *	449,813	214,507	3,011,429
Right to use leased equipment	160,786 *	29,974	19,344	171,416
Total right to use leased assets being amortized	2,996,842	526,845	233,851	3,289,836
Less accumulated amortization for:				
Right to use leased land	3,476 *	5,944	—	9,420
Right to use leased buildings	494,031 *	253,082	50,660	696,453
Right to use leased equipment	59,348 *	44,717	26,679	77,386
Total accumulated amortization	556,855	303,743	77,339	783,259
Net right to use leased assets	2,439,987	223,102	156,512	2,506,577
Total capital assets being depreciated/amortized, net	34,837,198	1,385,953	183,796	36,039,355
Capital assets, net	\$ 41,732,978	\$ 1,757,399	\$ 212,644	\$ 43,277,733

* Restated

NOTE 7: DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

In the fund financial statements, governmental funds reported deferred inflows of resources of \$8.2 billion. This amount represents revenues that are earned and measurable, but not available within 12 months of the end of the reporting period.

Table 10 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.K.

Table 10**Schedule of Deferred Outflows and Deferred Inflows of Resources**

June 30, 2022

(amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Deferred outflows of resources:				
Loss on refunding of debt	\$ 1,043,607	\$ 202,083	\$ 1,245,690	\$ 258,560
Decrease in fair value of hedging derivative instruments	—	—	—	89,066
Net pension liability	17,531,106	1,749,352	19,280,458	6,296,296
Net other postemployment benefits liability	10,518,629	1,826,301	12,344,930	4,882,715
Deferred asset retirement obligation	—	—	—	101,622
Other deferred outflows	—	—	—	2,723
Total deferred outflows of resources	\$ 29,093,342	\$ 3,777,736	\$ 32,871,078	\$ 11,630,982
Deferred inflows of resources:				
Gain on refunding of debt	\$ 643,127	\$ 4,262	\$ 647,389	\$ 41,106
Service concession arrangements	24,533	—	24,533	232,380
Irrevocable split-interest agreements	—	—	—	299,860
Net pension liability	30,570,718	2,693,132	33,263,850	216,746
Net other postemployment benefits liability	12,777,528	2,856,416	15,633,944	10,072,495
Increase in fair value of hedging derivatives	—	—	—	13,935
Other deferred inflows	5,809,685	1,947,035	7,756,720	1,336,377
Total deferred inflows of resources	\$ 49,825,591	\$ 7,500,845	\$ 57,326,436	\$ 12,212,899

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, 2022

(amounts in thousands)

	General Government	Education	Health and Human Services
Governmental activities			
General Fund	\$ 10,876,828	\$ 844,336	\$ 8,309,909
Federal Fund	245,417	913,558	19,937,900
Transportation Fund	13,103	6,449	1,810
Environmental and Natural Resources Fund	3,279	—	8,584
Health Care Related Programs Fund	—	2,962	3,344,718
Nonmajor governmental funds	944,568	23,808	113,339
Internal service funds	246,580	—	181,849
Adjustment:			
Fiduciary funds	790,287	—	—
Total governmental activities	\$ 13,120,062	\$ 1,791,113	\$ 31,898,109
Business-type activities			
Electric Power Fund	\$ —	\$ —	\$ —
Water Resources Fund	—	—	—
State Lottery Fund	93,327	—	—
Unemployment Programs Fund	—	—	315,831
California State University	—	374,350	—
Nonmajor enterprise funds	173	871	144
Total business-type activities	\$ 93,500	\$ 375,221	\$ 315,975

Natural Resources and Environmental Protection				Transportation	Other	Total	
\$	382,628	\$	3,529	\$	1,095,333	\$	21,512,563
	63,095		116,230		174,137		21,450,337
	1,101		1,327,587		1,768		1,351,818
	483,704		279,372		9,331		784,270
	—		—		—		3,347,680
	10,756		575		138,483		1,231,529
	17,571		—		16,019		462,019
	—		20,587		701		811,575
\$	958,855	\$	1,747,880	\$	1,435,772	\$	50,951,791
\$	79,618	\$	—	\$	—	\$	79,618
	130,429		—		—		130,429
	—		—		—		93,327
	—		—		—		315,831
	—		—		—		374,350
	3,678		—		5,663		10,529
\$	213,725	\$	—	\$	5,663	\$	1,004,084

NOTE 9: LONG-TERM OBLIGATIONS

As of June 30, 2022, the primary government had long-term obligations totaling \$280.9 billion. Of that amount, \$8.2 billion is due within one year. Governmental activities had a net decrease in long-term obligations of \$36.2 billion, primarily due to a decrease of \$36.8 billion in net pension liability. Other significant decreases included general obligation bonds payable of \$1.1 billion. Increases to governmental activities included \$2.9 billion in lease liability due to the implementation of GASB Statement No. 87, which caused a \$2.4 billion net restatement to the beginning lease liability after elimination of the prior year lease liability of \$360 million. Other notable increases included \$1.2 billion in revenue bonds payable and \$517 million in worker's compensation benefits 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, 2022, pollution remediation obligations increased by \$160 million, to \$1.7 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, 2022, the State estimates that remediation costs at Stringfellow will total \$578 million. At BKK Landfill in Los Angeles County, 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, 2022, the State estimates that the oil field abandonment liability is \$940 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 a Transportation Fund performance obligation of \$473 million, Water Resources Revolving Fund notes payable of \$33 million,

Lessee-type Financed Purchase as a result of GASB 87 of \$26 million, Technology Services Revolving Fund notes payable of \$21 million, and \$9 million to settle lawsuits. 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 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 decrease in long-term obligations of \$3.8 billion. Significant decreases included \$3.3 billion in net pension liability. The implementation of GASB Statement No. 87 resulted in a \$40 million restatement (increase) to the beginning lease liability after elimination of the prior year lease liability of \$336 million.

Table 12 summarizes the changes in long-term obligations during the fiscal year ended June 30, 2022.

Table 12

Schedule of Changes in Long-term Obligations

(amounts in thousands)

	Balance July 1, 2021	Additions
Governmental activities		
Loans payable adjustment for fiduciary funds	\$ 46,062	\$ —
Compensated absences payable	5,393,765	1,798,879
Workers' compensation benefits payable	4,941,058	1,110,640
Commercial paper and other borrowings	1,176,235	1,900,035
Lease liability	2,804,645 *	147,814
General obligation bonds outstanding	70,837,455	6,639,495
Premiums	7,643,953	1,229,185
Total general obligation bonds payable	<u>78,481,408</u>	<u>7,868,680</u>
Revenue bonds outstanding	14,492,161	9,130,151
Accreted interest	704,017	35,570
Premiums	803,573	378,761
Discounts	(1,512)	725
Total revenue bonds payable	<u>15,998,239</u>	<u>9,545,207</u>
Mandated cost claims payable	2,086,941	123,380
Net other postemployment benefits liability	76,991,715	9,524,317
Net pension liability	84,713,135	28,071,117
Other long-term obligations:		
Oil field abandonment liability	966,384	—
Proposition 98 funding guarantee	708	—
Pollution remediation obligations	1,519,279 *	231,690
Other	733,433 *	12,373
Total other long-term obligations	<u>3,219,804</u>	<u>244,063</u>
Total governmental activities	<u>\$ 275,853,007</u>	<u>\$ 60,334,132</u>
Business-type activities		
Loans payable	\$ —	* \$ —
Lottery prizes and annuities	1,597,014	6,712,052
Compensated absences payable	513,368	171,214
Workers' compensation benefits payable	12,662	1,873
Commercial paper and other borrowings	401,219	216,976
Lease liability	375,991 *	13,043
General obligation bonds outstanding	586,850	—
Premiums	12,185	—
Discounts	(651)	—
Total general obligation bonds payable	<u>598,384</u>	<u>—</u>
Revenue bonds outstanding	13,460,795	1,896,885
Premiums	1,346,231	23,528
Discounts	(381)	—
Total revenue bonds payable	<u>14,806,645</u>	<u>1,920,413</u>
Net other postemployment benefits liability	16,959,981	1,756,023
Net pension liability	9,542,625	3,452,613
Other long-term obligations	246,227	283,027
Total business-type activities	<u>\$ 45,054,116</u>	<u>\$ 14,527,234</u>

* Restated

Deductions	Balance June 30, 2022	Due Within One Year	Noncurrent Liabilities
\$ 5,739	\$ 40,323	\$ —	\$ 40,323
1,947,311	5,245,333	19,354	5,225,979
594,006	5,457,692	549,149	4,908,543
1,627,545	1,448,725	—	1,448,725
437,745	2,514,714	423,980	2,090,734
8,261,145	69,215,805	3,372,605	65,843,200
742,813	8,130,325	996,407	7,133,918
9,003,958	77,346,130	4,369,012	72,977,118
8,005,741	15,616,571	728,626	14,887,945
—	739,587	—	739,587
380,315	802,019	118,601	683,418
(1)	(786)	(68)	(718)
8,386,055	17,157,391	847,159	16,310,232
233,972	1,976,349	53,381	1,922,968
9,146,678	77,369,354	—	77,369,354
64,863,608	47,920,644	—	47,920,644
26,724	939,660	—	939,660
708	—	—	—
71,504	1,679,465	72,846	1,606,619
184,336	561,470	139,832	421,638
283,272	3,180,595	212,678	2,967,917
\$ 96,529,889	\$ 239,657,250	\$ 6,474,713	\$ 233,182,537
\$ —	\$ —	\$ —	\$ —
6,721,629	1,587,437	929,642	657,795
228,524	456,058	169,348	286,710
—	14,535	—	14,535
294,882	323,313	16,348	306,965
56,420	332,614	33,088	299,526
61,155	525,695	3,200	522,495
948	11,237	—	11,237
(71)	(580)	—	(580)
62,032	536,352	3,200	533,152
2,108,685	13,248,995	543,835	12,705,160
196,911	1,172,848	19,931	1,152,917
(39)	(342)	—	(342)
2,305,557	14,421,501	563,766	13,857,735
1,802,175	16,913,829	—	16,913,829
6,746,754	6,248,484	—	6,248,484
123,481	405,773	54,122	351,651
\$ 18,341,454	\$ 41,239,896	\$ 1,769,514	\$ 39,470,382

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, 2021, included the primary government and certain discretely presented component units; 1,329 school employers, including charter schools; and 1,608 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, 2020 Actuarial Valuation Report, which may be found at www.CalPERS.ca.gov/docs/forms-publications/2020-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, 2021 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, 2021

	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol	Total PERF Plans
Inactive employees or beneficiaries currently receiving benefits	206,393	16,788	29,168	45,937	9,786	308,072
Inactive employees entitled to but not yet receiving benefits	68,270	4,043	8,971	8,085	562	89,931
Active employees	208,286	19,235	33,996	46,527	6,912	314,956
Total	482,949	40,066	72,135	100,549	17,260	712,959

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, 2021.

Table 14
Contribution Rates – PERF Plans
 June 30, 2021

	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol
Average active employee rate.....	7.12 %	8.16 %	10.58 %	11.62 %	11.56 %
Employer rate of annual payroll.....	29.37	18.19	19.95	36.10	61.05
Total.....	36.49 %	26.35 %	30.53 %	47.72 %	72.61 %

Actuarial Methods and Assumptions: The total pension liability for PERF plans was measured as of June 30, 2021 (measurement date), by rolling forward the total pension liability determined by the June 30, 2020 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, 2020
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
Global equity	50.0 %	4.80 %	5.98 %
Fixed income	28.0	1.00	2.62
Inflation assets	—	0.77	1.81
Private equity	8.0	6.30	7.23
Real assets	13.0	3.75	4.93
Liquidity	1.0	—	(0.92)
Total	100.0 %		

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

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

This page intentionally left blank

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	Plan	Net	Total	Plan	Net
	Pension Liability	Fiduciary Net Position	Pension Liability	Pension Liability	Fiduciary Net Position	Pension Liability
Balance at June 30, 2020	\$ 122,015,859	\$ 87,254,200	\$ 34,761,659	\$ 5,108,928	\$ 4,093,297	\$ 1,015,631
Changes recognized for the measurement period:						
Service cost	2,212,280	—	2,212,280	136,918	—	136,918
Interest on total pension liability	8,603,225	—	8,603,225	363,230	—	363,230
Changes of assumptions	—	—	—	—	—	—
Difference between expected and actual experience	628,341	—	628,341	21,852	—	21,852
Plan to plan resource movement	—	(2,558)	2,558	—	(662)	662
Employer contributions	—	3,778,435	(3,778,435)	—	128,161	(128,161)
Employee contributions	—	928,152	(928,152)	—	58,867	(58,867)
Net investment income	—	19,299,095	(19,299,095)	—	911,995	(911,995)
Benefit payments, including refunds of employee contributions	(6,851,024)	(6,851,024)	—	(238,188)	(238,188)	—
Administrative expense	—	(87,165)	87,165	—	(4,090)	4,090
Other Miscellaneous Income/(Expense) ..	—	2	(2)	—	—	—
Net changes	4,592,822	17,064,937	(12,472,115)	283,812	856,083	(572,271)
Balance at June 30, 2021 (Measurement Date)	\$ 126,608,681	\$ 104,319,137	\$ 22,289,544	\$ 5,392,740	\$ 4,949,380	\$ 443,360

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
\$ 15,112,709	\$ 12,284,515	\$ 2,828,194	\$ 52,516,967	\$ 38,434,941	\$ 14,082,026
564,198	—	564,198	1,111,888	—	1,111,888
1,072,105	—	1,072,105	3,745,062	—	3,745,062
—	—	—	—	—	—
(33,477)	—	(33,477)	585,665	—	585,665
—	1,513	(1,513)	—	(66)	66
—	429,347	(429,347)	—	1,310,946	(1,310,946)
—	223,408	(223,408)	—	423,995	(423,995)
—	2,758,504	(2,758,504)	—	8,602,827	(8,602,827)
(733,697)	(733,697)	—	(2,560,165)	(2,560,165)	—
—	(12,272)	12,272	—	(38,396)	38,396
—	—	—	—	—	—
869,129	2,666,803	(1,797,674)	2,882,450	7,739,141	(4,856,691)
\$ 15,981,838	\$ 14,951,318	\$ 1,030,520	\$ 55,399,417	\$ 46,174,082	\$ 9,225,335

(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, 2020	\$ 14,409,697	\$ 9,529,052	\$ 4,880,645	\$ 209,164,160	\$ 151,596,005	\$ 57,568,155
Changes recognized for the measurement period:						
Service cost	268,009	—	268,009	4,293,293	—	4,293,293
Interest on total pension liability	1,022,074	—	1,022,074	14,805,696	—	14,805,696
Changes of assumptions	—	—	—	—	—	—
Difference between expected and actual experience	98,575	—	98,575	1,300,956	—	1,300,956
Plan to plan resource movement	—	1,773	(1,773)	—	—	—
Employer contributions	—	802,064	(802,064)	—	6,448,953	(6,448,953)
Employee contributions	—	95,784	(95,784)	—	1,730,206	(1,730,206)
Net investment income	—	2,200,671	(2,200,671)	—	33,773,092	(33,773,092)
Benefit payments, including refunds of employee contributions	(695,055)	(695,055)	—	(11,078,129)	(11,078,129)	—
Administrative expense	—	(9,519)	9,519	—	(151,442)	151,442
Other Miscellaneous Income/(Expense) ..	—	—	—	—	2	(2)
Net changes	693,603	2,395,718	(1,702,115)	9,321,816	30,722,682	(21,400,866)
Balance at June 30, 2021 (Measurement Date)	\$ 15,103,300	\$ 11,924,770	\$ 3,178,530	\$ 218,485,976	\$ 182,318,687	\$ 36,167,289

Reported in governmental activities	\$ 28,610,285
Reported in business-type activities	6,248,484
Reported by discretely presented component units	159,636
Not reported in government-wide Statement of Net Position ¹	1,148,884
Total net pension liability – PERF plans	\$ 36,167,289

(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, 2021; 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, 2022

(amounts in thousands)

	Current Rate -1%	Current Rate 7.15%	Current Rate +1%
State Miscellaneous	\$ 37,559,147	\$ 22,289,544	\$ 9,488,722
State Industrial	1,175,133	443,360	(160,038)
State Safety	3,123,670	1,030,520	(703,229)
State Peace Officers and Firefighters	16,806,307	9,225,335	2,999,222
California Highway Patrol	5,282,278	3,178,530	1,454,517
Total PERF plans	\$ 63,946,535	\$ 36,167,289	\$ 13,079,194

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, 2022, the State recognized pension expense of \$3.5 billion. At June 30, 2022, 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, 2021, but prior to the fiscal year ended June 30, 2022. 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 differences (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, 2022

(amounts in thousands)

	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol	Total PERF Plans
Pension Expense	\$ 1,554,441	\$ 57,419	\$ 260,195	\$ 1,287,029	\$ 367,269	\$ 3,526,353
Deferred Outflows of Resources:						
Employer contributions	5,110,276	187,745	561,229	2,171,675	628,308	8,659,233
Changes of assumptions	—	—	—	100,337	17,646	117,983
Difference between expected and actual experience	1,427,299	40,734	88,135	903,183	242,586	2,701,937
Deferred Inflows of Resources:						
Difference between expected and actual experience	—	—	(27,066)	(11,020)	(3,106)	(41,192)
Changes of assumptions	(33,599)	—	(1,963)	(5,021)	—	(40,583)
Net difference between projected and actual earnings on pension plan investments	(9,414,939)	(446,564)	(1,354,867)	(4,254,445)	(1,089,119)	(16,559,934)

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
2023	\$ (1,554,450)	\$ (82,329)	\$ (294,456)	\$ (618,737)	\$ (171,395)	\$ (2,721,367)
2024	(1,795,016)	(93,912)	(288,025)	(699,297)	(172,212)	(3,048,462)
2025	(2,085,505)	(105,181)	(332,702)	(878,577)	(210,140)	(3,612,105)
2026	(2,586,268)	(124,408)	(380,578)	(1,070,355)	(278,246)	(4,439,855)

Payable to the Pension Plans: At June 30, 2022, the State reported a payable of \$837 million for the outstanding amount of contributions to the PERF pension plans required for the fiscal year ended June 30, 2022.

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 PEPRAs 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, 2021 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, 2021

	<u>Judges’</u>	<u>Judges’ II</u>	<u>Legislators’</u>	<u>Total</u>
Inactive employees or beneficiaries currently receiving benefits	1,697	374	202	2,273
Inactive employees entitled to but not yet receiving benefits	2	2	4	8
Active employees	110	1,625	2	1,737
Total	<u>1,809</u>	<u>2,001</u>	<u>208</u>	<u>4,018</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, 2021 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, 2021.

Table 22

Contribution Rates – Single-employer Plans

June 30, 2021

	<u>Judges’</u>	<u>Judges’ II</u>	<u>Legislators’</u>
Average active employee rate.....	“Pay-	9.490 %	8.000 %
Employer rate of annual payroll.....	as-you-	24.400	29.380
Total	go”	<u>33.890 %</u>	<u>37.380 %</u>

Actuarial Methods and Assumptions: The total pension liability for single-employer plans was measured as of June 30, 2021 (measurement date), by rolling forward the total pension liability determined by the June 30, 2020 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, 2020
Actuarial cost method:	Entry age normal in accordance with the requirements of GASB 68
Actuarial assumptions:	
Discount rate	Judges' 1.92%, 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' 1.92%, 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' – 1.92%, reflecting the short-term nature of the assets. As the plan is insufficiently funded, CalPERS uses a discount rate of 1.92%, 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		
Public 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	Plan	Net	Total	Plan	Net
	Pension Liability	Fiduciary Net Position	Pension Liability/(Asset)	Pension Liability	Fiduciary Net Position	Pension Liability/(Asset)
Balance at June 30, 2020 (Valuation Date).....	\$ 3,235,470	\$ 43,726	\$ 3,191,744	\$ 1,892,581	\$ 1,880,007	\$ 12,574
Changes recognized for the measurement period:						
Service cost	17,861	—	17,861	116,782	—	116,782
Interest on total pension liability	64,481	—	64,481	126,949	—	126,949
Difference between expected and actual experience	40,006	—	40,006	(10,976)	—	(10,976)
Changes of assumptions	179,421	—	179,421	—	—	—
Employer contributions	—	225,824	(225,824)	—	84,147	(84,147)
Employee contributions	—	2,146	(2,146)	—	34,094	(34,094)
Net investment income	—	163	(163)	—	463,478	(463,478)
Benefit payments, including refunds of employee contributions....	(210,950)	(210,950)	—	(61,994)	(61,994)	—
Administrative expense	—	(1,731)	1,731	—	(1,703)	1,703
Other miscellaneous income	—	2,462	(2,462)	—	—	—
Net changes	90,819	17,914	72,905	170,761	518,022	(347,261)
Balance at June 30, 2021 (Measurement Date).....	\$ 3,326,289	\$ 61,640	\$ 3,264,649	\$ 2,063,342	\$ 2,398,029	\$ (334,687)

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)
\$ 94,510	\$ 114,048	\$ (19,538)	\$ 5,222,561	\$ 2,037,781	\$ 3,184,780
101	—	101	134,744	—	134,744
4,749	—	4,749	196,179	—	196,179
(732)	—	(732)	28,298	—	28,298
—	—	—	179,421	—	179,421
—	78	(78)	—	310,049	(310,049)
—	21	(21)	—	36,261	(36,261)
—	15,099	(15,099)	—	478,740	(478,740)
(6,761)	(6,761)	—	(279,705)	(279,705)	—
—	(450)	450	—	(3,884)	3,884
—	13	(13)	—	2,475	(2,475)
<u>(2,643)</u>	<u>8,000</u>	<u>(10,643)</u>	<u>258,937</u>	<u>543,936</u>	<u>(284,999)</u>
<u>\$ 91,867</u>	<u>\$ 122,048</u>	<u>\$ (30,181)</u>	<u>\$ 5,481,498</u>	<u>\$ 2,581,717</u>	<u>\$ 2,899,781</u>
Reported in governmental activities					<u>\$ 2,899,781</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: Judges’ net pension liability was calculated using a discount rate of 1.92%; 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, 2022

(amounts in thousands)

	Current Rate -1%	Current Rate	Current Rate +1%
Judges’ (1.92%)	\$ 3,636,049	\$ 3,264,649	\$ 2,950,760
Judges’ II (6.65%)	(86,598)	(334,687)	(536,562)
Legislators’ (5.25%)	(19,242)	(30,181)	(39,068)
Total Single-employer Plans	\$ 3,530,209	\$ 2,899,781	\$ 2,375,130

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 \$298 million. At June 30, 2022, 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, 2021, but prior to the fiscal year ended June 30, 2022, 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, 2022

(amounts in thousands)

	<u>Judges'</u>	<u>Judges' II</u>	<u>Legislators'</u>	<u>Total</u>
Pension Expense	\$ 297,400	\$ 4,382	\$ (3,493)	\$ 298,289
Deferred Outflows of Resources:				
Employer contributions subsequent to the measurement date	193,763	81,960	85	275,808
Changes of assumptions	—	25,962	—	25,962
Difference between expected and actual experience	—	17,492	—	17,492
Net difference between projected and actual earnings on pension plan investments	521	—	—	521
Deferred Inflows of Resources:				
Difference between expected and actual experience	—	(39,337)	—	(39,337)
Changes of assumptions	—	(24,231)	—	(24,231)
Net difference between projected and actual earnings on pension plan investments	—	(250,312)	(8,900)	(259,212)

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>		
2023	\$ 188	\$ (67,802)	\$ (2,428)	\$	(70,042)
2024	42	(64,345)	(2,514)		(66,817)
2025	122	(61,044)	(2,099)		(63,021)
2026	169	(73,563)	(1,859)		(75,253)
2027	—	(2,448)	—		(2,448)
Thereafter	—	(1,224)	—		(1,224)

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, 449,000 active and 227,000 inactive program members, and 326,000 benefit recipients as of June 30, 2022. The payroll for employees covered by the DB Program for the fiscal year ended June 30, 2021, 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 16.15% 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 increase to 6.311% in the next year and may increase until fiscal year 2045-46. Accordingly, the State contributed \$4.3 billion for fiscal year 2021-22. CalSTRS' June 30, 2020 Defined Benefit Actuarial Valuation Report may be found on CalSTRS' website at www.calstrs.com/files/b24f5a107/db-valuation-2020.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, 2021, the CBB Program had 29 contributing school districts and 41,108 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, 2021, 392 individuals were receiving benefits from the RB program.

Actuarial Methods and Assumptions: The total pension liability in the June 30, 2020 actuarial valuation (valuation date) was determined using the actuarial methods and assumptions shown in Table 29, applied to the measurement period ended June 30, 2021.

Table 29

Actuarial Methods and Assumptions – CalSTRS

Valuation date	June 30, 2020
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 %
Real estate	15.0	3.60
Private equity	13.0	6.30
Fixed income	12.0	1.30
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, 2021 (measurement date), by applying update procedures and rolling forward the total pension liability determined by the actuarial valuation as of June 30, 2020 (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, 2021, the State’s proportionate share of the CalSTRS’ net pension liability was 33.47%, or \$15.2 billion; this amount is reported in the governmental activities column of the government-wide Statement of Net Position as of June 30, 2022.

As a result of its requirement to contribute to CalSTRS, the State recognized expense of \$594 million for the fiscal year ended June 30, 2022, 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, 2022

(amounts in thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 2,158,404	\$ —
Net difference between projected and actual earnings on pension plan investments	—	12,049,971
Difference between expected and actual experiences	38,160	1,621,146
Proportionate share change	372,524	1,962,899
State contributions subsequent to the measurement date	4,279,964	—
Total	\$ 6,849,052	\$ 15,634,016

The \$4.3 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, 2023.

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
2023	\$ (2,557,855)
2024	(2,416,366)
2025	(3,559,261)
2026	(3,921,841)
2027	(380,131)
Thereafter	(229,474)

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, 2022

(amounts in thousands)

	Current Rate -1%	Current Rate 7.10%	Current Rate +1%
State’s proportionate share of net pension liability	\$ 31,009,644	\$ 15,233,348	\$ 2,139,323

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 53 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, 2021, and valued as of June 30, 2020. For 12 of the cost-sharing multiple-employer defined benefit plans, the net pension liability was measured as of June 30, 2021, and valued as of June 30, 2020. Five of the cost-sharing multiple-employer plans had a measurement date of December 31, 2021; three of these plans had an actuarial valuation date of December 31, 2020, and two had a valuation date of January 1, 2021.

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, 2021, and five plans had an actuarial valuation and measurement date of June 30, 2021.

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, 2020	Twelve plans as of June 30, 2020. Three plans as of December 31, 2020. Two plans as of January 1, 2021. Five plans as of June 30, 2021. One plan as of December 31, 2021.
Actuarial assumptions:		
Discount rate	7.15%	Rates ranging from 6.42% 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 6.42% 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 \$11.1 billion and fiduciary net position of \$9.9 billion, which resulted in a net pension liability of \$1.2 billion as of June 30, 2022. For the fiscal year ended June 30, 2022, the State recognized pension expense of \$13 million. At June 30, 2022, the State reported deferred outflows of resources of \$705 million and deferred inflows of resources of \$1.2 billion. The reported deferred outflows of resources included \$334 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, 2023.

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, 2022 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, 2021* (June 30, 2021 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, 2021

OPEB Plan	Inactive employees or beneficiaries currently receiving benefits	Active Employees	Total
Service Employees International Union (SEIU) Plan	74,744	116,774	191,518
Bargaining Unit 5 Plan	7,332	6,838	14,170
Bargaining Unit 6 Plan	27,402	29,897	57,299
Bargaining Unit 9 Plan	8,305	13,205	21,510
Bargaining Unit 12 Plan	10,395	12,278	22,673
Other Funded Plans	31,768	47,718	79,486
Unfunded Plan	43,474	53,439	96,913
Total	203,420	280,149	483,569

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 2021 monthly State contribution was \$798 for one-party coverage, \$1,519 for two-party coverage, and \$1,937 for family coverage. For the fiscal year ended June 30, 2021, the State contributed \$3.1 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, 2021 (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, 2021
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 6.0% when assets are available to pay benefits, otherwise 20-year Municipal G.O. Bond AA Index rate of 1.92%
Inflation	2.30%
Salary increases	Varies by entry age and service
Investment rate of return	6.00%, net of OPEB plan investment expenses but without reduction for OPEB plan administrative expenses
Healthcare cost trend rates	Pre-Medicare coverage: Actual rates for 2022, increasing to 7.50% in 2023, grading down to 4.50% from 2029 to 2037, and 4.25% for 2038 and later years. Post-Medicare coverage: Actual rates for 2022, increasing to rates ranging from 7.50% to 8.42% in 2023, grading down to 4.50% from 2031 to 2037, and 4.25% for 2038 and later years. Dental coverage: 0.00% for 2022, 2.00% for 2023, 3.00% for 2024, 4.00% for 2025, and 4.25% for 2026 and later years.
Mortality	Derived using CalPERS' membership data for all members

Other demographic assumptions used in the June 30, 2021 valuation were based on the results of the *2021 CalPERS Experience Study and Review of Actuarial Assumptions* report for the period from 2000 to 2019 and included updates to termination, disability, 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 5 years) and the long-term (6-20 years), and an average inflation assumption of 2.30%, a single expected return rate of 6.00% 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 – 5	Real Return Years 6 - 20
Global Equity	49.0 %	4.40 %	4.50 %
Fixed Income	23.0	(1.00)	2.20
Treasury Inflation-Protected Securities	5.0	(1.80)	1.30
Real Estate Investment Trusts	20.0	3.00	3.90
Commodities	3.0	0.80	1.20
Total	100.0 %		

Discount Rates: The blended rates used to measure the June 30, 2021 total OPEB liability consist of the 20-year Municipal G.O. Bond AA Index rate of 1.92% as of June 30, 2021, as reported by Fidelity, when prefunding assets are not available to pay benefits, and 6.00% when prefunding assets are available to pay benefits. The cash flow projections used to calculate the blended discount rates were developed assuming that prefunding agreements in which actuarial determined normal costs are shared between employees and the State will continue and that the required contributions will be made on time and as scheduled in future years. The actuarial valuation as of June 30, 2021 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. 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, 2021*, on the State Controller’s Office website, at www.sco.ca.gov.

Blended rates for the June 30, 2022 valuation will be determined using the Fidelity Index 20-year Municipal G.O. Bond AA Index rate of 3.69% when prefunding assets are not available to pay benefits.

This page intentionally left blank

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, 2020	\$ 32,726,807	\$ 509,722	\$ 32,217,085
Changes recognized for the measurement period:			
Service cost	1,190,049	—	1,190,049
Interest on total OPEB liability	1,028,924	—	1,028,924
Difference between expected and actual experiences	(2,498,623)	—	(2,498,623)
Changes of assumptions	1,275,481	—	1,275,481
Employer contributions	—	1,204,613	(1,204,613)
Employee contributions	—	—	—
Net investment income	—	162,795	(162,795)
Benefit payments	(962,640)	(962,640)	—
Administrative expense	—	(229)	229
Net changes	<u>33,191</u>	<u>404,539</u>	<u>(371,348)</u>
Balance at June 30, 2021 (Measurement Date)	<u><u>\$ 32,759,998</u></u>	<u><u>\$ 914,261</u></u>	<u><u>\$ 31,845,737</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
\$ 5,862,843	\$ 495,528	\$ 5,367,315	\$ 17,091,273	\$ 862,035	\$ 16,229,238
183,703	—	183,703	578,629	—	578,629
202,901	—	202,901	562,522	—	562,522
(699,133)	—	(699,133)	(1,113,335)	—	(1,113,335)
531,615	—	531,615	1,438,841	—	1,438,841
—	87,873	(87,873)	—	480,133	(480,133)
—	—	—	—	—	—
—	136,197	(136,197)	—	247,525	(247,525)
(87,872)	(87,872)	—	(370,922)	(370,922)	—
—	(188)	188	—	(343)	343
131,214	136,010	(4,796)	1,095,735	356,393	739,342
\$ 5,994,057	\$ 631,538	\$ 5,362,519	\$ 18,187,008	\$ 1,218,428	\$ 16,968,580

(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, 2020	\$ 4,597,247	\$ 151,824	\$ 4,445,423
Changes recognized for the measurement period:			
Service cost	155,301	—	155,301
Interest on total OPEB liability	144,901	—	144,901
Difference between expected and actual experiences	(308,759)	—	(308,759)
Changes of assumptions	166,566	—	166,566
Employer contributions	—	137,944	(137,944)
Employee contributions	—	—	—
Net investment income	—	44,511	(44,511)
Benefit payments	(109,002)	(109,002)	—
Administrative expense	—	(62)	62
Net changes	<u>49,007</u>	<u>73,391</u>	<u>(24,384)</u>
Balance at June 30, 2021 (Measurement Date)	<u><u>\$ 4,646,254</u></u>	<u><u>\$ 225,215</u></u>	<u><u>\$ 4,421,039</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
\$ 4,254,764	\$ 119,456	\$ 4,135,308	\$ 15,638,817	\$ 550,763	\$ 15,088,054
137,010	—	137,010	597,140	—	597,140
135,412	—	135,412	508,583	—	508,583
(348,753)	—	(348,753)	(1,092,126)	—	(1,092,126)
165,715	—	165,715	811,046	—	811,046
—	163,285	(163,285)	—	528,551	(528,551)
—	—	—	—	—	—
—	36,034	(36,034)	—	163,783	(163,783)
(132,052)	(132,052)	—	(401,508)	(401,508)	—
—	(52)	52	—	(230)	230
(42,668)	67,215	(109,883)	423,135	290,596	132,539
\$ 4,212,096	\$ 186,671	\$ 4,025,425	\$ 16,061,952	\$ 841,359	\$ 15,220,593

(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, 2020	\$ 17,708,942	\$ —	\$ 17,708,942
Changes recognized for the measurement period:			
Service cost	826,026	—	826,026
Interest on total OPEB liability	447,744	—	447,744
Difference between expected and actual experiences	(1,270,439)	—	(1,270,439)
Changes of assumptions	476,706	—	476,706
Employer contributions	—	522,538	(522,538)
Employee contributions.....	—	—	—
Net investment income	—	—	—
Benefit payments.....	(522,538)	(522,538)	—
Administrative expense	—	—	—
Net changes	(42,501)	—	(42,501)
Balance at June 30, 2021 (Measurement Date)	\$ 17,666,441	\$ —	\$ 17,666,441

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, 2021; 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
\$ 97,880,693	\$ 2,689,328	\$ 95,191,365
3,667,858	—	3,667,858
3,030,987	—	3,030,987
(7,331,168)	—	(7,331,168)
4,865,970	—	4,865,970
—	3,124,937	(3,124,937)
—	—	—
—	790,845	(790,845)
(2,586,534)	(2,586,534)	—
—	(1,104)	1,104
1,647,113	1,328,144	318,969
\$ 99,527,806	\$ 4,017,472	\$ 95,510,334

Reported in governmental activities	\$ 75,505,231
Reported in business-type activities	16,913,829
Reported by discretely presented component units	186,422
Not reported in government-wide Statement of Net Position ¹	2,904,852
Total net OPEB liability	\$ 95,510,334
	(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 1.92% to 2.95%, 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, 2022

(amounts in thousands)

OPEB Plan	Blended Rate	Blended Discount Rates	
		-1%	+1%
Service Employees International Union (SEIU) Plan	2.71%	\$ 37,684,808	\$ 31,845,737
Bargaining Unit 5 Plan	2.95%	6,654,957	5,362,519
Bargaining Unit 6 Plan	2.85%	20,625,622	16,968,580
Bargaining Unit 9 Plan	2.73%	5,239,201	4,421,039
Bargaining Unit 12 Plan	2.77%	4,746,048	4,025,425
Other Funded Plans	2.595% to 2.951%	18,220,821	15,220,593
Unfunded Plan	1.92%	20,743,462	17,666,441
Total		\$ 113,914,919	\$ 95,510,334

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, 2022

(amounts in thousands)

OPEB Plan	Healthcare Cost Trend Rates	
	-1%	+1%
Service Employees International Union (SEIU) Plan	\$ 26,657,657	\$ 38,567,194
Bargaining Unit 5 Plan	4,318,662	6,746,326
Bargaining Unit 6 Plan	13,982,839	20,875,875
Bargaining Unit 9 Plan	3,696,112	5,353,374
Bargaining Unit 12 Plan	3,407,318	4,815,177
Other Funded Plans	12,626,688	18,606,024
Unfunded Plan	14,944,770	21,190,700
Total	\$ 79,634,046	\$ 116,154,670

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, 2022. 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, 2022, 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, 2022

(amounts in thousands)

Description	Service Employees International Union (SEIU) Plan	Bargaining Unit 5 Plan	Bargaining Unit 6 Plan	Bargaining Unit 9 Plan
OPEB Expense	\$ 1,017,039	\$ 317,086	\$ 761,950	\$ 109,891
Deferred Outflows of Resources:				
Employer contributions subsequent to the measurement date	1,576,969	212,763	623,643	182,205
Difference between expected and actual experiences	—	22,886	—	—
Changes of assumptions	2,161,794	939,173	2,149,271	284,542
Deferred Inflows of Resources:				
Difference between expected and actual experiences	(4,158,417)	(670,398)	(1,868,493)	(470,436)
Changes of assumptions	(1,367,088)	(187,054)	(453,939)	(142,815)
Net difference between projected and actual earnings on OPEB plan investments	(90,390)	(73,298)	(135,474)	(24,281)

The \$4.0 billion reported as deferred outflows of resources resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2023.

Bargaining Unit 12 Plan	Other Funded Plans	Unfunded Plan	Total
\$ 56,776	\$ 564,621	\$ 768,737	\$ 3,596,100
203,007	698,669	516,945	4,014,201
—	15,857	—	38,743
234,350	1,251,598	1,271,544	8,292,272
(572,827)	(1,965,996)	(2,025,885)	(11,732,452)
(116,116)	(608,735)	(682,215)	(3,557,962)
(19,837)	(90,005)	—	(433,285)

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					
	2023	2024	2025	2026	2027	Thereafter
Service Employees International Union (SEIU) Plan	\$ (1,159,731)	\$ (1,049,060)	\$ (667,844)	\$ (154,789)	\$ (176,131)	\$ (246,546)
Bargaining Unit 5	(34,772)	(25,023)	35,769	52,320	3,015	—
Bargaining Unit 6	(316,303)	(209,351)	47,009	97,542	70,932	1,536
Bargaining Unit 9	(167,265)	(97,539)	(37,444)	(17,581)	(18,756)	(14,405)
Bargaining Unit 12	(189,533)	(131,436)	(56,731)	(51,796)	(34,798)	(10,136)
Other Funded Plans	(477,250)	(408,257)	(257,965)	(149,831)	(86,457)	(17,521)
Unfunded Plan	(558,688)	(472,350)	(231,917)	(18,576)	(47,411)	(107,614)
Total	\$ (2,903,542)	\$ (2,393,016)	\$ (1,169,123)	\$ (242,711)	\$ (289,606)	\$ (394,686)

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 both an agent multiple-employer defined benefit OPEB plan and a single-employer plan, three trial courts (Alameda, Orange, and San Diego) participate in county administered cost-sharing multiple-employer defined benefit OPEB plans, 39 trial courts participate in an agent multiple-employer defined benefit OPEB plan, and 11 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, 2021 (measurement date), and the remaining 52 valuations had a measurement date of June 30, 2021. One of the courts had an actuarial valuation date of December 31, 2021, and 53 courts were valued as of June 30, 2021.

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, 2021	June 30, 2021	Two plans as of June 30, 2021. One plan as of December 31, 2021.
Actuarial assumptions:			
Discount rate	Single rate of 1.92%.	Blended and single rates ranging from 1.92% to 7.00%..	Single rate of 7.00%
Healthcare cost trend rates	Initial rate of 6.70% in 2022, gradually decreasing to an ultimate rate of 3.70% over 53 years per the Society of Actuaries Getzen model.	Initial rate of 6.70% in 2022, gradually decreasing to an ultimate rate of 3.70% over 53 years per the Society of Actuaries Getzen model.	Initial rates ranging from 6.50 to 7.50%, decreasing gradually to ultimate rates ranging from 3.75% 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, 2021 total OPEB liability consist of the 20-year Municipal G.O. Bond AA Index rate of 1.92% as of June 30, 2021, when prefunding assets are not available to pay benefits, and full funding discount rates ranging from 4.45% to 7.00% when prefunding assets are available to pay benefits. Single rates range from 1.92% 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 \$333 million, which resulted in a net OPEB liability of \$1.9 billion as of June 30, 2022, reported in governmental activities. For the fiscal year ended June 30, 2022, the State recognized OPEB expense of \$96 million. At June 30, 2022, the State reported deferred outflows of resources of \$289 million and deferred inflows of resources of \$299 million. Deferred outflows of resources included \$77 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, 2023.

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, 2022, 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, 2022, the general obligation commercial paper program had \$1.4 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, 2022, the enterprise fund commercial paper program had \$208 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, 2022, \$115 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 State leases land, buildings, equipment, and other assets as a lessee under a variety of non-cancelable, long-term lease agreements. As of June 30, 2022, the primary government’s lease liability was \$2.5 billion for governmental activities and \$333 million for business-type activities. The State is required to make principal and interest payments through maturity of the lease agreements. For governmental activities, the required payments are discounted using either the rates explicit in the lease agreements or the State’s incremental borrowing rates. As of June 30, 2022, the State’s incremental borrowing rates ranged from 0.2% to 1.50%, depending on the duration of the lease term at the inception of each lease agreement. Required payments for business-type activities are discounted using the rates explicit in the lease agreements, the State’s incremental borrowing rates, or other determined incremental borrowing rates.

Table 44 includes the principal and interest requirements to maturity for the lease liability of the primary government.

Table 44

Schedule of Principal and Interest Requirements to Maturity
(amounts in thousands)

Year Ending June 30	Primary Government					
	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 423,980	\$ 26,685	\$ 33,088	\$ 7,662	\$ 457,068	\$ 34,347
2024	369,748	23,305	29,691	7,172	399,439	30,477
2025	315,218	20,211	27,768	6,678	342,986	26,889
2026	270,462	17,646	25,462	6,192	295,924	23,838
2027	227,800	15,220	21,019	5,724	248,819	20,944
2028-2032	610,570	46,681	22,772	5,607	633,342	52,288
2033-2037	230,517	13,422	44,195	13,338	274,712	26,760
2038-2042	54,791	2,487	52,580	15,318	107,371	17,805
2043-2047	5,166	706	47,932	8,302	53,098	9,008
2048-2052	4,343	325	18,621	3,307	22,964	3,632
Thereafter	2,119	283	9,486	537	11,605	820
Total	\$ 2,514,714	\$ 166,971	\$ 332,614	\$ 79,837	\$ 2,847,328	\$ 246,808
Less: current portion	423,980		33,088		457,068	
Lease liability, net of current portion	\$ 2,090,734		\$ 299,526		2,390,260	

Certain lease agreements require variable payments that are not included in the lease liabilities or related right-to-use lease assets. The primary government recognized \$93 million as expenses from these variable payments for the year ended June 30, 2022.

As of June 30, 2022, the discretely presented component units, including the University of California and its foundation, the California Housing Finance Agency (CalHFA), and various nonmajor component units, reported lease liabilities for land, buildings, equipment, and other assets. Additional disclosures for the University of California's lease liability 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 lease liability are included in CalHFA's separately issued financial statements, which may be found on its website at www.CalHFA.ca.gov.

NOTE 14: COMMITMENTS

As of June 30, 2022, the primary government had commitments of \$7.3 billion for certain highway construction projects. These commitments are not included as a liability in the Federal Fund or the Transportation Fund because future expenditures related to these commitments will be reimbursed with \$6.2 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 \$2.5 billion for housing and community development programs, \$1.2 billion for various education programs, \$691 million for services provided under various

public health programs, \$616 million for terrorism prevention and disaster-preparedness response projects, \$444 million for community service programs, \$325 million for services under the workforce development program, and \$28 million for services provided under the child support program.

The primary government had other commitments, totaling \$23.0 billion, that are not included as a liability on the Balance Sheet or the Statement of Net Position. The \$23.0 billion in commitments includes grant agreements totaling approximately \$15.3 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 \$23.0 billion in commitments includes \$3.4 billion in undisbursed loan commitments to qualified agencies for clean water projects and \$1.6 billion in undisbursed loan commitments for various programs aimed at providing housing and emergency shelter to persons in need.

The \$23.0 billion in commitments also includes contracts of \$931 million for the construction of water projects and the purchase and transmission of power that are not included as a liability on the Statement of Net Position of the Water Resources Fund. Included in this amount are certain power purchase, sale, and exchange contracts. The primary government had commitments of \$934 million for CSU construction projects. In addition, CSU participates in forward-purchase contracts of electricity. As of June 30, 2022, CSU's obligation under these special purchase arrangements requires it to purchase at fixed prices an estimated total of \$39 million in electricity through December 2023. The California State Lottery Commission had commitments of \$740 million for gaming and telecommunication systems and services. The primary government also had commitments of \$47 million to veterans for the purchase of properties under contracts of sale. 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, 2022, the primary government encumbered expenditures of \$7.4 billion for the General Fund, \$4.5 billion for the Transportation Fund, \$3.8 billion for the Environmental and Natural Resources Fund, \$17 million for the Health Care Related Programs Fund, and \$1.1 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, 2022, 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, 2022, the State had \$69.2 billion in outstanding general obligation bonds related to governmental activities and \$526 million related to business-type activities. In addition, \$32.0 billion in long-term general obligation bonds had been authorized but not issued, of which \$31.0 billion is related to governmental activities and \$971 million is related to business-type activities. The total amount authorized but not issued includes \$12.4 billion authorized by the applicable finance committees for issuance in the form of commercial paper notes or bonds. Of this amount, \$1.4 billion in general obligation indebtedness in the form of commercial paper notes had been issued but not yet retired by long-term bonds as of June 30, 2022.

A. Variable-rate General Obligation Bonds

The State issues both fixed and variable-rate general obligation bonds. As of June 30, 2022, the State had \$949 million in variable-rate general obligation bonds outstanding, consisting of \$229 million in daily-rate bonds with credit enhancement, \$620 million in weekly-rate bonds with credit enhancement, and \$100 million in weekly- 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 by a rate based on the Securities Industry and Financial Markets Association (SIFMA) Index rate 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 in accordance with the applicable bonds documents. 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 the 2021-22 fiscal year.

The letters of credit for the Series 2003 variable-rate bonds have expiration dates of August 28, 2023; December 16, 2024; and August 25, 2025. 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 September 22, 2023; November 18, 2024; and April 22, 2025. The letter of credit for the Series 2020A variable-rate bond has an expiration date of November 18, 2022. The Series 2013E index floating rate bonds have a scheduled mandatory purchase date on December 1, 2023.

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 the 2021-22 fiscal year.

B. Mandatory Tender Bonds

As of June 30, 2022, the State had \$100 million in outstanding index floating rate general obligation bonds with a scheduled mandatory tender date (discussed in Section A). On the scheduled mandatory tender date, 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. The scheduled mandatory tender date is 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, 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, 2022, the State had \$11.3 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 in the fiscal years ended June 30, 2027, 2034 and 2039 to 2041. 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 5.7% for the federal fiscal years ending September 30, 2021 to September 30, 2030. 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, 2022. The estimated debt service requirements for the \$949 million variable-rate general obligation bonds are calculated using the actual interest rates in effect on June 30, 2022. 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 reset date and that the bonds will be fully redeemed on the scheduled maturity date. 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
2023	\$ 3,372,605	\$ 3,361,321	\$ 6,733,926	\$ 3,200	\$ 16,430	\$ 19,630
2024	3,243,130	3,212,684	6,455,814	2,145	16,410	18,555
2025	3,235,835	3,070,738	6,306,573	7,770	16,340	24,110
2026	3,320,905	2,922,501	6,243,406	4,380	16,248	20,628
2027	3,317,695	2,764,098	6,081,793	23,855	15,895	39,750
2028 - 2032	17,440,190	11,520,276	28,960,466	155,480	66,876	222,356
2033 - 2037	15,999,970	7,554,236	23,554,206	99,545	43,844	143,389
2038 - 2042	11,773,065	3,346,775	15,119,840	71,795	33,149	104,944
2043 - 2047	5,077,410	1,002,824	6,080,234	116,135	17,442	133,577
2048 - 2052	2,435,000	192,240	2,627,240	41,390	1,912	43,302
Total	\$ 69,215,805	\$ 38,947,693	\$ 108,163,498	\$ 525,695	\$ 244,546	\$ 770,241

E. General Obligation Bond Defeasances

1. Current Year Activity

On September 2, 2021, the primary government issued \$1.1 billion in general obligation bonds to current refund \$1.3 billion in outstanding fixed rate general obligation bonds with principal redemptions scheduled in the fiscal years ended June 30, 2023 to 2033, and 2042. 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 \$416 million and resulted in an economic gain of \$369 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 1.28% per year over the life of the new bonds.

On September 22, 2021, the primary government issued \$1.1 billion in general obligation bonds to current refund \$1.3 billion in outstanding fixed and variable-rate general obligation bonds with principal redemptions scheduled in the fiscal years ended June 30, 2024 to 2039, and 2042. 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 \$381 million and resulted in an economic gain of \$324 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 1.55% per year over the life of the new bonds.

On November 17, 2021, the primary government issued \$1.1 billion in general obligation bonds to current refund \$1.3 billion in outstanding fixed and variable-rate general obligation bonds with principal redemptions scheduled in the fiscal years ended June 30, 2023 to 2033, 2038, and 2047. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the financial statements. The refunding decreased overall debt service by \$282 million and resulted in an economic gain of \$246 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 1.47% per year over the life of the new bonds.

On March 17, 2022, the primary government issued \$769 million in general obligation bonds to current refund \$878 million in outstanding fixed rate general obligation bonds with principal redemptions scheduled in the fiscal years ended June 30, 2023 to 2024, 2035, 2037, and 2042. 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 \$237 million and resulted in an economic gain of \$179 million. The economic gain is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at 2.46% 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, 2022, there are no outstanding defeased general obligation bonds.

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

\$2.5 billion, payable through 2041. Interest paid in the current year totaled \$23 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 \$9.9 billion, payable through 2067. 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 \$3.8 billion, while Tobacco Settlement Revenue and interest earned totaled \$482 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 \$11.9 billion, payable through 2047. 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 2021-22, 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 2022, 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 2021-22, 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, 2022

(amounts in thousands)

Primary government

Governmental activities

Transportation Fund	\$ 852
Public Buildings Construction Fund	9,159,638
Nonmajor governmental funds:	
Golden State Tobacco Securitization Corporation Fund	6,162,636
No Place Like Home Program	1,823,495
Building authorities	10,770

Total governmental activities **17,157,391**

Business-type activities

Water Resources Fund	3,520,598
California State University	9,341,440
Nonmajor enterprise funds	1,559,463

Total business-type activities **14,421,501**

Total primary government **31,578,892**

Discretely presented component units

University of California	31,383,010
California Housing Finance Agency	121,255
Nonmajor component units	829,732

Total discretely presented component units **32,333,997**

Total revenue bonds payable **\$ 63,912,889**

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 *
2023	\$ 728,626	\$ 608,124	\$ 543,835	\$ 491,994	\$ 614,185	\$ 1,274,720
2024	710,811	584,606	567,830	468,657	663,603	1,244,638
2025	728,975	557,354	578,835	446,707	1,088,334	1,219,619
2026	753,975	527,825	578,750	425,522	1,181,343	1,181,545
2027	787,485	496,824	591,625	419,036	1,204,445	1,145,879
2028-2032	4,177,366	2,116,310	2,926,855	1,706,174	5,280,425	5,174,019
2033-2037	3,637,069	1,396,261	2,536,900	1,156,394	4,541,768	4,103,860
2038-2042	2,634,527	878,449	1,670,975	764,007	4,680,666	3,001,534
2043-2047	1,483,587	704,158	1,704,065	428,299	4,378,084	1,961,329
2048-2052	685,487	151,287	1,359,980	137,236	3,635,795	1,121,410
2053-2057	—	—	189,345	18,801	658,960	620,821
2058-2122	28,250	—	—	—	2,643,076	4,493,057
Total	\$ 16,356,158	\$ 8,021,198	\$ 13,248,995	\$ 6,462,827	\$ 30,570,684	\$ 26,542,431

* Includes interest on variable-rate bonds based on rates in effect on June 30, 2022.

D. Revenue Bond Defeasances

1. Current Year – Governmental Activities

During the 2021-22 fiscal year, the SPWB issued \$1.2 billion in lease revenue refunding bonds. The bond proceeds were used to refund \$1.5 billion 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 \$341 million and resulted in an economic gain of \$271 million. The lease revenue bonds are reported in the Public Buildings Construction Fund, an internal service fund.

During the 2021-22 fiscal year, the GSTSC issued \$6.0 billion in Enhanced Tobacco Settlement Asset-Backed refunding bonds. The bond proceeds were used to advance refund \$5.6 billion in outstanding Enhanced Tobacco Settlement Asset-Backed bonds. The net proceeds of the refunding bonds 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 \$3 million and resulted in an economic gain of \$1 million.

2. Current Year – Business-type Activities

In July 2021, the California State University issued \$728 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 \$106 million and resulted in an economic gain of \$95 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, 2022, the outstanding balance of defeased revenue bonds was \$1.6 billion for business-type activities. Of this amount, the outstanding balance of bonds that were defeased using the State's own existing resources was \$10 million. All defeased revenue bonds for governmental activities were redeemed by June 30, 2022.

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 \$5.5 billion as of June 30, 2022. 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 \$7.6 billion is discounted to \$5.5 billion using a 3.5% interest rate. Of the total discounted liability, \$550 million is a current liability, of which \$407 million is included in the General Fund, \$139 million in the special revenue funds, and \$4 million in the internal service funds. The remaining \$4.9 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)

	<u>2022</u>	<u>2021</u>
Unpaid claims, beginning	\$ 4,953,720	\$ 4,688,013
Incurred claims	1,112,513	831,985
Claim payments	(594,006)	(566,278)
Unpaid claims, ending	<u>\$ 5,472,227</u>	<u>\$ 4,953,720</u>

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, 2022

(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	\$ —	\$ 112,991	\$ —	\$ —	\$ 607,092
Federal Fund	7,675,091	1,314,444	104,201	6,916	30,797
Transportation Fund	—	—	—	—	431,377
Environmental and Natural Resources Fund	89,530	—	—	—	229
Health Care Related Programs Fund	2,447,197	—	8	—	2,341
Nonmajor governmental funds	302,200	2,473	33,181	47,292	19,316
Total governmental funds	10,514,018	1,429,908	137,390	54,208	1,091,152
Enterprise funds					
Water Resources Fund	—	—	1,577	—	—
State Lottery Fund	454	—	—	—	507,728
Nonmajor enterprise funds	2,375	24	21,488	—	463
Total enterprise funds	2,829	24	23,065	—	508,191
Internal service funds	14,380	25,376	27,428	1,749	22,522
Total due from other funds	\$ 10,531,227	\$ 1,455,308	\$ 187,883	\$ 55,957	\$ 1,621,865

Due To

		California					
State Lottery Fund	Unemployment Programs Fund	State University Fund	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total Due To Other Funds	
\$ —	\$ 100,423	\$ 3,241	\$ —	\$ 382,718	\$ 810,598	\$ 2,017,063	
—	60,157	—	21,533	37,412	179	9,250,730	
—	—	—	—	12,961	49	444,387	
—	—	—	1,935	69,750	24	161,468	
—	—	—	—	21,474	—	2,471,020	
—	—	—	—	105,920	15	510,397	
—	160,580	3,241	23,468	630,235	810,865	14,855,065	
—	—	—	—	58,628	—	60,205	
—	—	—	—	—	—	508,182	
—	—	—	—	138	—	24,488	
—	—	—	—	58,766	—	592,875	
2,026	7,120	—	1,990	203,340	710	306,641	
\$ 2,026	\$ 167,700	\$ 3,241	\$ 25,458	\$ 892,341	\$ 811,575	\$ 15,754,581	

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

In fiscal year 2017-18, a supplemental employer contribution was made to the California Public Employees’ Retirement System (CalPERS) to help reduce the State’s net pension liability. The supplemental employer contribution was funded through a cash loan from borrowable deposits in the State’s internal investment pool—mainly from the Environmental and Natural Resources Fund and nonmajor governmental funds. The General Fund and other funds that normally contribute to CalPERS and benefit from the supplemental contribution will repay the loan and replenish the internal investment pool deposits. The table below includes an outstanding balance of \$2.2 billion of interfund loans. There is an additional \$100 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, 2022

(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	\$ —	\$ 130,247	\$ 1,833,131	\$ 191,435
Transportation Fund	—	—	—	—
Environmental and Natural Resources Fund	345,889	10,000	—	—
Nonmajor governmental funds	18,752	23,448	—	—
Total governmental funds	364,641	163,695	1,833,131	191,435
Enterprise funds				
Water Resources Fund	—	928	12,364	2,262
State Lottery Fund	—	208	2,780	509
California State University Fund	—	2,172	28,978	5,303
Nonmajor enterprise funds	21,720	29	385	70
Total enterprise funds	21,720	3,337	44,507	8,144
Internal service funds	2,593,624	1,188	15,852	2,900
Total interfund receivables	\$ 2,979,985	\$ 168,220	\$ 1,893,490	\$ 202,479

Interfund Payables						
Nonmajor Governmental Funds	Water Resources Fund	Unemployment Programs Fund	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total Interfund Payables
\$ 882,484	\$ —	\$ 298,737	\$ 7,127	\$ 17,554	\$ 38,123	\$ 3,398,838
—	—	—	—	666	—	666
—	—	—	—	2,511	—	358,400
—	—	—	—	—	—	42,200
882,484	—	298,737	7,127	20,731	38,123	3,800,104
5,194	—	3,530	84	—	451	24,813
1,168	—	794	19	—	101	5,579
12,174	—	8,273	197	—	1,056	58,153
162	—	110	3	—	14	22,493
18,698	—	12,707	303	—	1,622	111,038
6,661	183,339	4,526	108	17,113	578	2,825,889
\$ 907,843	\$ 183,339	\$ 315,970	\$ 7,538	\$ 37,844	\$ 40,323	\$ 6,737,031

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, 2022

(amounts in thousands)

	Due To		
	Component Units		
Due From	University of California	Nonmajor Component Units	Total
Governmental funds			
General Fund	\$ 266,914	\$ —	\$ 266,914
Transportation Fund	6,449	—	6,449
Environmental and Natural Resources Fund	—	84	84
Nonmajor governmental funds	33,720	—	33,720
Total governmental funds	307,083	84	307,167
Total due from primary government	\$ 307,083	\$ 84	\$ 307,167

This page intentionally left blank

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 \$5.4 billion to the California State University, an enterprise fund. The General Fund also transferred \$3.5 billion to nonmajor governmental funds, mainly for support of trial courts and mental health services. The Transportation Fund transferred \$1.6 billion in weight fee revenues to the Transportation Debt Service Fund, a nonmajor governmental fund, for transportation-related debt service costs. The Federal Fund transferred \$945 million 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, 2022

(amounts in thousands)

Transferred From	Transferred To		
	General Fund	Transportation Fund	Environmental and Natural Resources Fund
Governmental funds			
General Fund	\$ —	\$ 331	\$ 368,373
Federal Fund	944,718	—	15,241
Transportation Fund	31	—	3,435
Environmental and Natural Resources Fund	187,378	851	—
Health Care Related Programs Fund	94	—	—
Nonmajor governmental funds	70,710	44	29,477
Total governmental funds	1,202,931	1,226	416,526
Nonmajor enterprise funds	55	—	—
Internal service funds	29,939	—	—
Total transfers from other funds	\$ 1,232,925	\$ 1,226	\$ 416,526

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
\$ 174,157	\$ 3,523,247	\$ 5,413,763	\$ 47,000	\$ 1,152	\$ 9,528,023
—	17,759	—	5,082	—	982,800
—	1,568,927	—	—	—	1,572,393
—	6,230	—	—	—	194,459
—	—	—	—	—	94
4,840	164,379	—	—	—	269,450
178,997	5,280,542	5,413,763	52,082	1,152	12,547,219
—	—	—	—	—	55
—	10,986	—	—	2,559	43,484
\$ 178,997	\$ 5,291,528	\$ 5,413,763	\$ 52,082	\$ 3,711	\$ 12,590,758

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, 2022

(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	\$ 2,951,414	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term loans receivable	6,905	—	—	—	—	—
Other	—	—	—	—	—	39,130
Total nonspendable	2,958,319	—	—	—	—	39,130
Restricted						
General government	123,919	363,670	—	9,667	1	6,048,942
Education	82,880	—	1,226	—	208,523	1,049,974
Health and human services	2,554,307	325,287	—	80,502	1,496,409	3,483,351
Natural resources and environmental protection	769	702	—	6,435,462	400	411,702
Business, consumer services, and housing	1,453	268,575	222,965	36,654	—	6,555,385
Transportation	—	—	9,893,873	—	—	77,273
Corrections and rehabilitation	167,329	—	—	—	—	161,783
Budget stabilization	20,320,422	—	—	—	—	—
Total restricted	23,251,079	958,234	10,118,064	6,562,285	1,705,333	17,788,410
Committed						
General government	2,275,092	—	—	17,921	—	601,712
Education	499,163	—	—	—	—	51,271
Health and human services	1,237,288	—	1	—	64,805	334,672
Natural resources and environmental protection	5,830	—	3	10,965,537	—	492,108
Business, consumer services, and housing	—	—	—	97,254	—	269,676
Transportation	—	—	49,533	—	—	3,760
Corrections and rehabilitation	7,316	—	—	—	—	816
Total committed	4,024,689	—	49,537	11,080,712	64,805	1,754,015
Assigned						
General government	1,216,548	—	—	—	—	63,457
Education	36,806	—	—	—	—	—
Health and human services	3,751,038	—	—	—	—	—
Natural resources and environmental protection	1,367,628	—	—	—	—	—
Business, consumer services, and housing	91,763	—	—	—	—	—
Transportation	190,851	—	—	—	—	—
Corrections and rehabilitation	636,021	—	—	—	—	—
Total assigned	7,290,655	—	—	—	—	63,457
Unassigned	36,522,416	(55,655,634)	—	—	—	—
Total fund balances	\$ 74,047,158	\$ (54,697,400)	\$ 10,167,601	\$ 17,642,997	\$ 1,770,138	\$ 19,645,012

B. Net Position Deficits

Table 54 shows the net position deficit balances.

Table 54

Schedule of Net Position Deficits

June 30, 2022

(amounts in thousands)

	Governmental Funds	Internal Service Funds	Enterprise Funds
Federal Fund	\$ 54,697,400	\$ —	\$ —
Service Revolving Fund	—	756,451	—
Technology Services Revolving Fund	—	411,676	—
Water Resources Revolving Fund	—	32,259	—
Other Internal Service Programs Fund	—	930,346	—
State Lottery Fund	—	—	238,246
Unemployment Programs Fund	—	—	11,731,657
California State University Fund	—	—	15,687,208
Total net position deficits	\$ 54,697,400	\$ 2,130,732	\$ 27,657,111

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, 2022, the value of restricted endowments and gifts totaled \$25.4 billion, and unrestricted endowments and gifts totaled \$8.7 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 \$3.4 billion at June 30, 2022. 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 \$1.8 billion and \$18 million, respectively.

NOTE 20: 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, 2022, the CalHFA had \$4.6 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, 2022, these component units had approximately \$4.6 billion of debt outstanding, which is not debt of the State.

NOTE 21: 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, 2022; those in progress as of June 30, 2022, and settled or decided against the primary government as of March 8, 2024; and those having a high probability of resulting in a decision against the primary government as of March 8, 2024 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. Two companion class actions have been filed (Class Action and Class Action II). 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. The plaintiffs' corrected combination opposition and opening brief was filed on January 4, 2023, and CDTFA's combination opposition and reply brief was filed June 7, 2023. Plaintiffs' cross reply was filed August 21, 2023. On February 27, 2024, in a published opinion, the Court of Appeal reversed, reinstating Rule 1585, and denied plaintiffs' cross-appeal. In Class Action II, the same four plaintiffs seek to overturn the State's denial of their administrative claims demanding refunds to plaintiffs and all similarly situated persons of all purportedly excess sales tax reimbursement paid pursuant to Rule 1585. The claims and demands in Class Action II are based upon the judgment reversed on appeal in the Writ Action. Class Action II, in addition to seeking essentially the same relief as the Class Action, alleges a cause of action against the state officials for violations of plaintiffs' state and federal constitutional rights as a result of the denials of their administrative claims and demands for refund. As of November 3, 2022, Class Action II was

stayed pending the outcome of the appeal in the Writ Action. If the sales tax regulation is invalidated, Class Action II could lead to an order requiring CDTFA to refund approximately \$1.0 billion in sales tax collections, with estimated future revenue loss of as much as \$190 million in the absence of legislation.

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 impair 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 resumed prepondering 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. The appeal is fully briefed and oral argument is scheduled for April 2, 2024. 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 the Department of Water Resources 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 claim 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 have prepared the administrative records relative to their administrative decisions that are being challenged, and are opposing a motion to augment the administrative records. The court bifurcated 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 PEPR interferes with the collective bargaining rights of transit workers. The reconsideration states that DOL will decline to certify any future grant applications from local transit agencies who are subject to PEPR. 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 filed a cross-complaint against DOL challenging the reconsidered certification decision as arbitrary and capricious in violation of the Administrative Procedure Act. The Attorney General represents the State of California. The State expeditiously asserted cross-claims challenging the reconsidered determination and moved successfully to stay its implementation and obtained summary judgment in the State's favor. 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 DOL from denying or delaying certification of transit grants on the basis of PEPR 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 PEPR does 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 PEPR as a basis not to certify grants. The plaintiff and DOL appealed and filed opening briefs in August 2023. The case will be argued on April 10, 2024. 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 court ordered the plaintiff to file a third amended complaint by August 8, 2022. 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 court granted the State's motion for summary judgment on March 1, 2024, dismissing Bear Mountain's breach of contract action. 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 plaintiffs are 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 plaintiffs appealed. On January 25, 2024, the Court of Appeals affirmed the trial court's decision to dismiss, holding that a challenge to the State's temporary COVID-19 eviction moratorium was moot because the moratorium had expired. Plaintiff's deadline to seek review from the Supreme Court is April 24, 2024. 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 judgment, 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 Superior 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 State filed another motion for summary judgment regarding the CMIA claim, which was denied. On September 25, 2023, the State filed a motion to narrow the time period of the class to have the class period begin on January 16, 2019, or, in the alternative, September 29, 2018. Also on September 25, 2023, the State filed a motion for judgment on the pleadings arguing that the State is exempt from the CMIA. On November 17, 2023, the Court entered orders denying the State's motion for judgment on the pleadings, but granted the State's motion to modify the class period to have the class period begin on September 29, 2018. The State filed a

motion to decertify the class on February 23, 2024, which will be heard on April 26, 2024. The parties also plan to conduct a mediation on March 27, 2024. A trial is set for June 26, 2024. 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 \$1.0 billion. 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 22: SUBSEQUENT EVENTS

The following information describes significant events that occurred subsequent to June 30, 2022, but prior to the date of the auditor's report.

A. Debt Issuances

In August 2022 and February and August 2023, and January 2024 the University of California, a major component unit, through its conduit, issued a total of \$5.4 billion in revenue bonds to finance or refinance certain capital projects of the University and its medical centers, pay refunded bonds and bonds scheduled to mature in 2024, purchase obligations of the United States and certain federal agencies, and pay related issuance costs.

In September, October, and November 2022, and March, April, September, October, and November 2023, the primary government issued a total of \$12.8 billion in general obligation bonds to fund various capital projects 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 pay related issuance costs, and to refund outstanding bonds to effect a favorable reorganization of the state's debt structure.

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

In October 2022, the primary government issued a total of \$256 million in Veterans general obligation and revenue bonds to finance the acquisition of residential property for California military veterans, reimburse the department for contracts funded by the 1943 fund, and refund outstanding home purchase revenue bonds to reduce the department's cost of borrowing.

In October 2022, the California Earthquake Authority issued \$500 million in revenue bonds to enhance its claim-paying capacity.

In December 2022, January 2023, and February 2024, the California Infrastructure and Economic Development Bank, a component unit, issued a total of \$938 million in revenue bonds to finance or refinance loans for infrastructure projects pursuant to the Infrastructure State Revolving Fund Program, complete the construction, furnishing and equipping of an expansion to the existing headquarters of the California State Teachers' Retirement System, financing Clean Water State Revolving Fund project obligations, and pay related costs of issuance.

In December 2022, the Golden State Tobacco Securitization Corporation, a blended component unit, issued a total of \$218 million of its aggregate principal amount of Enhanced Tobacco Settlement Asset-Backed Bonds to refund a portion of its outstanding asset-backed bonds and pay related issuance costs.

In April, September and October 2023, the State Public Works Board issued a total of \$1.5 billion in lease revenue bonds to finance and refinance the design and/or construction of various projects, refund and defease previously issued lease revenue bonds, reimburse interim loans from the General Fund and the Pooled Money Investment Account, fund capitalized interest on bonds, and pay related issuance costs.

In July 2023, the California State University (CSU) issued \$899 million 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.

B. Other

In recent years California has faced historically lengthy and severe wildfire seasons, with millions of acres burned annually. The 2022 fire season was less catastrophic by comparison, with just under 7,500 fires and 364,000 acres burned. The 2023-24 Budget Act maintains \$2.7 billion in investments over four years for the restoration of forest and wildland health, in an effort to reduce the risk of wildfires.

Following three years of extreme drought conditions, California experienced a series of atmospheric river storms during December 2022 continuing into January 2023 that brought record flooding to several locations. The 2023-24 Budget Act maintains a total of \$8.1 billion of investments committed in the 2021 and 2022 Budget Acts over multiple years to improve the state's capacity to endure droughts and floods.

In response to the state of emergency caused by the aforementioned 2023 storms, the federal government extended the 2022 tax filing deadline for Californians residing in impacted areas from April 15, 2023, to November 16, 2023. The California Franchise Tax Board followed suit by extending the State's tax filing deadlines to the same dates. The extension will impact revenues available to the state during the 2022-23 and 2023-24 fiscal years.

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 charter schools), with a greater

proportion going to schools with more economically disadvantaged students. This will result in increased state education costs of about \$1.0 billion annually.

The United States federal government has provided California with over \$43.0 billion in combined recovery funds through the American Rescue Plan Act of 2021, 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.

To meet the surge in demand for unemployment insurance benefits during the COVID-19 pandemic, California borrowed larger than normal amounts from the U.S. Department of Labor. As of June 30, 2022, the State had \$17.9 billion in such loans, which were used to cover the deficits in the Unemployment Programs Fund and continue to provide benefit payments to displaced California workers. Loans outstanding from the U.S. Department of Labor increased by \$1.5 billion after the fiscal year to a balance of approximately \$19.4 billion as of December 8, 2023.

In August 2023, 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, 2022, which will be used to measure the State's net Other Post-Employment Benefits (OPEB) liability as of June 30, 2023. Based on the Actuarial Valuation Report, the State will report a net OPEB liability as of June 30, 2023, of \$82.4 billion, a decrease of \$13.1 billion from the net OPEB liability reported as of June 30, 2022. The report is available on the State Controller's Office website, at www.sco.ca.gov.

On December 27, 2022, the Superior Court of California granted the approval of the final distribution and dissolution of the State Assistance Fund for Enterprise, Business and Industrial Development Corporation (SAFE-BIDCO), which was previously reported as a nonmajor discretely presented component unit.

In December 2023, the U.S. Department of Labor (DOL) released Unemployment Insurance Program Letter 05-24 raising the possibility for states to apply their finality laws to Coronavirus Aid, Relief, and Economic Security (CARES) Act Unemployment Compensation (UC) claims. Due to this guidance, the Employment Development Department issued a letter to DOL in February 2024 requesting that three groups of CARES Act UC claims be considered resolved and no further work would be performed related to these claims. EDD is waiting on final federal approval of EDD's request as indicated in the February 2024 letter before the event can be recognized in the financial statements as a forgiveness of debt. Once federal approval is received approximately \$29.0 billion of potential federal liabilities will be removed from future financial statements in addition to a portion of the remaining \$26.0 billion in federal liabilities which would also be subject to state finality laws. These amounts were reported in other liabilities in the Federal Fund at June 30, 2022.

Required Supplementary Information



Schedule of Changes in Net Pension Liability and Related Ratios

For the Past Eight 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	2021 ³
\$	1,668,682	\$ 1,927,531	\$ 1,953,761	\$ 2,042,862	\$ 2,125,738	\$ 2,212,280
	7,220,961	7,381,049	7,571,997	7,970,572	8,288,391	8,603,225
	(101,381)	(387,041)	445,743	2,032,459	742,481	628,341
	—	5,667,561	(1,377,556)	—	—	—
	(5,346,864)	(5,572,707)	(5,865,849)	(6,190,738)	(6,513,916)	(6,851,024)
	3,441,398	9,016,393	2,728,096	5,855,155	4,642,694	4,592,822
	96,332,123	99,773,521	108,789,914	111,518,010	117,373,165	122,015,859
\$	99,773,521	\$ 108,789,914	\$ 111,518,010	\$ 117,373,165	\$ 122,015,859	\$ 126,608,681
\$	2,818,406	\$ 3,094,941	\$ 7,044,360	\$ 3,777,484	\$ 5,008,537	\$ 3,778,435
	801,023	843,772	870,402	942,980	1,005,830	928,152
	339,588	7,329,859	6,127,761	5,163,147	4,138,143	19,299,096
	(5,346,864)	(5,572,707)	(5,865,849)	(6,190,738)	(6,513,916)	(6,851,024)
	(1,154)	(2,737)	(1,340)	(1,344)	(4,213)	(2,558)
	(41,497)	(98,419)	(112,592)	(57,163)	(118,050)	(87,165)
	—	—	(213,815)	185	—	—
	(1,430,498)	5,594,709	7,848,927	3,634,551	3,516,331	17,064,936
	68,090,181	66,659,683	72,254,392	80,103,319	83,737,870	87,254,201
\$	66,659,683	\$ 72,254,392	\$ 80,103,319	\$ 83,737,870	\$ 87,254,201	\$ 104,319,137
\$	33,113,838	\$ 36,535,522	\$ 31,414,691	\$ 33,635,295	\$ 34,761,658	\$ 22,289,544
	66.81 %	66.42 %	71.83 %	71.34 %	71.51 %	82.39 %
\$	11,189,932	\$ 11,591,576	\$ 12,254,527	\$ 12,913,195	\$ 13,579,610	\$ 12,909,399
	295.93 %	315.19 %	256.35 %	260.47 %	255.98 %	172.66 %

(continued)

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

For the Past Eight 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	2021 ³
\$	107,868	\$ 124,792	\$ 119,521	\$ 127,006	\$ 131,508	\$ 136,918
	273,308	290,058	301,134	324,909	343,896	363,230
	7,009	21,516	(19,063)	106,233	24,610	21,852
	—	245,450	(54,062)	—	—	—
	(167,359)	(177,654)	(190,683)	(205,544)	(220,912)	(238,188)
	220,826	504,162	156,847	352,604	279,102	283,812
	3,595,387	3,816,213	4,320,375	4,477,222	4,829,826	5,108,928
\$	3,816,213	\$ 4,320,375	\$ 4,477,222	\$ 4,829,826	\$ 5,108,928	\$ 5,392,740
\$	116,730	\$ 123,163	\$ 241,062	\$ 148,494	\$ 244,773	\$ 128,161
	52,775	54,114	58,404	61,338	65,268	58,867
	14,444	322,150	272,379	233,027	191,982	911,996
	(167,359)	(177,654)	(190,683)	(205,544)	(220,912)	(238,188)
	216	(141)	268	(754)	(1,037)	(663)
	(1,758)	(4,282)	(5,014)	(2,558)	(5,383)	(4,090)
	—	—	(9,522)	8	—	—
	15,048	317,350	366,894	234,011	274,691	856,083
	2,885,303	2,900,351	3,217,701	3,584,595	3,818,606	4,093,297
\$	2,900,351	\$ 3,217,701	\$ 3,584,595	\$ 3,818,606	\$ 4,093,297	\$ 4,949,380
\$	915,862	\$ 1,102,674	\$ 892,627	\$ 1,011,220	\$ 1,015,631	\$ 443,360
	76.00 %	74.48 %	80.06 %	79.06 %	80.12 %	91.78 %
\$	625,220	\$ 643,295	\$ 695,014	\$ 728,609	\$ 765,840	\$ 706,128
	146.49 %	171.41 %	128.43 %	138.79 %	132.62 %	62.79 %

(continued)

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

For the Past Eight 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 %

	2016 ³	2017 ³	2018 ³	2019 ³	2020 ³	2021 ³
\$	438,147	\$ 497,129	\$ 504,383	\$ 536,173	\$ 553,316	\$ 564,198
	786,096	827,412	877,944	951,075	1,012,593	1,072,105
	(2,235)	(109,901)	(21,592)	227,078	16,473	(33,477)
	—	673,183	(41,225)	—	—	—
	(502,427)	(538,735)	(578,504)	(626,451)	(677,362)	(733,697)
	719,581	1,349,088	741,006	1,087,875	905,020	869,129
	10,310,139	11,029,720	12,378,808	13,119,814	14,207,689	15,112,709
\$	11,029,720	12,378,808	13,119,814	14,207,689	15,112,709	15,981,838
\$	401,108	\$ 433,232	\$ 774,759	\$ 523,076	\$ 747,441	\$ 429,347
	221,615	231,364	245,021	257,071	267,822	223,408
	42,258	926,106	797,214	691,911	575,732	2,758,504
	(502,427)	(538,735)	(578,504)	(626,451)	(677,362)	(733,697)
	548	295	532	1,482	3,907	1,513
	(4,966)	(12,264)	(14,565)	(7,524)	(16,047)	(12,272)
	—	—	(27,658)	24	—	—
	158,136	1,039,998	1,196,799	839,589	901,493	2,666,803
	8,148,500	8,306,636	9,346,634	10,543,433	11,383,022	12,284,515
\$	8,306,636	9,346,634	10,543,433	11,383,022	12,284,515	14,951,318
\$	2,723,084	3,032,174	2,576,381	2,824,667	2,828,194	1,030,520
	75.31 %	75.51 %	80.36 %	80.12 %	81.29 %	93.55 %
\$	2,100,295	\$ 2,167,429	\$ 2,339,642	\$ 2,468,018	\$ 2,566,403	\$ 2,367,960
	129.65 %	139.90 %	110.12 %	114.45 %	110.20 %	43.52 %

(continued)

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

For the Past Eight 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 %

	2016 ³	2017 ³	2018 ³	2019 ³	2020 ³	2021 ³
\$	861,694	\$ 980,897	\$ 1,011,482	\$ 1,044,955	\$ 1,062,486	\$ 1,111,888
	2,902,900	3,018,186	3,185,628	3,381,608	3,547,687	3,745,062
	18,316	(286,527)	354,089	664,430	172,204	585,665
	—	2,608,752	(25,104)	—	—	—
	(1,822,841)	(1,938,027)	(2,065,007)	(2,209,557)	(2,359,940)	(2,560,165)
	1,960,069	4,383,281	2,461,088	2,881,436	2,422,437	2,882,450
	38,408,656	40,368,725	44,752,006	47,213,094	50,094,530	52,516,967
\$	40,368,725	44,752,006	47,213,094	50,094,530	52,516,967	55,399,417
\$	1,265,145	\$ 1,427,240	\$ 3,068,270	\$ 1,665,872	\$ 3,220,740	\$ 1,310,946
	381,185	399,946	421,662	437,937	462,370	423,995
	137,927	2,954,170	2,522,044	2,175,528	1,812,785	8,602,827
	(1,822,841)	(1,938,027)	(2,065,007)	(2,209,557)	(2,359,941)	(2,560,165)
	114	1,628	(104)	350	735	(66)
	(16,295)	(39,395)	(45,950)	(23,765)	(49,832)	(38,396)
	—	—	(87,261)	77	—	—
	(54,765)	2,805,562	3,813,654	2,046,442	3,086,857	7,739,141
	26,737,191	26,682,426	29,487,988	33,301,642	35,348,084	38,434,941
\$	26,682,426	29,487,988	33,301,642	35,348,084	38,434,941	46,174,082
\$	13,686,299	15,264,018	13,911,452	14,746,446	14,082,026	9,225,335
	66.10 %	65.89 %	70.53 %	70.56 %	73.19 %	83.35 %
\$	3,241,895	\$ 3,416,627	\$ 3,557,011	\$ 3,676,854	\$ 3,904,615	\$ 3,629,097
	422.17 %	446.76 %	391.10 %	401.06 %	360.65 %	254.20 %

(continued)

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

For the Past Eight 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	2021 ³
	\$ 210,619	\$ 237,064	\$ 248,531	\$ 257,384	\$ 266,192	\$ 268,009
	809,691	833,062	878,113	926,056	974,410	1,022,074
	125,614	(158,392)	103,283	135,148	120,496	98,575
	—	721,972	12,213	—	—	—
	(516,723)	(543,456)	(579,080)	(612,298)	(651,832)	(695,055)
	629,201	1,090,250	663,060	706,290	709,266	693,603
	10,611,630	11,240,831	12,331,081	12,994,141	13,700,431	14,409,697
	\$ 11,240,831	\$ 12,331,081	\$ 12,994,141	\$ 13,700,431	\$ 14,409,697	\$ 15,103,300
	\$ 375,928	\$ 426,603	\$ 978,060	\$ 507,055	\$ 559,585	\$ 802,064
	86,111	91,116	95,482	100,080	103,159	95,784
	33,918	747,272	639,591	556,379	450,669	2,200,671
	(516,723)	(543,456)	(579,080)	(612,298)	(651,832)	(695,055)
	292	1,050	330	265	638	1,773
	(4,111)	(9,923)	(11,583)	(6,090)	(12,800)	(9,519)
	—	—	(21,997)	20	—	—
	(24,585)	712,662	1,100,803	545,411	449,419	2,395,718
	6,745,342	6,720,757	7,433,419	8,534,222	9,079,633	9,529,052
	\$ 6,720,757	\$ 7,433,419	\$ 8,534,222	\$ 9,079,633	\$ 9,529,052	\$ 11,924,770
	\$ 4,520,074	\$ 4,897,662	\$ 4,459,919	\$ 4,620,798	\$ 4,880,645	\$ 3,178,530
	59.79 %	60.28 %	65.68 %	66.27 %	66.13 %	78.95 %
	\$ 808,032	\$ 851,427	\$ 884,197	\$ 933,689	\$ 948,000	\$ 882,119
	559.39 %	575.23 %	504.40 %	494.90 %	514.84 %	360.33 %

(continued)

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

For the Past Eight 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	2021 ³
\$	29,314	\$ 22,733	\$ 19,131	\$ 20,073	\$ 17,026	\$ 17,861
	107,514	115,067	109,395	99,427	79,720	64,481
	(59,421)	(366,200)	(121,259)	86,873	(41,794)	40,006
	384,306	(107,670)	(20,879)	153,651	218,684	179,421
	(199,349)	(200,440)	(207,823)	(221,954)	(213,234)	(210,951)
	262,364	(536,510)	(221,435)	138,070	60,402	90,818
	3,532,580	3,794,944	3,258,434	3,036,999	3,175,069	3,235,471
\$	3,794,944	3,258,434	3,036,999	3,175,069	3,235,471	3,326,289
\$	192,287	\$ 204,475	\$ 199,241	\$ 195,903	\$ 243,132	\$ 225,824
	3,559	3,398	3,061	2,679	2,843	2,146
	193	424	846	1,166	885	163
	(199,349)	(200,440)	(207,823)	(221,954)	(213,234)	(210,951)
	(642)	(1,771)	(2,106)	(10,032)	(2,270)	(1,731)
	2,568	2,395	(1,863)	2,776	2,202	2,462
	(1,384)	8,481	(8,644)	(29,462)	33,558	17,913
	41,178	39,794	48,275	39,631	10,169	43,727
\$	39,794	48,275	39,631	10,169	43,727	61,640
\$	3,755,150	3,210,159	2,997,368	3,164,900	3,191,744	3,264,649
	1.05 %	1.48 %	1.30 %	0.32 %	1.35 %	1.85 %
\$	23,537	\$ 26,102	\$ 24,007	\$ 22,117	\$ 16,017	\$ 13,444
	15954.24 %	12298.52 %	12485.39 %	14309.81 %	19927.23 %	24283.32 %

(continued)

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

For the Past Eight 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	2021 ³
\$	86,635	\$ 97,679	\$ 95,843	\$ 103,791	\$ 114,486	\$ 116,782
	78,412	85,654	91,418	103,889	115,517	126,949
	(4,546)	(26,382)	(26,875)	30,292	(2,797)	(10,976)
	—	69,233	(41,763)	—	—	—
	(21,704)	(22,406)	(31,795)	(36,204)	(34,547)	(61,994)
	138,797	203,778	86,828	201,768	192,659	170,761
	1,068,752	1,207,549	1,411,327	1,498,154	1,699,922	1,892,581
\$	1,207,549	1,411,327	1,498,155	1,699,922	1,892,581	2,063,342
\$	65,839	\$ 67,102	\$ 79,699	\$ 84,099	\$ 91,147	\$ 84,147
	24,598	25,076	27,514	31,375	35,796	34,094
	20,810	115,057	101,820	106,781	80,074	463,478
	(21,704)	(22,406)	(31,795)	(36,204)	(34,547)	(61,994)
	(732)	(1,682)	(2,370)	(1,477)	(2,552)	(1,703)
	—	—	(5,451)	—	—	—
	88,811	183,147	169,417	184,574	169,918	518,022
	1,084,141	1,172,952	1,356,099	1,525,515	1,710,089	1,880,007
\$	1,172,952	1,356,099	1,525,516	1,710,089	1,880,007	2,398,029
\$	34,597	55,228	(27,361)	(10,167)	12,574	(334,687)
	97.13 %	96.09 %	101.83 %	100.60 %	99.34 %	116.22 %
\$	192,739	\$ 192,786	\$ 202,433	\$ 220,742	\$ 246,968	\$ 233,316
	17.95 %	28.65 %	-13.52 %	-4.61 %	5.09 %	-143.45 %

(continued)

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

For the Past Eight 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	2021 ³
\$ 608	\$ 639	\$ 542	\$ 268	\$ 100	\$ 101
5,978	5,291	4,987	4,873	4,885	4,749
(3,530)	(5,998)	(2,061)	(427)	2,320	(732)
—	7,857	(2,529)	—	—	—
(7,407)	(7,249)	(6,918)	(7,350)	(6,939)	(6,761)
(4,351)	540	(5,979)	(2,636)	366	(2,643)
106,571	102,220	102,760	96,780	94,144	94,510
\$ 102,220	\$ 102,760	\$ 96,781	\$ 94,144	\$ 94,510	\$ 91,867
\$ 549	\$ 517	\$ 467	\$ 250	\$ 98	\$ 78
96	94	82	92	22	21
4,545	5,047	5,486	7,860	7,011	15,099
(7,407)	(7,249)	(6,918)	(7,350)	(6,939)	(6,761)
(202)	(575)	(670)	(324)	(550)	(450)
—	—	(1,454)	—	2	13
(2,419)	(2,166)	(3,007)	528	(356)	8,000
121,469	119,050	116,884	113,876	114,404	114,048
\$ 119,050	\$ 116,884	\$ 113,877	\$ 114,404	\$ 114,048	\$ 122,048
\$ (16,830)	\$ (14,124)	\$ (17,096)	\$ (20,260)	\$ (19,538)	\$ (30,181)
116.46 %	113.74 %	117.66 %	121.52 %	120.67 %	132.85 %
\$ 1,298	\$ 1,270	\$ 1,121	\$ 684	\$ 284	\$ 267
-1296.61 %	-1112.13 %	-1525.07 %	-2961.99 %	-6879.58 %	-11303.75 % (concluded)

Schedule of State Pension Contributions

For the Past Eight Fiscal Years¹
(amounts in thousands)

	<u>2015</u>	<u>2016</u>
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)	<u>\$ (162,243)</u>	<u>\$ (95,231)</u>
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)	<u>\$ (12,745)</u>	<u>\$ (13,301)</u>
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)	<u>\$ (45,999)</u>	<u>\$ (36,151)</u>
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)	<u>\$ (62,495)</u>	<u>\$ (66,276)</u>
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	2022
\$ 3,078,232	\$ 3,397,736	\$ 3,631,721	\$ 4,006,672	\$ 4,324,789	\$ 4,160,143
(3,098,305)	(3,482,291)	(3,794,379)	(5,032,209)	(3,791,620)	(4,281,402)
\$ (20,073)	\$ (84,555)	\$ (162,658)	\$ (1,025,537)	\$ 533,169	\$ (121,259)
\$ 11,591,576	\$ 12,254,527	\$ 12,913,195	\$ 13,579,610	\$ 12,909,399	\$ 14,727,596
26.73 %	28.42 %	29.38 %	37.06 %	29.37 %	29.07 %
\$ 116,880	\$ 131,131	\$ 134,969	\$ 153,724	\$ 166,535	\$ 132,980
(123,789)	(141,832)	(148,790)	(245,757)	(128,407)	(138,688)
\$ (6,909)	\$ (10,701)	\$ (13,821)	\$ (92,033)	\$ 38,128	\$ (5,708)
\$ 643,295	\$ 695,014	\$ 728,609	\$ 765,840	\$ 706,128	\$ 802,709
19.24 %	20.41 %	20.42 %	32.09 %	18.18 %	17.28 %
\$ 400,379	\$ 435,662	\$ 466,765	\$ 526,375	\$ 553,298	\$ 476,457
(431,991)	(481,479)	(531,360)	(759,505)	(473,147)	(499,621)
\$ (31,612)	\$ (45,817)	\$ (64,595)	\$ (233,130)	\$ 80,151	\$ (23,164)
\$ 2,167,429	\$ 2,339,642	\$ 2,468,018	\$ 2,566,403	\$ 2,367,960	\$ 2,633,568
19.93 %	20.58 %	21.53 %	29.59 %	19.98 %	18.97 %
\$ 1,343,177	\$ 1,462,630	\$ 1,581,049	\$ 1,755,306	\$ 1,871,841	\$ 1,262,871
(1,431,851)	(1,573,299)	(1,667,839)	(3,234,348)	(1,312,046)	(1,325,451)
\$ (88,674)	\$ (110,669)	\$ (86,790)	\$ (1,479,042)	\$ 559,795	\$ (62,580)
\$ 3,416,627	\$ 3,557,011	\$ 3,676,854	\$ 3,904,615	\$ 3,629,097	\$ 4,035,339
41.91 %	44.23 %	45.36 %	82.83 %	36.15 %	32.85 %

(continued)

Schedule of State Pension Contributions (continued)

For the Past Eight 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).....	\$ (28,746)	\$ (13,900)
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).....	\$ 1,880,957	\$ 459,821
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).....	\$ 3,211	\$ (2,114)
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).....	\$ (284)	\$ (408)
Covered payroll.....	\$ 1,397	\$ 1,298
Contributions as a percentage of covered payroll.....	38.94 %	42.30 %

2017	2018	2019	2020	2021	2022
\$ 414,975	\$ 447,376	\$ 484,056	\$ 532,159	\$ 574,509	\$ 600,841
(426,014)	(478,354)	(514,683)	(560,538)	(530,587)	(590,087)
\$ (11,039)	\$ (30,978)	\$ (30,627)	\$ (28,379)	\$ 43,922	\$ 10,754
\$ 851,427	\$ 884,197	\$ 933,689	\$ 948,000	\$ 882,119	\$ 936,496
50.04 %	54.10 %	55.12 %	59.13 %	60.15 %	63.01 %
\$ 448,636	\$ 438,156	\$ 415,110	\$ 414,849	\$ 366,446	\$ 352,881
(202,368)	(197,017)	(194,189)	(241,993)	(224,928)	(193,763)
\$ 246,268	\$ 241,139	\$ 220,921	\$ 172,856	\$ 141,518	\$ 159,118
\$ 23,822	\$ 27,003	\$ 25,748	\$ 16,017	\$ 13,444	\$ 14,061
849.50 %	729.61 %	754.19 %	1,510.85 %	1,673.07 %	1,378.02 %
\$ 66,951	\$ 79,181	\$ 75,862	\$ 81,782	\$ 88,439	\$ 99,938
(55,965)	(73,916)	(76,155)	(83,872)	(78,784)	(81,960)
\$ 10,986	\$ 5,265	\$ (293)	\$ (2,090)	\$ 9,655	\$ 17,978
\$ 195,066	\$ 199,438	\$ 217,112	\$ 246,968	\$ 233,316	\$ 242,525
28.69 %	37.06 %	35.08 %	33.96 %	33.77 %	33.79 %
\$ —	\$ 20	\$ —	\$ 101	\$ 84	\$ 88
(516)	(467)	(261)	(100)	(79)	(85)
\$ (516)	\$ (447)	\$ (261)	\$ 1	\$ 5	\$ 3
\$ 1,270	\$ 1,121	\$ 684	\$ 284	\$ 267	\$ 290
40.63 %	41.66 %	38.16 %	35.21 %	29.59 %	29.31 %

(continued)

Schedule of State Pension Contributions (continued)

For the Past Eight 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, 2020.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal
Amortization method	See each plan's June 30, 2019 Actuarial Valuation Report.
Asset valuation method	PERF – Fair value of assets; for details see plan's June 30, 2019 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' – 1.92% Judges' II – 6.65% Legislators' – 5.25%
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)

This page intentionally left blank

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

For the Past Eight Fiscal Years¹

(amounts in thousands)

	<u>2014²</u>	<u>2015²</u>
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 Eight Fiscal Years¹

(amounts in thousands)

	<u>2015</u>	<u>2016</u>
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 2021-22 include a supplemental contribution of \$583.7 million for the State, pursuant to Assembly Bill 128.
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/period	Level percent of payroll, closed period, ending June 30, 2046
Asset valuation method	Adjustment to fair 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	2021²
36.28 %	37.17 %	36.41 %	35.30 %	34.02 %	33.47 %
\$ 29,343,626	\$ 34,374,816	\$ 33,462,419	\$ 31,880,645	\$ 32,963,596	\$ 15,233,348
70.04 %	69.46 %	70.99 %	72.56 %	71.82 %	87.21 %

2017	2018	2019	2020	2021	2022
\$ 2,472,993	\$ 2,790,444	\$ 3,082,316	\$ 4,446,836	\$ 3,730,902	\$ 4,279,964
2,472,993	2,790,444	3,082,316	4,446,836	3,730,902	4,279,964
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

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	<u>2,111,868</u>	<u>1,129,451</u>
Total OPEB liability – beginning	<u>29,485,488</u>	<u>31,597,356</u>
Total OPEB liability – ending (a)	<u>\$ 31,597,356</u>	<u>\$ 32,726,807</u>
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	<u>151,612</u>	<u>358,110</u>
Plan fiduciary net position – beginning	<u>—</u>	<u>151,612</u>
Plan fiduciary net position – ending (b)	<u>\$ 151,612</u>	<u>\$ 509,722</u>
State’s net OPEB liability – ending (a) – (b)	<u>\$ 31,445,744</u>	<u>\$ 32,217,085</u>
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, 2021*, 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.

2021²

\$	1,190,049
	1,028,924
	(2,498,623)
	1,275,481
	(962,640)
	<u>33,191</u>
	32,726,807
\$	<u>32,759,998</u>

\$	962,640
	241,973
	—
	162,795
	(962,640)
	(229)
	<u>—</u>
	404,539
	509,722
\$	<u>914,261</u>

\$ 31,845,737

2.79 %

\$ 7,477,126

425.91 %
(continued)

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>	<u>2021²</u>
\$ 140,545	\$ 159,410	\$ 183,703
199,637	204,078	202,901
41,288	(64,174)	(699,133)
318,292	466,272	531,615
(78,501)	(84,544)	(87,872)
621,261	681,042	131,214
4,560,540	5,181,801	5,862,843
\$ 5,181,801	\$ 5,862,843	\$ 5,994,057
\$ 78,501	\$ 84,544	\$ 87,872
57,567	59,296	1
3,943	4,061	—
23,834	16,069	136,197
(78,501)	(84,544)	(87,872)
(77)	(217)	(188)
—	—	—
85,267	79,209	136,010
331,052	416,319	495,528
\$ 416,319	\$ 495,528	\$ 631,538
\$ 4,765,482	\$ 5,367,315	\$ 5,362,519
8.03 %	8.45 %	10.54 %
\$ 942,765	\$ 958,694	\$ 890,777
505.48 %	559.86 %	602.00 %
		(continued)

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>	<u>2021²</u>
\$ 503,829	\$ 535,696	\$ 578,629
622,325	608,903	562,522
(460,414)	(354,942)	(1,113,335)
912,754	675,803	1,438,841
(294,213)	(357,726)	(370,922)
1,284,281	1,107,734	1,095,735
14,699,258	15,983,539	17,091,273
\$ 15,983,539	\$ 17,091,273	\$ 18,187,008
\$ 294,213	\$ 357,726	\$ 370,922
106,592	129,540	109,211
106,592	129,540	—
33,447	24,249	247,525
(294,213)	(357,726)	(370,922)
(94)	(342)	(343)
—	—	—
246,537	282,987	356,393
332,511 *	579,048	862,035
\$ 579,048	\$ 862,035	\$ 1,218,428
\$ 15,404,491	\$ 16,229,238	\$ 16,968,580
3.62 %	5.04 %	6.70 %
\$ 2,819,233	\$ 2,989,457	\$ 2,709,765
546.41 %	542.88 %	626.20 %

(continued)

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	<u>(237,772)</u>	<u>(303,461)</u>
Total OPEB liability – beginning	4,640,159	4,402,387
Total OPEB liability – ending (a)	<u>\$ 4,402,387</u>	<u>\$ 4,098,926</u>
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	<u>38,829</u>	<u>14,600</u>
Plan fiduciary net position – beginning	—	38,829
Plan fiduciary net position – ending (b)	<u>\$ 38,829</u>	<u>\$ 53,429</u>
State’s net OPEB liability – ending (a) – (b)	<u>\$ 4,363,558</u>	<u>\$ 4,045,497</u>
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>	<u>2021²</u>
\$ 127,060	\$ 136,522	\$ 155,301
165,399	159,587	144,901
(88,806)	(55,316)	(308,759)
145,634	93,540	166,566
(84,522)	(100,777)	(109,002)
264,765	233,556	49,007
4,098,926	4,363,691	4,597,247
\$ 4,363,691	\$ 4,597,247	\$ 4,646,254
\$ 84,522	\$ 100,777	\$ 109,002
13,311	31,649	28,942
13,311	31,649	—
4,789	3,793	44,511
(84,522)	(100,777)	(109,002)
(14)	(55)	(62)
—	—	—
31,397	67,036	73,391
53,391 *	84,788	151,824
\$ 84,788	\$ 151,824	\$ 225,215
\$ 4,278,903	\$ 4,445,423	\$ 4,421,039
1.94 %	3.30 %	4.85 %
\$ 1,502,529	\$ 1,596,949	\$ 1,498,878
284.78 %	278.37 %	294.96 %

(continued)

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>	<u>2021²</u>
\$ 129,311	\$ 134,649	\$ 137,010
162,948	154,691	135,412
(97,510)	(149,086)	(348,753)
152,849	21,353	165,715
(120,833)	(127,671)	(132,052)
226,765	33,936	(42,668)
3,994,063	4,220,828	4,254,764
\$ 4,220,828	\$ 4,254,764	\$ 4,212,096
\$ 120,833	\$ 127,671	\$ 132,052
16,268	26,329	31,233
16,268	26,329	—
3,552	2,974	36,034
(120,833)	(127,671)	(132,052)
(9)	(43)	(52)
—	—	—
36,079	55,589	67,215
27,788 *	63,867	119,456
\$ 63,867	\$ 119,456	\$ 186,671
\$ 4,156,961	\$ 4,135,308	\$ 4,025,425
1.51 %	2.81 %	4.43 %
\$ 723,964	\$ 748,801	\$ 673,098
574.19 %	552.26 %	598.04 %

(continued)

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

For the Past Fiscal Years¹

(amounts in thousands)

	<u>2017²</u>	<u>2018^{2,4}</u>
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	<u>(75,965)</u>	<u>(602,307)</u>
Total OPEB liability – beginning	2,116,405	12,699,917
Total OPEB liability – ending (a)	<u>\$ 2,040,440</u>	<u>\$ 12,097,610</u>
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	<u>14,347</u>	<u>71,049</u>
Plan fiduciary net position – beginning	4,836	57,956 *
Plan fiduciary net position – ending (b)	<u>\$ 19,183</u>	<u>\$ 129,005</u>
State’s net OPEB liability – ending (a) – (b)	<u>\$ 2,021,257</u>	<u>\$ 11,968,605</u>
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>	<u>2021²</u>
\$ 528,502	\$ 546,766	\$ 597,140
581,170	570,727	508,583
(221,816)	(517,882)	(1,092,126)
506,543	305,572	811,046
(364,207)	(371,323)	(401,508)
1,030,192	533,860	423,135
14,074,765	15,104,957	15,638,817
\$ 15,104,957	\$ 15,638,817	\$ 16,061,952
\$ 364,207	\$ 371,323	\$ 401,508
71,376	124,916	127,043
71,376	124,916	—
16,116	13,386	163,783
(364,207)	(371,323)	(401,508)
(43)	(194)	(230)
—	—	—
158,825	263,024	290,596
128,914 *	287,739	550,763
\$ 287,739	\$ 550,763	\$ 841,359
\$ 14,817,218	\$ 15,088,054	\$ 15,220,593
1.90 %	3.52 %	5.24 %
\$ 4,162,765	\$ 4,363,200	\$ 3,875,766
355.95 %	345.80 %	392.71 %
		(continued)

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

For the Past Fiscal Years¹

(amounts in thousands)

	<u>2017²</u>	<u>2018^{2,4}</u>
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.....	<u>(3,151,445)</u>	<u>(3,315,167)</u>
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.....	<u>—</u>	<u>—</u>
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 %	434.35 %

<u>2019^{2,4,6}</u>	<u>2020²</u>	<u>2021²</u>
\$ 651,082	\$ 695,884	\$ 826,026
576,896	547,791	447,744
(41,161)	(665,066)	(1,270,439)
863,523	583,238	476,706
<u>(546,742)</u>	<u>(512,702)</u>	<u>(522,538)</u>
1,503,598	649,145	(42,501)
<u>15,556,199</u>	<u>17,059,797</u>	<u>17,708,942</u>
<u>\$ 17,059,797</u>	<u>\$ 17,708,942</u>	<u>\$ 17,666,441</u>
\$ 546,742	\$ 512,702	\$ 522,538
—	—	—
—	—	—
—	—	—
(546,742)	(512,702)	(522,538)
—	—	—
—	—	—
<u>—</u>	<u>—</u>	<u>—</u>
<u>—</u>	<u>—</u>	<u>—</u>
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
<u>\$ 17,059,797</u>	<u>\$ 17,708,942</u>	<u>\$ 17,666,441</u>
— %	— %	— %
\$ 3,366,371	\$ 3,536,386	\$ 3,483,142
506.77 %	500.76 %	507.20 %
		(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 (excess)	<u>\$ —</u>	<u>\$ —</u>
Covered payroll	\$ —	\$ —
Contributions as a percentage of covered payroll	—	—
BARGAINING UNIT 5 PLAN		
Actuarially determined contribution	\$ 204,361	\$ 210,626
Contributions in relation to the actuarially determined contribution	(184,456)	(137,475)
Contribution deficiency	<u>\$ 19,905</u>	<u>\$ 73,151</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>	<u>2022³</u>
\$ 1,543,231 (1,077,554)	\$ 1,584,331 (1,204,613)	\$ 1,336,683 (1,576,969)
\$ 465,677	\$ 379,718	\$ (240,286)
\$ 7,701,525	\$ 7,477,126	\$ 8,705,771
13.99 %	16.11 %	18.11 %
\$ 229,183 (139,230)	\$ 240,749 (87,872)	\$ 239,989 (212,763)
\$ 89,953	\$ 152,877	\$ 27,226
\$ 958,694	\$ 890,777	\$ 950,596
14.52 %	9.86 %	22.38 %
\$ 676,241 (477,342)	\$ 772,683 (480,133)	\$ 681,831 (623,643)
\$ 198,899	\$ 292,550	\$ 58,188
\$ 2,989,457	\$ 2,709,765	\$ 2,983,435
15.97 %	17.72 %	20.90 %
\$ 194,353 (131,031)	\$ 212,002 (137,944)	\$ 182,301 (182,205)
\$ 63,322	\$ 74,058	\$ 96
\$ 1,596,949	\$ 1,498,878	\$ 1,770,060
8.21 %	9.20 %	10.29 %

(continued)

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 (excess)	<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 (excess)	<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>	<u>2022³</u>
\$ 198,316	\$ 203,358	\$ 169,461
(153,368)	(160,882)	(203,007)
<u>\$ 44,948</u>	<u>\$ 42,476</u>	<u>\$ (33,546)</u>
\$ 748,801	\$ 673,098	\$ 805,625
20.48 %	23.90 %	25.20 %
\$ 707,352	\$ 756,965	\$ 645,590
(492,373)	(522,778)	(698,669)
<u>\$ 214,979</u>	<u>\$ 234,187</u>	<u>\$ (53,079)</u>
\$ 4,363,200	\$ 3,875,766	\$ 4,500,952
11.28 %	13.49 %	15.52 %
\$ 977,820	\$ 944,654	\$ 915,632
(512,702)	(504,813)	(530,610)
<u>\$ 465,118</u>	<u>\$ 439,841</u>	<u>\$ 385,022</u>
\$ 3,536,386	\$ 3,483,142	\$ 3,539,212
14.50 %	14.49 %	14.99 % (concluded)

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, 2021.
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, 2021 Actuarial Valuation Report
Inflation	2.30%
Healthcare cost trend rates	Pre-Medicare coverage: Actual rates for 2022, increasing to 7.50% in 2023, grading down to 4.50% from 2029 to 2037, and 4.25% for 2038 and later years. Post-Medicare coverage: Actual rates for 2022, increasing to rates ranging from 7.50% to 8.42% in 2023, grading down to 4.50% from 2031 to 2037, and 4.25% for 2038 and later years. Dental coverage: 0.00% in 2022, 2.00% for 2023, 3.00% for 2024, 4.00% for 2025, and 4.25% for 2026 and thereafter.
Salary increases	Varies by entry age and service
Investment rate of return	6.00%, net of OPEB plan investment expenses but without reduction for OPEB administrative expenses.
Retirement age	The probabilities of retirement are based on the 2021 CalPERS Experience Study for the period from 2000 to 2019.
Mortality	Mortality rates are based on the 2021 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 80% Scale MP 2020.

(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, 2022, are in the following categories and amounts: state highway infrastructure, consisting of completed highway projects totaling \$82.0 billion; land purchased for highway projects totaling \$15.1 billion; infrastructure construction-in-progress (uncompleted highway projects) totaling \$9.3 billion; and high-speed rail system infrastructure, consisting of construction-in-progress (uncompleted rail construction projects) totaling \$5.2 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, 2022, there were no donations of infrastructure land, and relinquishments were \$11 million of state highway infrastructure (completed highway projects) and \$2 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 2021-22 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
2020	90.0% Fair or Better	95.7% Fair or Better
2021	90.0% Fair or Better	95.7% Fair or Better
2022	90.0% Fair or Better	94.1% 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, 2022:

Condition	Number of Bridges/Tunnels	Deck Area (sq. ft.)	Deck Area (%)
Good	6,846	122,566,496	46.90 %
Fair	5,660	123,404,232	47.21
Poor	549	15,381,678	5.89
Total	13,055	261,352,406	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 Date¹	Established Condition Baseline Distressed Lane Miles (maximum)²	Actual Distressed Lane Miles	Actual Distressed Lane Miles as Percent of Total Lane Miles
September 2020	18,000	5,890	11.9 %
April 2022	18,000	6,872	13.8
July 2023	18,000	6,980	13.9

¹ Condition assessment for the State’s established condition baseline and actual distressed lane miles is being reported as of the *State of the Pavement* report publication date.

² The actual statewide distressed lane miles should not exceed the maximum distressed lane miles established by the State.

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	33,194	—
Fair	10,008	—
Poor	6,980	6,980
Total	50,182	6,980

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
2018	\$ 267	\$ 265
2019	293	290
2020	229	228
2021	247	228
2022	221	153

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
2018	\$ 4,184	\$ 4,035
2019	5,103	4,897
2020	5,070	4,651
2021	5,379	4,129
2022	5,250	2,683

¹Some prior years were updated based on more current information.

This page intentionally left blank

Budgetary Comparison Schedule

General Fund and Major Special Revenue Funds

Year Ended June 30, 2022

(amounts in thousands)

	General			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Corporation tax	\$ 32,863,043	\$ 45,128,400	\$ 44,711,973	\$ (416,427)
Intergovernmental				—
Cigarette and tobacco taxes	57,916	54,103	54,103	—
Insurance gross premiums tax	3,448,339	3,494,540	3,503,238	8,698
Vehicle license fees	490	620	619	(1)
Motor vehicle fuel tax	—	—	—	—
Personal income tax	120,873,151	137,144,320	138,713,606	1,569,286
Retail sales and use taxes	30,865,984	33,026,420	32,994,935	(31,485)
Other major taxes and licenses	423,267	431,363	431,363	—
Other revenues	5,297,150	4,223,240	3,616,843	(606,397)
Total revenues	193,829,340	223,503,006	224,026,680	523,674
EXPENDITURES				
Business, consumer services, and housing	1,113,782	1,157,679	1,140,876	(16,803)
Transportation	1,303,026	3,027,506	503,027	(2,524,479)
Natural resources and environmental protection	8,854,499	9,816,204	8,491,932	(1,324,272)
Health and human services	50,630,277	56,204,069	49,981,465	(6,222,604)
Corrections and rehabilitation	13,832,643	14,262,404	13,813,290	(449,114)
Education	68,498,069	107,427,799	101,866,384	(5,561,415)
General government:				
Tax relief	393,372	415,001	393,372	(21,629)
Debt service	6,187,876	4,718,388	4,688,204	(30,184)
Other general government	17,834,124	19,965,670	17,724,333	(2,241,337)
Total expenditures	168,647,668	216,994,720	198,602,883	(18,391,837)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	—	—	11,995,627	—
Transfers to other funds	—	—	(13,486,232)	—
Other additions (deductions)	—	—	13,308,889	—
Total other financing sources (uses)	—	—	11,818,284	—
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	—	—	37,242,081	—
Fund balances – beginning	—	—	31,939,690	—
Fund balances – ending	\$ —	\$ —	\$ 69,181,771	\$ —

Federal				Transportation			
Budgeted Amounts		Actual Amounts	Variance with Final Budget	Budgeted Amounts		Actual Amounts	Variance with Final Budget
Original	Final			Original	Final		
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
151,886,738	151,886,738	151,886,738	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	8,641,873	8,519,577	9,290,301	770,724
—	—	—	—	—	—	—	—
—	—	—	—	8,035,546	8,171,484	7,320,025	(851,459)
866	866	866	—	1,133,943	1,222,442	390,301	(832,141)
151,887,604	151,887,604	151,887,604	—	17,811,362	17,913,503	17,000,627	(912,876)
3,132,518	3,132,518	3,132,518	—	125,857	127,649	116,904	(10,745)
4,302,329	4,302,329	4,302,329	—	10,085,091	14,982,070	13,309,580	(1,672,490)
457,642	457,642	457,642	—	187,580	190,004	170,558	(19,446)
99,290,061	99,290,061	99,290,061	—	3,467	3,540	2,434	(1,106)
98,527	98,527	98,527	—	—	—	—	—
14,549,150	14,549,150	14,549,150	—	7,945	9,998	9,497	(501)
—	—	—	—	—	—	—	—
—	—	—	—	3,173	3,173	2,213	(960)
1,351,724	1,351,724	1,351,724	—	(67,765)	483,779	472,221	(11,558)
123,181,951	123,181,951	123,181,951	—	10,345,348	15,800,213	14,083,407	(1,716,806)
—	—	1,701,156	—	—	—	21,231,181	—
—	—	(30,406,787)	—	—	—	(23,490,254)	—
—	—	—	—	—	—	(473,280)	—
—	—	(28,705,631)	—	—	—	(2,732,353)	—
—	—	22	—	—	—	184,867	—
—	—	637	—	—	—	9,133,887	—
\$ —	\$ —	\$ 659	\$ —	\$ —	\$ —	\$ 9,318,754	\$ —

(continued)

Budgetary Comparison Schedule (continued)

General Fund and Major Special Revenue Funds

Year Ended June 30, 2022

(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	93	93	93	—
Insurance gross premiums tax	—	—	—	—
Vehicle license fees	—	—	—	—
Motor vehicle fuel tax	—	—	—	—
Personal income tax	—	—	—	—
Retail sales and use taxes	—	—	—	—
Other major taxes and licenses	177,841	177,841	177,841	—
Other revenues	8,851,266	8,851,266	8,851,266	—
Total revenues	9,029,200	9,029,200	9,029,200	—
EXPENDITURES				
Business, consumer services, and housing	254,501	224,309	190,710	(33,599)
Transportation	1,228,805	1,229,346	1,228,873	(473)
Natural resources and environmental protection	5,826,373	7,488,017	5,723,006	(1,765,011)
Health and human services	70,083	88,718	73,250	(15,468)
Corrections and rehabilitation	—	—	—	—
Education	2,870	2,870	366	(2,504)
General government:				
Tax relief	—	—	—	—
Debt service	695	695	695	—
Other general government	229,052	237,886	227,913	(9,973)
Total expenditures	7,612,379	9,271,841	7,444,813	(1,827,028)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	—	—	897,869	—
Transfers to other funds	—	—	(798,267)	—
Other additions (deductions)	—	—	1,243,224	—
Total other financing sources (uses)	—	—	1,342,826	—
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	—	—	2,927,213	—
Fund balances – beginning	—	—	14,050,286	—
Fund balances – ending	\$ —	\$ —	\$ 16,977,499	\$ —

Health Care Related Programs			
Budgeted Amounts		Actual Amounts	Variance with Final Budget
Original	Final		
\$ —	\$ —	\$ —	\$ —
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
2,517,244	2,517,244	2,517,244	—
7,237,356	7,237,356	7,237,356	—
9,754,600	9,754,600	9,754,600	—
—	—	—	—
—	—	—	—
2,760	3,042	3,010	(32)
9,514,065	9,615,311	9,605,077	(10,234)
—	—	—	—
139,337	139,337	139,337	—
—	—	—	—
7,269	7,433	7,433	—
(9,281)	500	500	—
9,654,150	9,765,623	9,755,357	(10,266)
—	—	114,910	—
—	—	(6,667)	—
—	—	(171,514)	—
—	—	(63,271)	—
—	—	(64,028)	—
—	—	3,322,241	—
\$ —	\$ —	\$ 3,258,213	\$ —

(concluded)

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

June 30, 2022

(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 ...	\$ 69,181,771	\$ 659	\$ 9,318,754	\$ 16,977,499	\$ 3,258,213
Basis difference:					
Interfund receivables	2,943,415	—	85,258	786,823	—
Loans receivable	23,216	268,575	—	567,375	23,000
Interfund payables	(3,435,425)	—	(594,815)	(456,475)	(2,193)
Escheat property	(1,315,586)	—	—	—	—
Tax revenues	(12,958,004)	—	—	—	—
Fund classification changes	32,203,011	8,533,399	—	—	—
Other	(10,797,660)	(48,174,275)	1,951,336	(229,108)	—
Timing difference:					
Liabilities budgeted in subsequent years	(1,797,580)	(15,325,758)	(592,932)	(3,117)	(1,508,882)
GAAP fund balance – ending	\$ 74,047,158	\$ (54,697,400)	\$ 10,167,601	\$ 17,642,997	\$ 1,770,138

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, \$85 million in the Transportation Fund, and \$787 million in the Environmental and Natural Resources Fund. The adjustments related to loans receivable caused increases of \$23 million in the General Fund, \$269 million in the Federal Fund, \$567 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 \$3.4 billion in the General Fund, \$595 million in the Transportation Fund, \$456 million in the Environmental and Natural Resources Fund, and \$2 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 \$1.3 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 a decrease of \$13.0 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 \$32.2 billion in the General Fund and \$8.5 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 a decrease of \$10.8 billion in the General Fund, and \$48.2 billion in the Federal Fund, an increase of \$2.0 billion in the Transportation Fund, and a decrease of \$229 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 \$1.8 billion in the General Fund, \$15.3 billion in the Federal Fund, \$593 million in the Transportation Fund, \$3 million in the Environmental and Natural Resources Fund, and \$1.5 billion in the Health Care Related Programs Fund. The large decrease in the General Fund primarily consists of \$1.1 billion for medical assistance and \$407 million for workers' compensation claims. The large decrease in the Federal Fund consists of \$9.0 billion for coronavirus relief and \$6.3 billion for unemployment programs. The decrease in the Health Care Related Programs Fund primarily consists of medical assistance.

Combining Financial Statements and Schedules – Nonmajor and Other Funds



This page intentionally left blank

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.

This page intentionally left blank

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2022

(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	\$ 1,904,508	\$ 3,082,099	\$ 2,537,879
Investments	—	1,129,983	—
Receivables (net)	185,349	177,391	665,472
Due from other funds	48,931	577,315	1,589
Due from other governments	9,329	3,545	175,136
Interfund receivables	154,719	88,806	29,669
Loans receivable	101,700	2,693,684	8,339
Other assets	—	—	—
Total assets	\$ 2,404,536	\$ 7,752,823	\$ 3,418,084
LIABILITIES			
Accounts payable	\$ 180,261	\$ 236,224	\$ 62,544
Due to other funds	22,975	21,581	27,817
Due to component units	—	—	26,240
Due to other governments	6,964	285,516	148,216
Interfund payables	17,129	—	—
Revenues received in advance	58,535	907	—
Deposits	—	—	—
Other liabilities	32,770	155	6
Total liabilities	318,634	544,383	264,823
DEFERRED INFLOWS OF RESOURCES	—	—	214,960
Total liabilities and deferred inflows of resources	318,634	544,383	479,783
FUND BALANCES			
Nonspendable	—	—	—
Restricted	1,453,624	6,823,406	2,938,301
Committed	632,278	385,034	—
Assigned	—	—	—
Total fund balances	2,085,902	7,208,440	2,938,301
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,404,536	\$ 7,752,823	\$ 3,418,084

Special Revenue				
Local Revenue and Public Safety	Trial Courts	Golden State Tobacco Securitization Corporation	Other Special Revenue Programs	Total Nonmajor Special Revenue
\$ 3,793,618	\$ 1,366,888	\$ 263,893	\$ 4,132,804	\$ 17,081,689
—	402,846	49,799	—	1,582,628
3,182	229,924	220,540	280,393	1,762,251
213,195	16,552	—	543,052	1,400,634
—	45,374	—	56,749	290,133
44,992	53,432	—	530,787	902,405
11,791	14,375	—	123,787	2,953,676
—	42,027	—	—	42,027
\$ 4,066,778	\$ 2,171,418	\$ 534,232	\$ 5,667,572	\$ 26,015,443
\$ 5,445	\$ 263,746	\$ 53	\$ 480,446	\$ 1,228,719
79,435	42,253	—	99,623	293,684
—	—	—	7,480	33,720
3,884,320	101,377	—	479,711	4,906,104
—	—	—	25,071	42,200
—	198,073	—	70,492	328,007
—	385,800	—	90,371	476,171
—	100,135	—	54,544	187,610
3,969,200	1,091,384	53	1,307,738	7,496,215
—	3,021	—	9,617	227,598
3,969,200	1,094,405	53	1,317,355	7,723,813
—	39,130	—	—	39,130
8,541	845,684	534,179	3,914,520	16,518,255
89,037	128,742	—	435,697	1,670,788
—	63,457	—	—	63,457
97,578	1,077,013	534,179	4,350,217	18,291,630
\$ 4,066,778	\$ 2,171,418	\$ 534,232	\$ 5,667,572	\$ 26,015,443

(continued)

Combining Balance Sheet (continued)

Nonmajor Governmental Funds

June 30, 2022

(amounts in thousands)

	Debt Service		
	No Place Like Home Debt Service	Transportation Debt Service	Total Nonmajor Debt Service
ASSETS			
Cash and pooled investments	\$ 83,634	\$ —	\$ 83,634
Investments	—	—	—
Receivables (net)	—	—	—
Due from other funds	252	209,237	209,489
Due from other governments	—	—	—
Interfund receivables	—	—	—
Loans receivable	—	—	—
Other assets	—	—	—
Total assets	\$ 83,886	\$ 209,237	\$ 293,123
LIABILITIES			
Accounts payable	\$ 214	\$ —	\$ 214
Due to other funds	52	209,237	209,289
Due to component units	—	—	—
Due to other governments	—	—	—
Interfund payables	—	—	—
Revenues received in advance	—	—	—
Deposits	—	—	—
Other liabilities	—	—	—
Total liabilities	266	209,237	209,503
DEFERRED INFLOWS OF RESOURCES	—	—	—
Total liabilities and deferred inflows of resources	266	209,237	209,503
FUND BALANCES			
Nonspendable	—	—	—
Restricted	83,620	—	83,620
Committed	—	—	—
Assigned	—	—	—
Total fund balances	83,620	—	83,620
Total liabilities, deferred inflows of resources, and fund balances	\$ 83,886	\$ 209,237	\$ 293,123

Capital Projects

Higher Education Construction	Hospital Construction	Local Government Construction	Building Authorities	Other Capital Projects	Total Nonmajor Capital Projects	Total Nonmajor Governmental
\$ 174,540	\$ 10,447	\$ 719,523	\$ 5,946	\$ 226,334	\$ 1,136,790	\$ 18,302,113
—	—	—	—	—	—	1,582,628
—	—	—	—	29	29	1,762,280
327	60	1,483	3,016	6,856	11,742	1,621,865
—	—	9,151	—	—	9,151	299,284
—	—	—	—	5,438	5,438	907,843
—	—	—	—	185,744	185,744	3,139,420
—	—	—	—	—	—	42,027
\$ 174,867	\$ 10,507	\$ 730,157	\$ 8,962	\$ 424,401	\$ 1,348,894	\$ 27,657,460
\$ —	\$ 149	\$ —	\$ —	\$ 2,447	\$ 2,596	\$ 1,231,529
—	—	6,183	—	1,241	7,424	510,397
—	—	—	—	—	—	33,720
—	—	69,040	—	54	69,094	4,975,198
—	—	—	—	—	—	42,200
—	—	—	—	—	—	328,007
—	—	—	—	—	—	476,171
—	—	—	18	—	18	187,628
—	149	75,223	18	3,742	79,132	7,784,850
—	—	—	—	—	—	227,598
—	149	75,223	18	3,742	79,132	8,012,448
—	—	—	—	—	—	39,130
174,867	10,358	654,934	8,944	337,432	1,186,535	17,788,410
—	—	—	—	83,227	83,227	1,754,015
—	—	—	—	—	—	63,457
174,867	10,358	654,934	8,944	420,659	1,269,762	19,645,012
\$ 174,867	\$ 10,507	\$ 730,157	\$ 8,962	\$ 424,401	\$ 1,348,894	\$ 27,657,460

(concluded)

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

Nonmajor Governmental Funds

Year Ended June 30, 2022

(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	\$ —	\$ 2,579,075	\$ —
Sales and use taxes	—	—	—
Motor vehicle excise taxes	75,452	61,042	—
Other taxes	2,720	694,425	2,803,927
Intergovernmental	—	—	—
Licenses and permits	752,049	16,236	196
Charges for services	52,742	3,113	50
Fees	1,808,056	474,286	102
Penalties	16,885	139	—
Investment and interest	25,157	7,781	2,129
Escheat	—	—	—
Other	39,670	51,048	7,612
Total revenues	2,772,731	3,887,145	2,814,016
EXPENDITURES			
Current:			
General government	924,723	823,137	100,985
Education	18,687	4,287	145,606
Health and human services	599,175	3,157,668	1,761,127
Natural resources and environmental protection	96,082	93,579	34,991
Business, consumer services, and housing	804,689	160,643	26,639
Transportation	9,100	—	8,229
Corrections and rehabilitation	—	123,754	3,571
Capital outlay	11,747	2,535	—
Debt service:			
Bond, commercial paper, and lease principal retirement	32,631	21,700	18
Interest and fiscal charges	1,686	4,406	34
Total expenditures	2,498,520	4,391,709	2,081,200
Excess (deficiency) of revenues over (under) expenditures	274,211	(504,564)	732,816
OTHER FINANCING SOURCES (USES)			
General obligation bonds and commercial paper issued	—	180,245	—
Revenue bonds issued	—	1,039,000	—
Refunding debt issued	—	—	—
Payment to refund long-term debt	—	—	—
Premium on bonds issued	—	103	—
Proceeds from leases	11,747	2,535	—
Transfers in	43,613	945,043	3,000
Transfers out	(8,458)	(148,986)	(38,015)
Total other financing sources (uses)	46,902	2,017,940	(35,015)
Net change in fund balances	321,113	1,513,376	697,801
Fund balances – beginning	1,764,789	5,695,064	2,240,500
Fund balances – ending	\$ 2,085,902	\$ 7,208,440	\$ 2,938,301

Special Revenue				
Local Revenue and Public Safety	Trial Courts	Golden State Tobacco Securitization Corporation	Other Special Revenue Programs	Total Nonmajor Special Revenue
\$ —	\$ —	\$ —	\$ —	\$ 2,579,075
18,534,894	—	—	—	18,534,894
—	—	—	—	136,494
—	—	—	—	3,501,072
3,547	826,826	—	—	830,373
3,173,461	—	—	144,880	4,086,822
—	57,350	—	325,721	438,976
—	520,057	—	1,404,742	4,207,243
231	280,406	—	268,120	565,781
3,236	6,235	—	15,862	60,400
—	1,555	—	—	1,555
—	162,234	482,247	829,517	1,572,328
21,715,369	1,854,663	482,247	2,988,842	36,515,013
6,103,962	3,716,475	371	1,518,613	13,188,266
—	—	—	7,662	176,242
13,383,914	—	—	1,015,564	19,917,448
—	—	—	75,190	299,842
488	105	—	27,053	1,019,617
—	—	—	1,593	18,922
2,209,601	—	—	58	2,336,984
—	—	—	1,563	15,845
—	15,662	2,981,103	9,875	3,060,989
1	847	799,366	808	807,148
21,697,966	3,733,089	3,780,840	2,657,979	40,841,303
17,403	(1,878,426)	(3,298,593)	330,863	(4,326,290)
—	—	—	—	180,245
—	—	—	—	1,039,000
—	—	6,024,571	—	6,024,571
—	—	(2,935,087)	—	(2,935,087)
—	—	—	—	103
—	—	—	1,563	15,845
29,999	2,135,425	—	108,699	3,265,779
(44,985)	(2,284)	—	(24,341)	(267,069)
(14,986)	2,133,141	3,089,484	85,921	7,323,387
2,417	254,715	(209,109)	416,784	2,997,097
95,161	822,298	743,288	3,933,433	15,294,533
\$ 97,578	\$ 1,077,013	\$ 534,179	\$ 4,350,217	\$ 18,291,630

(continued)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)

Nonmajor Governmental Funds

Year Ended June 30, 2022

(amounts in thousands)

	Debt Service		
	No Place Like Home Debt Service	Transportation Debt Service	Total Nonmajor 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	459	—	459
Escheat	—	—	—
Other	—	—	—
Total revenues	459	—	459
EXPENDITURES			
Current:			
General government	474	—	474
Education	—	—	—
Health and human services	—	—	—
Natural resources and environmental protection	—	—	—
Business, consumer services, and housing	—	—	—
Transportation	—	—	—
Corrections and rehabilitation	—	—	—
Capital outlay	—	—	—
Debt service:			
Bond, commercial paper, and lease principal retirement	97,010	882,523	979,533
Interest and fiscal charges	23,156	704,056	727,212
Total expenditures	120,640	1,586,579	1,707,219
Excess (deficiency) of revenues over (under) expenditures	(120,181)	(1,586,579)	(1,706,760)
OTHER FINANCING SOURCES (USES)			
General obligation bonds and commercial paper issued	—	—	—
Revenue bonds issued	11,000	—	11,000
Refunding debt issued	—	—	—
Payment to refund long-term debt	—	—	—
Premium on bonds issued	—	—	—
Proceeds from leases	—	—	—
Transfers in	124,987	1,586,579	1,711,566
Transfers out	—	—	—
Total other financing sources (uses)	135,987	1,586,579	1,722,566
Net change in fund balances	15,806	—	15,806
Fund balances – beginning	67,814	—	67,814
Fund balances – ending	\$ 83,620	\$ —	\$ 83,620

Capital Projects

Higher Education Construction	Hospital Construction	Local Government Construction	Building Authorities	Other Capital Projects	Total Nonmajor Capital Projects	Total Nonmajor Governmental
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,579,075
—	—	—	—	—	—	18,534,894
—	—	—	—	—	—	136,494
—	—	—	—	—	—	3,501,072
—	—	—	—	—	—	830,373
—	—	—	—	49	49	4,086,871
—	—	—	—	—	—	438,976
—	—	—	—	—	—	4,207,243
—	—	—	—	—	—	565,781
816	10	7,075	43	128	8,072	68,931
—	—	—	—	—	—	1,555
—	—	—	—	7,145	7,145	1,579,473
816	10	7,075	43	7,322	15,266	36,530,738
—	149,536	—	—	—	149,536	13,338,276
—	—	1,468,587	—	—	1,468,587	1,644,829
—	—	—	—	—	—	19,917,448
—	—	—	—	1,378	1,378	301,220
—	—	—	—	1	1	1,019,618
—	—	—	—	—	—	18,922
—	—	—	—	—	—	2,336,984
248,424	715	10,116	—	52,484	311,739	327,584
603,130	95,945	3,186,735	29,485	30,695	3,945,990	7,986,512
9,117	59	50,344	1,260	30	60,810	1,595,170
860,671	246,255	4,715,782	30,745	84,588	5,938,041	48,486,563
(859,855)	(246,245)	(4,708,707)	(30,702)	(77,266)	(5,922,775)	(11,955,825)
124,385	132,085	1,948,590	—	61,910	2,266,970	2,447,215
—	—	—	—	—	—	1,050,000
466,185	—	2,108,255	—	—	2,574,440	8,599,011
—	—	—	—	—	—	(2,935,087)
121,677	16,669	617,524	—	134	756,004	756,107
—	—	—	—	—	—	15,845
—	—	250,000	11,478	52,705	314,183	5,291,528
—	—	(1,154)	—	(1,227)	(2,381)	(269,450)
712,247	148,754	4,923,215	11,478	113,522	5,909,216	14,955,169
(147,608)	(97,491)	214,508	(19,224)	36,256	(13,559)	2,999,344
322,475	107,849	440,426	28,168	384,403	1,283,321	16,645,668
\$ 174,867	\$ 10,358	\$ 654,934	\$ 8,944	\$ 420,659	\$ 1,269,762	\$ 19,645,012

(concluded)

Budgetary Comparison Schedule

Nonmajor Governmental Funds¹

Year Ended June 30, 2022

(amounts in thousands)

	Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Cigarette and tobacco taxes	\$ 332,161	\$ 332,161	\$ —
Vehicle license fees	2,412,638	2,412,638	—
Personal income tax	2,579,075	2,579,075	—
Retail sales and use taxes	18,534,974	18,534,974	—
Other major taxes and licenses	1,889	1,889	—
Other revenues	9,324,525	9,324,525	—
Total revenues	33,185,262	33,185,262	—
EXPENDITURES			
Business, consumer services, and housing	2,212,005	2,092,618	(119,387)
Transportation	1,619,277	1,618,708	(569)
Natural resources and environmental protection	390,807	336,510	(54,297)
Health and human services	24,244,895	23,697,079	(547,816)
Corrections and rehabilitation	19,498	19,481	(17)
Education	2,075,492	1,761,930	(313,562)
General government:			
Tax relief	4,466	4,466	—
Other general government	9,660,023	9,027,480	(632,543)
Total expenditures	40,226,463	38,558,272	(1,668,191)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	—	44,125,847	—
Transfers to other funds	—	(38,405,256)	—
Other additions	—	2,844,728	—
Total other financing sources (uses)	—	8,565,319	—
Excess of revenues and other sources over expenditures and other uses	—	3,192,309	—
Fund balances – beginning, restated	—	10,067,034	—
Fund balances – ending	\$ —	\$ 13,259,343	\$ —

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, 2022

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
ASSETS		
Current assets:		
Cash and pooled investments	\$ —	\$ 1,333,796
Restricted assets:		
Cash and pooled investments	570,780	—
Contracts and installments receivable	533,138	—
Receivables (net)	—	3,659
Due from other funds	205,180	85,555
Due from other governments	—	—
Prepaid items	—	15,007
Inventories	—	—
Total current assets	<u>1,309,098</u>	<u>1,438,017</u>
Noncurrent assets:		
Restricted assets:		
Cash and pooled investments	117,598	—
Contracts and installments receivable	7,861,763	—
Receivables (net)	—	—
Interfund receivables	—	—
Loans receivable	—	—
Long-term prepaid charges	181	—
Capital assets:		
Land	—	—
Buildings and other depreciable property	—	211
Intangible assets – amortizable	—	—
Less: accumulated depreciation/amortization	—	(211)
Construction/development in progress	2,611,825	—
Total noncurrent assets	<u>10,591,367</u>	<u>—</u>
Total assets	<u>11,900,465</u>	<u>1,438,017</u>
DEFERRED OUTFLOWS OF RESOURCES		
Total assets and deferred outflows of resources	<u>\$ 12,017,664</u>	<u>\$ 1,438,017</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>
\$ 214,043	\$ 383,528	\$ 9,400	\$ 52,862	\$ 35,345	\$ 370,704	\$ 2,399,678
—	—	—	—	—	—	570,780
—	—	—	—	—	—	533,138
2,960	6,507	—	3,804	788	11,762	29,480
244,238	1,812	—	68,472	194,091	92,993	892,341
1,590	244	—	14,431	1,000	26,435	43,700
153,896	3,225	2,000	1,206	12,427	2,934	190,695
6,002	57,780	—	—	866	17,218	81,866
<u>622,729</u>	<u>453,096</u>	<u>11,400</u>	<u>140,775</u>	<u>244,517</u>	<u>522,046</u>	<u>4,741,678</u>
—	—	—	—	—	—	117,598
—	—	—	—	—	—	7,861,763
—	—	—	—	—	5,136	5,136
—	—	—	—	—	37,844	37,844
—	—	—	577	—	7,541	8,118
—	—	—	—	—	—	181
—	—	—	—	—	2,080	2,080
170,067	217,116	2,977	160,220	38,787	82,968	672,346
240,025	5,819	2,764	25,750	12,153	66,326	352,837
(153,283)	(159,597)	(4,892)	(133,598)	(40,842)	(87,622)	(580,045)
—	12,649	346,517	—	—	645	2,971,636
<u>256,809</u>	<u>75,987</u>	<u>347,366</u>	<u>52,949</u>	<u>10,098</u>	<u>114,918</u>	<u>11,449,494</u>
879,538	529,083	358,766	193,724	254,615	636,964	16,191,172
158,716	48,737	—	69,900	—	161,669	556,221
<u>\$ 1,038,254</u>	<u>\$ 577,820</u>	<u>\$ 358,766</u>	<u>\$ 263,624</u>	<u>\$ 254,615</u>	<u>\$ 798,633</u>	<u>\$ 16,747,393</u>

(continued)

Combining Statement of Net Position (continued)

Internal Service Funds

June 30, 2022

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 24,514	\$ 14,451
Due to other funds	61,469	103,378
Due to other governments	33,743	1,015
Revenues received in advance	1,475	1,314,437
Deposits	—	—
Contracts and notes payable	—	—
Interest payable	98,520	—
Current portion of long-term obligations	584,768	—
Other current liabilities	6,241	13
Total current liabilities	810,730	1,433,294
Noncurrent liabilities:		
Interfund payables	2,519,404	3,189
Compensated absences payable	—	130
Workers' compensation benefits payable	—	205
Lease liability	—	—
Revenue bonds payable	8,574,870	—
Net other postemployment benefits liability	—	—
Net pension liability	—	—
Other noncurrent liabilities	—	—
Total noncurrent liabilities	11,094,274	3,524
Total liabilities	11,905,004	1,436,818
DEFERRED INFLOWS OF RESOURCES		
Total liabilities and deferred inflows of resources	13,604	—
Total liabilities and deferred inflows of resources	11,918,608	1,436,818
NET POSITION		
Net investment in capital assets	—	—
Restricted – expendable:		
Construction	99,056	—
Total expendable	99,056	—
Unrestricted	—	1,199
Total net position (deficit)	99,056	1,199
Total liabilities, deferred inflows of resources, and net position	\$ 12,017,664	\$ 1,438,017

<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>
\$ 86,244	\$ 16,021	\$ 270	\$ 26,657	\$ 17,281	\$ 276,581	\$ 462,019
43,139	2,287	18	999	1,337	94,014	306,641
23,254	—	—	—	8,968	2,734	69,714
15,000	3,178	—	—	176	29,758	1,364,024
2,365	—	—	—	—	—	2,365
2,840	—	—	11,302	20,326	—	34,468
—	—	—	—	—	—	98,520
19,191	3,943	—	4,066	—	19,297	631,265
10,103	4,949	—	—	36	—	21,342
<u>202,136</u>	<u>30,378</u>	<u>288</u>	<u>43,024</u>	<u>48,124</u>	<u>422,384</u>	<u>2,990,358</u>
29,442	2,234	37,650	7,216	225,907	847	2,825,889
97,712	15,456	—	46,444	—	41,046	200,788
29,492	20,794	—	772	—	1,039	52,302
182,298	—	—	9,286	—	46,781	238,365
—	—	—	—	—	—	8,574,870
685,952	283,968	—	309,764	—	589,418	1,869,102
318,149	27,216	—	136,985	—	365,355	847,705
—	—	—	9,322	12,843	—	22,165
<u>1,343,045</u>	<u>349,668</u>	<u>37,650</u>	<u>519,789</u>	<u>238,750</u>	<u>1,044,486</u>	<u>14,631,186</u>
<u>1,545,181</u>	<u>380,046</u>	<u>37,938</u>	<u>562,813</u>	<u>286,874</u>	<u>1,466,870</u>	<u>17,621,544</u>
249,524	87,679	—	112,487	—	262,109	725,403
<u>1,794,705</u>	<u>467,725</u>	<u>37,938</u>	<u>675,300</u>	<u>286,874</u>	<u>1,728,979</u>	<u>18,346,947</u>
252,780	75,987	347,365	19,851	—	9,168	705,151
—	—	—	—	—	—	99,056
—	—	—	—	—	—	99,056
(1,009,231)	34,108	(26,537)	(431,527)	(32,259)	(939,514)	(2,403,761)
<u>(756,451)</u>	<u>110,095</u>	<u>320,828</u>	<u>(411,676)</u>	<u>(32,259)</u>	<u>(930,346)</u>	<u>(1,599,554)</u>
<u>\$ 1,038,254</u>	<u>\$ 577,820</u>	<u>\$ 358,766</u>	<u>\$ 263,624</u>	<u>\$ 254,615</u>	<u>\$ 798,633</u>	<u>\$ 16,747,393</u>

(concluded)

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

Internal Service Funds

Year Ended June 30, 2022

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
OPERATING REVENUES		
Services and sales	\$ —	\$ 1,146,858
Investment and interest	4,893	—
Rent	349,581	—
Total operating revenues	354,474	1,146,858
OPERATING EXPENSES		
Personal services	—	—
Supplies	—	—
Services and charges	7,396	1,033,716
Depreciation	—	—
Interest expense	411,384	—
Amortization of long-term prepaid charges	42	—
Total operating expenses	418,822	1,033,716
Operating income (loss)	(64,348)	113,142
NONOPERATING REVENUES (EXPENSES)		
Investment and interest income	—	—
Interest expense and fiscal charges	—	—
Other	(660)	—
Total nonoperating revenues (expenses)	(660)	—
Income (loss) before transfers	(65,008)	113,142
Gain on early extinguishment of debt	11,576	—
Transfers in	—	—
Transfers out	—	(2,559)
Change in net position	(53,432)	110,583
Total net position (deficit) – beginning	152,488	(109,384)
Total net position (deficit) – ending	\$ 99,056	\$ 1,199

* Restated

Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
\$ 900,225	\$ 359,477	\$ 18	\$ 470,026	\$ 664,286	\$ 1,246,732	\$ 4,787,622
—	—	—	—	—	72	4,965
—	—	—	—	—	216	349,797
900,225	359,477	18	470,026	664,286	1,247,020	5,142,384
261,457	104,167	—	110,339	—	415,199	891,162
—	3,129	—	—	20,201	—	23,330
304,960	191,767	—	297,552	655,842	897,029	3,388,262
44,303	10,052	168	21,094	4,120	15,062	94,799
—	—	—	258	—	—	411,642
—	—	—	—	—	—	42
610,720	309,115	168	429,243	680,163	1,327,290	4,809,237
289,505	50,362	(150)	40,783	(15,877)	(80,270)	333,147
—	50	—	215	—	461	726
(3,184)	(61)	—	(149)	—	(648)	(4,042)
—	(73)	—	(857)	—	1,586	(4)
(3,184)	(84)	—	(791)	—	1,399	(3,320)
286,321	50,278	(150)	39,992	(15,877)	(78,871)	329,827
—	—	—	—	—	—	11,576
2,559	—	—	1,152	—	—	3,711
(10,986)	—	—	—	—	(29,939)	(43,484)
277,894	50,278	(150)	41,144	(15,877)	(108,810)	301,630
(1,034,345)	59,817	320,978	(452,820)	(16,382)	(821,536)*	(1,901,184)
\$ (756,451)	\$ 110,095	\$ 320,828	\$ (411,676)	\$ (32,259)	\$ (930,346)	\$ (1,599,554)

Combining Statement of Cash Flows

Internal Service Funds

Year Ended June 30, 2022

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 12,212	\$ —
Receipts from interfund services provided	912,843	1,626,966
Payments to suppliers	(3,498)	(1,019,608)
Payments to employees	—	(108,724)
Payments for interfund services used	—	—
Claims paid to other than employees	—	—
Other receipts (payments)	(456,973)	972
Net cash provided by (used in) operating activities	464,584	499,606
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Changes in interfund receivables	—	—
Changes in interfund payables and loans payable	(34,459)	(387)
Interest paid	—	—
Transfers in	—	—
Transfers out	—	(2,559)
Other receipts	—	—
Net cash provided by (used in) noncapital financing activities	(34,459)	(2,946)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(1,211,951)	—
Proceeds from sale of capital assets	—	—
Proceeds from long-term capital financing	—	—
Proceeds from revenue bonds	2,434,342	—
Retirement of revenue bonds	(1,922,085)	—
Interest paid	—	—
Net cash used in capital and related financing activities	(699,694)	—
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in loans receivable	—	—
Earnings on investments	—	—
Net cash provided by investing activities	—	—
Net increase (decrease) in cash and pooled investments	(269,569)	496,660
Cash and pooled investments – beginning	957,947	837,136
Cash and pooled investments – ending	\$ 688,378	\$ 1,333,796

<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>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 12,212
742,351	365,971	2,454	438,828	608,228	1,320,776	6,018,417
(319,246)	(191,587)	—	(308,947)	(29,888)	(885,572)	(2,758,346)
(380,227)	(111,399)	—	(139,395)	—	(310,135)	(1,049,880)
—	(19,114)	—	—	—	(20,829)	(39,943)
—	—	—	—	(655,842)	—	(655,842)
29,772	45	—	(18,095)	14,525	2,530	(427,224)
72,650	43,916	2,454	(27,609)	(62,977)	106,770	1,099,394
—	—	—	3,149	—	9,850	12,999
(20,029)	(1,149)	—	(154)	63,296	847	7,965
—	(61)	—	—	—	—	(61)
2,559	—	—	1,152	—	—	3,711
(10,986)	—	—	—	—	(29,939)	(43,484)
—	—	—	2,781	—	1,586	4,367
(28,456)	(1,210)	—	6,928	63,296	(17,656)	(14,503)
(235,307)	(9,886)	(874)	(38,666)	(3,908)	(70,246)	(1,570,838)
1,536	252	—	6,280	7	305	8,380
201,489	—	—	13,352	—	55,963	270,804
—	—	—	—	—	—	2,434,342
—	—	—	—	—	—	(1,922,085)
(3,184)	—	—	(149)	—	(646)	(3,979)
(35,466)	(9,634)	(874)	(19,183)	(3,901)	(14,624)	(783,376)
—	—	—	—	—	(2)	(2)
—	55	—	215	—	461	731
—	55	—	215	—	459	729
8,728	33,127	1,580	(39,649)	(3,582)	74,949	302,244
205,315	350,401	7,820	92,511	38,927	295,755	2,785,812
\$ 214,043	\$ 383,528	\$ 9,400	\$ 52,862	\$ 35,345	\$ 370,704	\$ 3,088,056

(continued)

Combining Statement of Cash Flows (continued)

Internal Service Funds

Year Ended June 30, 2022

(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)	\$ (64,348)	\$ 113,142
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	—	—
Amortization of premiums and discounts	(107,355)	—
Amortization of long-term prepaid charges	42	—
Other	11,446	—
Change in account balances:		
Receivables	—	(2,716)
Due from other funds	(4,355)	31,977
Due from other governments	—	—
Prepaid items	—	37
Inventories	—	—
Contracts and installments receivable	578,355	—
Leases receivable	—	—
Deferred outflow of resources	—	13,008
Accounts payable	(824)	14,071
Due to other funds	51,168	43,732
Due to component units	—	1,015
Due to other governments	—	(43)
Deposits	—	—
Contracts and notes payable	—	—
Interest payable	6,593	—
Revenues received in advance	(4,500)	407,115
Other current liabilities	(1,638)	—
Benefits payable	—	—
Compensated absences payable	—	(417)
Other noncurrent liabilities	—	(113,073)
Deferred inflow of resources	—	(8,242)
Total adjustments	<u>528,932</u>	<u>386,464</u>
Net cash provided by (used in) operating activities	<u>\$ 464,584</u>	<u>\$ 499,606</u>
Noncash investing, capital, and financing activities		
Miscellaneous noncash activities transactions	\$ 3,753	\$ —

<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>
\$ 289,505	\$ 50,362	\$ (150)	\$ 40,783	\$ (15,877)	\$ (80,270)	\$ 333,147
44,303	10,052	168	21,094	4,120	15,062	94,799
—	—	—	—	—	—	(107,355)
—	—	—	—	—	—	42
—	45	—	—	—	—	11,491
(471)	(1,220)	—	(462)	(435)	43,407	38,103
(148,096)	3,944	—	(25,577)	(57,961)	(41,319)	(241,387)
(675)	(90)	—	(11,070)	(985)	1,392	(11,428)
(34,120)	(2,182)	2,483	(524)	(4,830)	(819)	(39,955)
(4,467)	(6,012)	—	—	84	1,827	(8,568)
—	—	—	—	—	—	578,355
—	—	—	—	—	(5,287)	(5,287)
(24,404)	23,829	—	(7,425)	—	(20,013)	(15,005)
24,301	(3,490)	116	(10,613)	(4,941)	10,449	29,069
(5,236)	(4,534)	(163)	(5,159)	2,426	94,475	176,709
—	—	—	—	—	—	1,015
21,120	—	—	—	8,928	1,138	31,143
26	—	—	—	—	—	26
(308)	—	—	(571)	7,904	—	7,025
—	—	—	—	—	—	6,593
(4,071)	373	—	—	(88)	(38,349)	360,480
9,609	1,533	—	—	17	—	9,521
—	—	—	—	—	1	1
(27,325)	(821)	—	(9,865)	—	17,389	(21,039)
(207,642)	(68,717)	—	(82,660)	(1,339)	(83,534)	(556,965)
140,601	40,844	—	64,440	—	191,221	428,864
<u>(216,855)</u>	<u>(6,446)</u>	<u>2,604</u>	<u>(68,392)</u>	<u>(47,100)</u>	<u>187,040</u>	<u>766,247</u>
<u>\$ 72,650</u>	<u>\$ 43,916</u>	<u>\$ 2,454</u>	<u>\$ (27,609)</u>	<u>\$ (62,977)</u>	<u>\$ 106,770</u>	<u>\$ 1,099,394</u>
						(concluded)
\$ —	\$ 31	\$ —	\$ —	\$ —	\$ —	\$ 3,784

This page intentionally left blank

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, 2022

(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving
ASSETS		
Current assets:		
Cash and pooled investments	\$ 388,257	\$ 125,243
Restricted assets:		
Cash and pooled investments	373,249	27,709
Due from other governments	182,189	19,047
Receivables (net)	—	5,384
Due from other funds	1,306	21,770
Due from other governments	43,524	48,063
Prepaid items	—	—
Inventories	—	—
Total current assets	<u>988,525</u>	<u>247,216</u>
Noncurrent assets:		
Restricted assets:		
Loans receivable	3,670,907	749,798
Investments	—	—
Interfund receivables	3,185	—
Loans receivable	1,079,232	1,215,143
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>4,753,324</u>	<u>1,964,941</u>
Total assets	<u>5,741,849</u>	<u>2,212,157</u>
DEFERRED OUTFLOWS OF RESOURCES		
Total assets and deferred outflows of resources	<u>\$ 5,741,849</u>	<u>\$ 2,212,157</u>

Housing Loan	Other Enterprise Programs	Total
\$ 189,406	\$ 270,427	\$ 973,333
—	—	400,958
—	—	201,236
31,247	626	37,257
—	2,382	25,458
—	286	91,873
—	21	21
—	5,698	5,698
220,653	279,440	1,735,834
—	—	4,420,705
19,562	—	19,562
—	4,353	7,538
803,442	65,336	3,163,153
444	829	1,273
16,501	10,085	26,586
—	3,740	3,740
(16,260)	(9,164)	(25,424)
—	106	106
9,964	—	9,964
833,653	75,285	7,627,203
1,054,306	354,725	9,363,037
2,982	8,874	11,856
\$ 1,057,288	\$ 363,599	\$ 9,374,893

(continued)

Combining Statement of Net Position (continued)

Nonmajor Enterprise Funds

June 30, 2022

(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving
LIABILITIES		
Current liabilities:		
Accounts payable	\$ —	\$ —
Due to other funds	—	22,354
Due to other governments	—	—
Revenues received in advance	5	—
Interest payable	12,364	872
Current portion of long-term obligations	110,973	7,818
Total current liabilities	123,342	31,044
Noncurrent liabilities:		
Interfund payables	—	—
Compensated absences payable	—	—
Workers' compensation benefits payable	—	—
Lease liability	—	—
General obligation bonds payable	—	—
Revenue bonds payable	1,007,169	72,289
Net other postemployment benefits liability	—	—
Net pension liability	—	—
Other noncurrent liabilities	—	—
Total noncurrent liabilities	1,007,169	72,289
Total liabilities	1,130,511	103,333
DEFERRED INFLOWS OF RESOURCES		
Total liabilities and deferred inflows of resources	—	—
NET POSITION		
Net investment in capital assets	—	—
Restricted – expendable:		
Debt service	373,249	—
Security for revenue bonds	3,853,096	—
Other purposes	—	2,108,824
Total expendable	4,226,345	2,108,824
Unrestricted	384,993	—
Total net position	4,611,338	2,108,824
Total liabilities, deferred inflows of resources, and net position	\$ 5,741,849	\$ 2,212,157

Housing Loan	Other Enterprise Programs	Total
\$ 1,426	\$ 9,103	\$ 10,529
734	1,400	24,488
15	300	315
—	49	54
14,141	—	27,377
21,495	8,860	149,146
37,811	19,712	211,909
773	21,720	22,493
—	13,315	13,315
—	4,744	4,744
—	96	96
533,032	—	533,032
342,834	—	1,422,292
9,718	30,786	40,504
8,401	12,446	20,847
3,129	13,841	16,970
897,887	96,948	2,074,293
935,698	116,660	2,286,202
15,548	15,411	30,959
951,246	132,071	2,317,161
685	3,594	4,279
—	—	373,249
—	—	3,853,096
105,357	163,974	2,378,155
105,357	163,974	6,604,500
—	63,960	448,953
106,042	231,528	7,057,732
\$ 1,057,288	\$ 363,599	\$ 9,374,893

(concluded)

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

Nonmajor Enterprise Funds

Year Ended June 30, 2022

(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving
OPERATING REVENUES		
Services and sales	\$ 7,997	\$ —
Investment and interest	59,307	26,836
Other	—	—
Total operating revenues	67,304	26,836
OPERATING EXPENSES		
Personal services	—	15,674
Supplies	—	—
Services and charges	4,168	—
Depreciation	—	—
Interest expense	—	—
Other	510	7,305
Total operating expenses	4,678	22,979
Operating income (loss)	62,626	3,857
NONOPERATING REVENUES (EXPENSES)		
Donations and grants	136,956	66,607
Investment and interest income	2,391	541
Interest expense and fiscal charges	(30,656)	(1,629)
Other	—	—
Total nonoperating revenues (expenses)	108,691	65,519
Income (loss) before capital contributions and transfers	171,317	69,376
Transfers in	—	—
Transfers out	—	—
Change in net position	171,317	69,376
Total net position – beginning	4,440,021	2,039,448
Total net position – ending	\$ 4,611,338	\$ 2,108,824

Housing Loan	Other Enterprise Programs	Total
\$ 1,803	\$ 122,184	\$ 131,984
41,298	300	127,741
2,719	542	3,261
45,820	123,026	262,986
4,700	21,896	42,270
—	65,463	65,463
13,956	75,744	93,868
—	2,534	2,534
26,708	—	26,708
—	—	7,815
45,364	165,637	238,658
456	(42,611)	24,328
—	—	203,563
—	7,709	10,641
—	(18)	(32,303)
48	102	150
48	7,793	182,051
504	(34,818)	206,379
—	52,082	52,082
—	(55)	(55)
504	17,209	258,406
105,538	214,319	6,799,326
\$ 106,042	\$ 231,528	\$ 7,057,732

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

Year Ended June 30, 2022

(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers/employers	\$ 58,190	\$ 27,467
Receipts from interfund services provided	—	—
Payments to suppliers	(4,678)	(19,878)
Payments to employees	—	—
Payments for interfund services used	(42)	—
Other payments	(159,933)	(109,617)
Net cash provided by (used in) operating activities	(106,463)	(102,028)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Changes in interfund receivables and loans receivable	1,275	—
Changes in interfund payables and loans payable	—	—
Retirement of general obligation bonds	—	—
Proceeds from revenue bonds	—	—
Retirement of revenue bonds	(87,375)	(5,690)
Interest paid	(51,717)	(3,640)
Transfers in	—	—
Transfers out	—	—
Grants received	136,943	64,117
Other receipts	—	—
Net cash provided by (used in) noncapital financing activities	(874)	54,787
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	—	—
Proceeds from sale of capital assets	—	—
Proceeds from long-term capital financing	—	—
Interest paid	—	—
Net cash 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	1,748	422
Net cash provided by investing activities	1,748	422
Net increase (decrease) in cash and pooled investments	(105,589)	(46,819)
Cash and pooled investments – beginning	867,095	199,771
Cash and pooled investments – ending	\$ 761,506	\$ 152,952

Housing Loan	Other Enterprise Programs	Total
\$ 271,034	\$ 123,472	\$ 480,163
—	3,995	3,995
(11,559)	(130,867)	(166,982)
(4,700)	(28,018)	(32,718)
(765)	(2,183)	(2,990)
(201,365)	(12,463)	(483,378)
52,645	(46,064)	(201,910)
—	14,335	15,610
762	—	762
(59,270)	—	(59,270)
108,565	—	108,565
(142,575)	—	(235,640)
—	(14)	(55,371)
—	52,082	52,082
—	(55)	(55)
—	—	201,060
—	102	102
(92,518)	66,450	27,845
(241)	(2,179)	(2,420)
—	7	7
—	1,014	1,014
—	(4)	(4)
(241)	(1,162)	(1,403)
(2,675)	—	(2,675)
3,221	—	3,221
—	7,709	9,879
546	7,709	10,425
(39,568)	26,933	(165,043)
228,974	243,494	1,539,334
\$ 189,406	\$ 270,427	\$ 1,374,291

(continued)

Combining Statement of Cash Flows (continued)

Nonmajor Enterprise Funds

Year Ended June 30, 2022

(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	\$ 62,626	\$ 3,857
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	—	—
Provisions and allowances	—	—
Amortization of premiums and discounts	—	—
Other	(14,075)	—
Change in account balances:		
Receivables	—	—
Due from other funds	(42)	—
Due from other governments	6,429	631
Inventories	—	—
Other current assets	—	—
Loans receivable	(161,401)	(109,617)
Deferred outflow of resources	—	—
Accounts payable	—	—
Due to other funds	—	3,101
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>(169,089)</u>	<u>(105,885)</u>
Net cash provided by (used in) operating activities	<u>\$ (106,463)</u>	<u>\$ (102,028)</u>
Noncash investing, capital, and financing activities		
Miscellaneous noncash activities transactions	\$ —	\$ —

Housing Loan	Other Enterprise Programs	Total
\$ 456	\$ (42,611)	\$ 24,328
—	2,534	2,534
(6)	—	(6)
(1,326)	—	(1,326)
29	—	(14,046)
1,687	454	2,141
—	(1,009)	(1,051)
—	28	7,088
—	(965)	(965)
(5,699)	—	(5,699)
60,845	499	(209,674)
(330)	742	412
656	231	887
1,197	845	5,143
—	60	60
(388)	—	(388)
—	(8)	(8)
(19)	(3,869)	(3,888)
—	(613)	(613)
—	(4,547)	(4,547)
(5,007)	(8,518)	(13,525)
550	10,683	11,233
<u>52,189</u>	<u>(3,453)</u>	<u>(226,238)</u>
<u>\$ 52,645</u>	<u>\$ (46,064)</u>	<u>\$ (201,910)</u>
		(concluded)
\$ 169	\$ —	\$ 169

This page intentionally left blank

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)

(continued)

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.

This page intentionally left blank

Combining Statement of Fiduciary Net Position

Fiduciary Funds and Similar Component Units – Pension and Other Employee Benefit Trust Funds

June 30, 2022

(amounts in thousands)

	Defined Benefit		
	Public Employees' Retirement	State Teachers' Retirement	Judges' Retirement
ASSETS			
Cash and pooled investments	\$ 3,291,998	\$ 301,636	\$ 6,696
Investments, at fair value:			
Short-term	13,781,589	13,966,803	48,840
Equity securities	190,419,760	112,226,576	—
Debt securities	110,346,016	44,383,696	—
Real estate	70,674,894	51,389,094	—
Securities lending collateral	14,303,670	25,301,600	—
Other	56,237,017	81,678,588	—
Total investments	455,762,946	328,946,357	48,840
Receivables (net)	11,687,665	12,454,553	1,812
Due from other funds	809,384	—	25
Loans receivable	—	5,497,519	—
Other assets	238,588	615,194	—
Total assets	471,790,581	347,815,259	57,373
DEFERRED OUTFLOWS OF RESOURCES	117,588	87,781	493
Total assets and deferred outflows of resources	471,908,169	347,903,040	57,866
LIABILITIES			
Accounts payable	9,534	13,375,382	259
Due to other governments	—	6	—
Benefits payable	2,483,961	1,802,164	—
Securities lending obligations	14,296,470	25,288,492	—
Loans payable	—	5,510,763	—
Other liabilities	15,544,679	1,500,602	7,716
Total liabilities	32,334,644	47,477,409	7,975
DEFERRED INFLOWS OF RESOURCES	214,499	369,346	1,005
Total liabilities and deferred inflows of resources	32,549,143	47,846,755	8,980
NET POSITION			
Restricted:			
Pension and other postemployment benefits	439,359,026	300,056,285	48,886
Deferred compensation participants	—	—	—
Individuals, organizations, or other governments	—	—	—
Total net position	\$ 439,359,026	\$ 300,056,285	\$ 48,886

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			
\$ 3,962	\$ 1,922	\$ 21,332	\$ 13,832	\$ 17,352	\$	3,658,730
54	3	28,000	2,854,989	11,711		30,691,989
1,299,385	34,418	9,843,780	12,176,250	56,856		326,057,025
827,221	68,254	5,421,484	2,456,165	43,187		163,546,023
—	—	—	—	—		122,063,988
—	—	—	—	—		39,605,270
—	—	—	4,086,022	—		142,001,627
2,126,660	102,675	15,293,264	21,573,426	111,754		823,965,922
9,972	54	117,364	43,216	655		24,315,291
13	—	39	1,234	110		810,805
—	—	—	6,193	—		5,503,712
—	—	—	—	—		853,782
2,140,607	104,651	15,431,999	21,637,901	129,871		859,108,242
623	175	1,028	913	205		208,806
2,141,230	104,826	15,433,027	21,638,814	130,076		859,317,048
306	74	1,054	2,513	6,179		13,395,301
—	—	—	—	—		6
—	575	89,752	413	656		4,377,521
—	—	—	—	—		39,584,962
—	—	—	—	3		5,510,766
5,362	1,292	7,038	12,300	2,770		17,081,759
5,668	1,941	97,844	15,226	9,608		79,950,315
1,174	261	2,889	3,121	1,173		593,468
6,842	2,202	100,733	18,347	10,781		80,543,783
2,134,388	102,624	15,332,294	—	111,328		757,144,831
—	—	—	21,620,467	—		21,620,467
—	—	—	—	7,967		7,967
\$ 2,134,388	\$ 102,624	\$ 15,332,294	21,620,467	\$ 119,295	\$	778,773,265

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, 2022

(amounts in thousands)

	Defined Benefit		
	Public Employees' Retirement	State Teachers' Retirement	Judges' Retirement
ADDITIONS			
Contributions:			
Employer.....	\$ 22,702,547	\$ 6,521,356	\$ 194,960
Plan member.....	5,159,664	4,067,526	1,956
Non-employer.....	—	4,279,964	—
Total contributions.....	27,862,211	14,868,846	196,916
Investment income:			
Net appreciation (depreciation) in fair value of investments.....	(42,878,664)	(13,431,817)	—
Interest, dividends, and other investment income.....	8,168,878	6,535,345	202
Less: investment expense.....	(1,379,556)	(493,818)	(8)
Net investment income (loss).....	(36,089,342)	(7,390,290)	194
Other.....	8,781	130,195	2,305
Total additions	(8,218,350)	7,608,751	199,415
DEDUCTIONS			
Distributions to beneficiaries.....	29,118,354	17,414,245	210,492
Refunds of contributions.....	329,555	112,424	—
Administrative expense.....	297,464	196,186	1,677
Interest expense.....	—	123,064	—
Payments to and for depositors.....	—	—	—
Total deductions	29,745,373	17,845,919	212,169
Change in net position.....	(37,963,723)	(10,237,168)	(12,754)
Net position – beginning	477,322,749	310,293,453	61,640
Net position – ending	\$ 439,359,026	\$ 300,056,285	\$ 48,886

* 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			
\$ 92,773	\$ 85	\$ 5,503,086	\$ 2,124	\$ 26,352	\$	\$ 35,043,283
36,529	23	—	1,070,889	39,097		10,375,684
—	—	—	—	—		4,279,964
<u>129,302</u>	<u>108</u>	<u>5,503,086</u>	<u>1,073,013</u>	<u>65,449</u>		<u>49,698,931</u>
(323,611)	(12,412)	(2,339,519)	(3,036,031)	(14,371)		(62,036,425)
241	13	197	45,517	27		14,750,420
(995)	(51)	(6,736)	(778)	(46)		(1,881,988)
<u>(324,365)</u>	<u>(12,450)</u>	<u>(2,346,058)</u>	<u>(2,991,292)</u>	<u>(14,390)</u>		<u>(49,167,993)</u>
3	1	14,097	25,376	88		180,846
<u>(195,060)</u>	<u>(12,341)</u>	<u>3,171,125</u>	<u>(1,892,903)</u>	<u>51,147</u>		<u>711,784</u>
66,382	6,647	3,337,707	84,954	64,338		50,303,119
357	—	—	5,927	—		448,263
1,842	436	4,241	27,275	919		530,040
—	—	—	2	1		123,067
—	—	135,440	605,035	5,186		745,661
<u>68,581</u>	<u>7,083</u>	<u>3,477,388</u>	<u>723,193</u>	<u>70,444</u>		<u>52,150,150</u>
(263,641)	(19,424)	(306,263)	(2,616,096)	(19,297)		(51,438,366)
<u>2,398,029</u>	<u>122,048</u>	<u>15,638,557</u>	<u>24,236,563</u>	<u>138,592</u>	*	<u>830,211,631</u>
<u>\$ 2,134,388</u>	<u>\$ 102,624</u>	<u>\$ 15,332,294</u>	<u>\$ 21,620,467</u>	<u>\$ 119,295</u>		<u>\$ 778,773,265</u>

This page intentionally left blank

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, 2022

(amounts in thousands)

	Scholarshare Program Trust	Unclaimed Property	Other Private Purpose Trust	Total
ASSETS				
Cash and pooled investments	\$ 4,656	\$ 57,523	\$ 35,897	\$ 98,076
Investments, at fair value:				
Short-term	426,667	—	—	426,667
Equity securities	6,169,262	—	26,553	6,195,815
Debt securities	3,001,460	—	19,139	3,020,599
Real estate	323,663	—	—	323,663
Other	2,339,654	—	254,987	2,594,641
Total investments	12,260,706	—	300,679	12,561,385
Receivables (net)	1,730	6,263	88	8,081
Due from other funds	—	—	55	55
Other assets	—	249,459	17	249,476
Total assets	12,267,092	313,245	336,736	12,917,073
LIABILITIES				
Accounts payable	6,906	205	14,639	21,750
Due to other governments	—	—	6,160	6,160
Revenues received in advance	—	—	19,876	19,876
Deposits	—	249,459	—	249,459
Total liabilities	6,906	249,664	40,675	297,245
NET POSITION				
Restricted for individuals, organizations, or other governments	\$ 12,260,186	\$ 63,581	\$ 296,061	\$ 12,619,828

Combining Statement of Changes in Fiduciary Net Position

Private Purpose Trust Funds

Year Ended June 30, 2022

(amounts in thousands)

	Scholarshare Program Trust	Unclaimed Property	Other Private Purpose Trust	Total
ADDITIONS				
Investment income:				
Net appreciation (depreciation) in fair value of investments	\$ (1,665,674)	\$ —	\$ (46,637)	\$ (1,712,311)
Interest, dividends, and other investment income	369,343	—	4,238	373,581
Less: investment expense	(3,172)	—	(1,280)	(4,452)
Net investment income (loss)	(1,299,503)	—	(43,679)	(1,343,182)
Receipts from depositors	2,881,761	761,032	260,494	3,903,287
Total additions	1,582,258	761,032	216,815	2,560,105
DEDUCTIONS				
Administrative expenses	—	1,724	196	1,920
Payments to and for depositors	1,850,494	787,074	53,247	2,690,815
Total deductions	1,850,494	788,798	53,443	2,692,735
Change in net position	(268,236)	(27,766)	163,372	(132,630)
Net position – beginning	12,528,422	91,347	132,689	12,752,458
Net position – ending	\$ 12,260,186	\$ 63,581	\$ 296,061	\$ 12,619,828

This page intentionally left blank

Investment Trust Funds

Investment trust funds account for the external portion of investment pools held in a trust. Following are brief descriptions of investment trust funds.

The **Local Agency Investment Fund** accounts for the deposits, withdrawals, and earnings of local governments and public agencies.

The **California Employers' Pension Prefunding Trust Fund** is administered by the California Public Employees' Retirement System (CalPERS) to invest prefunding deposits made by local governments and public agency employers for the purpose of funding future defined benefit pension plan contributions.

Combining Statement of Fiduciary Net Position

Investment Trust Funds

June 30, 2022

(amounts in thousands)

	Local Agency Investment	California Employers' Pension Prefunding Trust	Total
ASSETS			
Cash and pooled investments.....	\$ 35,829,502	\$ 52	\$ 35,829,554
Investments, at fair value:			
Short-term.....	—	9,153	9,153
Equity securities.....	—	27,711	27,711
Debt securities.....	—	47,122	47,122
Total investments.....	—	83,986	83,986
Receivables (net).....	—	1,117	1,117
Total assets	35,829,502	85,155	35,914,657
DEFERRED OUTFLOWS OF RESOURCES			
Total assets and deferred outflows of resources	—	19	19
LIABILITIES			
Accounts payable.....	25	5	30
Due to other governments.....	67,382	—	67,382
Other liabilities.....	—	15	15
Total liabilities	67,407	20	67,427
DEFERRED INFLOWS OF RESOURCES			
Total liabilities and deferred inflows of resources	—	85	85
NET POSITION			
Restricted:			
Pension and other postemployment benefits.....	—	85,069	85,069
Pool participants.....	35,762,095	—	35,762,095
Total net position	\$ 35,762,095	\$ 85,069	\$ 35,847,164

Combining Statement of Changes in Fiduciary Net Position

Investment Trust Funds

Year Ended June 30, 2022

(amounts in thousands)

	Local Agency Investment	California Employers' Pension Prefunding Trust	Total
ADDITIONS			
Contributions:			
Employer	\$ —	\$ 36,474	\$ 36,474
Total contributions	—	36,474	36,474
Investment income:			
Net appreciation (depreciation) in fair value of investments	—	(9,532)	(9,532)
Interest, dividends, and other investment income	140,417	9	140,426
Less: investment expense	—	(21)	(21)
Net investment income	140,417	(9,544)	130,873
Receipts from depositors	25,058,778	—	25,058,778
Other	—	154	154
Total additions	25,199,195	27,084	25,226,279
DEDUCTIONS			
Distributions paid and payable to participants	138,418	—	138,418
Administrative expense	1,999	43	2,042
Payments to and for depositors	26,363,290	—	26,363,290
Total deductions	26,503,707	43	26,503,750
Change in net position	(1,304,512)	27,041	(1,277,471)
Net position – beginning	37,066,607	58,028	37,124,635
Net position – ending	\$ 35,762,095	\$ 85,069	\$ 35,847,164

This page intentionally left blank

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, 2021.

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, 2022

(amounts in thousands)

	Financing Authorities	California State University Auxiliary Organizations
ASSETS		
Current assets:		
Cash and pooled investments	\$ 10,049	\$ 647,534
Investments	—	639,346
Restricted assets:		
Cash and pooled investments	154,596	—
Investments	43,555	—
Receivables (net)	28,441	492,049
Due from primary government	84	—
Due from other governments	2,000	—
Prepaid items	—	—
Other current assets	—	30,657
Total current assets	<u>238,725</u>	<u>1,809,586</u>
Noncurrent assets:		
Restricted assets:		
Cash and pooled investments	—	55,194
Investments	328,222	—
Investments	—	2,745,961
Receivables (net)	—	697,402
Loans receivable	442,455	—
Long-term prepaid charges	—	—
Capital assets:		
Land	—	147,088
Collections – nondepreciable	—	11,689
Buildings and other depreciable property	9	1,206,306
Intangible assets – amortizable	—	199,684
Less: accumulated depreciation/amortization	(9)	(657,238)
Construction/development in progress	—	81,284
Intangible assets – nonamortizable	—	5,098
Other noncurrent assets	—	69,819
Total noncurrent assets	<u>770,677</u>	<u>4,562,287</u>
Total assets	<u>1,009,402</u>	<u>6,371,873</u>
DEFERRED OUTFLOWS OF RESOURCES	17,104	46,499
Total assets and deferred outflows of resources	<u>\$ 1,026,506</u>	<u>\$ 6,418,372</u>

District Agricultural Associations	Other Component Units	Total
\$ 188,248	\$ 761,947	\$ 1,607,778
—	—	639,346
20,694	1,653	176,943
4,720	—	48,275
16,084	38,122	574,696
—	—	84
—	—	2,000
1,320	1,814	3,134
3,814	—	34,471
<u>234,880</u>	<u>803,536</u>	<u>3,086,727</u>
—	—	55,194
3,300	—	331,522
—	341,392	3,087,353
—	3,212	700,614
—	—	442,455
—	111	111
22,246	5,089	174,423
—	421	12,110
808,413	191,675	2,206,403
—	1,483	201,167
(561,892)	(53,603)	(1,272,742)
45,999	122,337	249,620
—	116	5,214
—	9,575	79,394
<u>318,066</u>	<u>621,808</u>	<u>6,272,838</u>
<u>552,946</u>	<u>1,425,344</u>	<u>9,359,565</u>
24,926	29,114	117,643
<u>\$ 577,872</u>	<u>\$ 1,454,458</u>	<u>\$ 9,477,208</u>

(continued)

Combining Statement of Net Position (continued)

Nonmajor Component Units

June 30, 2022

(amounts in thousands)

	Financing Authorities	California State University Auxiliary Organizations
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 2,742	\$ 130,167
Revenues received in advance	1,024	137,358
Deposits	—	—
Contracts and notes payable	—	12,580
Interest payable	1,284	—
Current portion of long-term obligations	18,391	103,995
Other current liabilities	22,880	119,921
Total current liabilities	46,321	504,021
Noncurrent liabilities:		
Compensated absences payable	527	6,542
Workers' compensation benefits payable	—	8,064
Loans payable	383	—
Commercial paper and other borrowings	—	75,490
Capital lease obligations	—	218,959
Revenue bonds payable	286,730	50,846
Net other postemployment benefits liability	7,016	87,666
Net pension liability	6,342	49,182
Revenues received in advance	—	—
Other noncurrent liabilities	44,792	622,683
Total noncurrent liabilities	345,790	1,119,432
Total liabilities	392,111	1,623,453
DEFERRED INFLOWS OF RESOURCES	4,311	468,733
Total liabilities and deferred inflows of resources	396,422	2,092,186
NET POSITION		
Net investment in capital assets	—	402,479
Restricted:		
Nonexpendable – endowments	—	1,731,240
Expendable:		
Endowments and gifts	—	—
Education	—	1,303,722
Statute	627,928	—
Other purposes	2,051	—
Total expendable	629,979	1,303,722
Unrestricted	105	888,745
Total net position	630,084	4,326,186
Total liabilities, deferred inflows of resources, and net position	\$ 1,026,506	\$ 6,418,372

District Agricultural Associations	Other Component Units	Total
\$ 15,415	\$ 796,067	\$ 944,391
24,923	1,984	165,289
926	257	1,183
—	—	12,580
470	—	1,754
2,554	4,349	129,289
3,837	13,041	159,679
<u>48,125</u>	<u>815,698</u>	<u>1,414,165</u>
7,084	—	14,153
—	—	8,064
11,376	—	11,759
—	—	75,490
—	—	218,959
37,436	431,535	806,547
44,346	71,062	210,090
108,140	56,875	220,539
17,829	—	17,829
32,355	14,045	713,875
<u>258,566</u>	<u>573,517</u>	<u>2,297,305</u>
306,691	1,389,215	3,711,470
15,548	49,481	538,073
<u>322,239</u>	<u>1,438,696</u>	<u>4,249,543</u>
242,391	76,620	721,490
—	25,727	1,756,967
—	17,637	17,637
—	(14,057)	1,289,665
—	—	627,928
18,701	—	20,752
<u>18,701</u>	<u>3,580</u>	<u>1,955,982</u>
<u>(5,459)</u>	<u>(90,165)</u>	<u>793,226</u>
255,633	15,762	5,227,665
<u>\$ 577,872</u>	<u>\$ 1,454,458</u>	<u>\$ 9,477,208</u>

(concluded)

Combining Statement of Activities

Nonmajor Component Units

Year Ended June 30, 2022

(amounts in thousands)

	Financing Authorities	California State University Auxiliary Organizations
OPERATING EXPENSES		
Personal services	\$ 1,609	\$ 379,270
Scholarships and fellowships	—	94,888
Supplies	—	—
Services and charges	3,386	1,216,876
Depreciation	—	74,488
Interest expense and fiscal charges	6,801	21,736
Other	—	86,993
Total operating expenses	11,796	1,874,251
PROGRAM REVENUES		
Charges for services	2,589	391,027
Operating grants and contributions	119,861	709,350
Capital grants and contributions	—	42,238
Total program revenues	122,450	1,142,615
Net revenues (expenses)	110,654	(731,636)
GENERAL REVENUES		
Investment and interest income (loss)	(3,125)	(341,981)
Other	3,860	932,489
Total general revenues	735	590,508
Change in net position	111,389	(141,128)
Net position – beginning	518,695	4,467,314 *
Net position – ending	\$ 630,084	\$ 4,326,186

* Restated

District Agricultural Associations	Other Component Units	Total
\$ 85,075	\$ 45,119	\$ 511,073
—	11,936	106,824
—	17,909	17,909
69,740	28,081	1,318,083
20,342	4,356	99,186
1,903	20,262	50,702
86	8,407	95,486
177,146	136,070	2,199,263
241,032	65,284	699,932
—	36,739	865,950
—	584	42,822
241,032	102,607	1,608,704
63,886	(33,463)	(590,559)
245	(5,560)	(350,421)
11,580	23,539	971,468
11,825	17,979	621,047
75,711	(15,484)	30,488
179,922	31,246	5,197,177
\$ 255,633	\$ 15,762	\$ 5,227,665

This page intentionally left blank

Statistical Section

This page intentionally left blank

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)

	<u>2013</u>	<u>2014²</u>	<u>2015³</u>	<u>2016</u>
Governmental activities				
Net investment in capital assets	\$ 84,931,030	\$ 94,001,659	\$ 100,694,652	\$ 104,596,917
Restricted – Expendable	24,315,913	24,950,740	26,632,502	29,060,971
Unrestricted ¹	<u>(117,383,903)</u>	<u>(116,948,128)</u>	<u>(169,744,967)</u>	<u>(168,542,861)</u>
Total governmental activities net position (deficit)	<u>\$ (8,136,960)</u>	<u>\$ 2,004,271</u>	<u>\$ (42,417,813)</u>	<u>\$ (34,884,973)</u>
Business-type activities				
Net investment in capital assets	\$ 1,718,648	\$ 2,065,550	\$ 2,278,252	\$ 2,520,621
Restricted – Nonexpendable	20,627	16,219	13,448	8,653
Restricted – Expendable	5,151,915	4,897,314	4,523,496	5,750,634
Unrestricted	<u>(2,824,738)</u>	<u>(1,661,692)</u>	<u>(5,360,817)</u>	<u>(3,707,406)</u>
Total business-type activities net position (deficit)	<u>\$ 4,066,452</u>	<u>\$ 5,317,391</u>	<u>\$ 1,454,379</u>	<u>\$ 4,572,502</u>
Primary government				
Net investment in capital assets	\$ 86,649,678	\$ 96,067,209	\$ 102,972,904	\$ 107,117,538
Restricted – Nonexpendable	20,627	16,219	13,448	8,653
Restricted – Expendable	29,467,828	29,848,054	31,155,998	34,811,605
Unrestricted	<u>(120,208,641)</u>	<u>(118,609,820)</u>	<u>(175,105,784)</u>	<u>(172,250,267)</u>
Total primary government net position (deficit)	<u>\$ (4,070,508)</u>	<u>\$ 7,321,662</u>	<u>\$ (40,963,434)</u>	<u>\$ (30,312,471)</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>2017</u>	<u>2018⁴</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 107,042,274	\$ 109,614,321	\$ 112,279,950	\$ 116,773,259	\$ 120,745,220	\$ 125,862,983
33,832,232	35,053,202	41,371,805	46,670,678	46,362,528	60,482,461
<u>(169,499,683)</u>	<u>(213,316,033)</u>	<u>(208,377,265)</u>	<u>(207,968,523)</u>	<u>(174,427,918)</u>	<u>(221,863,616)</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>	<u>\$ (35,518,172)</u>
\$ 2,295,270	\$ 2,469,723	\$ 2,534,257	\$ 2,907,066	\$ 2,677,917	\$ 3,340,905
1,746	1,708	1,693	1,677	1,663	1,641
6,307,218	12,083,737	12,945,567	7,722,116	7,651,874	10,639,641
<u>(1,321,132)</u>	<u>(16,464,573)</u>	<u>(16,718,860)</u>	<u>(20,948,611)</u>	<u>(52,668,204)</u>	<u>(33,212,073)</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>	<u>\$ (19,229,886)</u>
\$ 109,337,544	\$ 112,084,044	\$ 114,814,207	\$ 119,680,325	\$ 123,423,137	\$ 129,203,888
1,746	1,708	1,693	1,677	1,663	1,641
40,139,450	47,136,939	54,317,372	54,392,794	54,014,402	71,122,102
<u>(170,820,815)</u>	<u>(229,780,606)</u>	<u>(225,096,125)</u>	<u>(228,917,134)</u>	<u>(227,096,122)</u>	<u>(255,075,689)</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>	<u>\$ (54,748,058)</u>

Schedule of Changes in Net Position

For the Past Ten Fiscal Years

(accrual basis of accounting, amounts in thousands)

	2013	2014 ⁴	2015	2016
Governmental activities				
Expenses				
General government	\$ 15,390,100	\$ 14,292,179	\$ 15,804,281	\$ 16,686,037
Education	50,586,387	54,719,677	59,521,018	65,467,497
Health and human services	94,069,749	105,037,102	122,063,805	127,543,288
Natural resources and environmental protection	5,670,922	5,854,685	6,419,591	6,988,442
Business, consumer services, and housing	1,475,486	589,715	903,782	814,676
Transportation	12,836,192	13,427,229	12,897,591	12,120,820
Corrections and rehabilitation	10,081,736	11,234,705	11,483,573	11,875,294
Interest on long-term debt	4,349,632	4,699,265	4,880,625	4,231,581
Total expenses	194,460,204	209,854,557	233,974,266	245,727,635
Program revenues				
Charges for services:				
General government	6,196,586	5,994,608	6,502,363	6,525,736
Education	64,480	67,165	53,498	66,298
Health and human services	8,761,781	7,961,897	8,259,696	10,630,859
Natural resources and environmental protection	3,269,315	3,403,524	4,546,413	4,823,861
Business, consumer services, and housing	682,503	586,055	626,960	823,189
Transportation	4,082,616	4,247,258	4,382,901	4,532,300
Corrections and rehabilitation	45,153	13,645	18,557	19,411
Operating grants/contributions	60,943,536	69,861,130	84,896,237	86,628,827
Capital grants/contributions	1,669,021	1,515,890	1,319,430	1,480,351
Total program revenues	85,714,991	93,651,172	110,606,055	115,530,832
Total governmental activities net program expenses	(108,745,213)	(116,203,385)	(123,368,211)	(130,196,803)
General revenues and other changes in net position				
General revenues:				
Personal income taxes	67,502,738	68,793,292	78,098,865	80,303,076
Sales and use taxes	33,839,065	36,477,724	38,224,080	39,121,061
Corporation taxes	7,289,910	9,102,128	10,720,647	9,213,173
Motor vehicle excise taxes ¹	5,219,605	5,777,167	5,393,994	5,028,589
Insurance taxes	2,295,579	3,359,043	3,926,319	4,203,885
Managed care organization enrollment tax ²	—	—	—	—
Other taxes ¹	2,498,248	2,302,231	2,235,498	2,158,874
Investment and interest	57,285	80,969	58,016	131,615
Escheat	551,580	487,937	400,807	304,960
Gain (loss) on early extinguishment of debt ³	—	(54,537)	—	40,516
Transfers	(1,997,759)	(2,296,010)	(2,554,970)	(2,800,101)
Total general revenues and other changes in net position	117,256,251	124,029,944	136,503,256	137,705,648
Total governmental activities change in net position	\$ 8,511,038	\$ 7,826,559	\$ 13,135,045	\$ 7,508,845

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. In fiscal year 2022, the Public Building Construction Fund, an internal service fund, recognized a gain on extinguishment of debt.

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.

2017	2018 ⁵	2019	2020	2021	2022
\$ 17,400,482	\$ 18,378,216	\$ 17,900,629	\$ 23,489,012	\$ 30,604,918	\$ 38,760,471
67,377,805	70,280,444	75,643,779	75,803,990	101,569,505	108,450,558
135,090,171	137,828,737	144,936,676	192,576,208	311,925,505	216,232,017
7,342,079	8,304,162	9,774,290	10,110,777	9,923,185	12,502,619
1,163,511	1,258,104	2,133,480	2,603,823	2,946,561	7,364,028
12,947,296	14,259,461	17,022,071	18,424,746	18,119,697	15,792,836
13,086,499	14,921,295	15,153,502	16,861,994	14,185,645	16,526,318
4,191,283	4,154,485	3,995,597	3,841,351	3,505,827	3,508,229
258,599,126	269,384,904	286,560,024	343,711,901	492,780,843	419,137,076
5,825,533	5,726,900	5,755,165	5,847,276	6,583,975	6,167,925
74,548	37,147	78,445	49,780	69,727	65,810
11,638,503	12,968,379	13,874,296	13,836,881	12,664,071	11,402,121
3,998,751	6,319,879	6,644,917	5,551,029	6,592,526	8,422,029
844,445	957,885	1,206,126	1,378,181	1,697,687	1,671,025
4,611,244	6,053,140	7,093,122	7,244,317	7,731,094	8,479,493
17,988	39,887	10,993	14,753	15,776	13,563
89,497,290	87,812,627	94,501,862	143,670,642	268,258,265	170,662,661
3,027,780	1,882,595	1,561,483	2,107,963	1,847,263	1,895,160
119,536,082	121,798,439	130,726,409	179,700,822	305,460,384	208,779,787
(139,063,044)	(147,586,465)	(155,833,615)	(164,011,079)	(187,320,459)	(210,357,289)
85,712,013	94,460,551	100,657,551	108,308,455	132,042,516	126,058,884
38,726,332	39,784,494	41,006,121	40,703,239	45,905,984	52,328,196
11,128,198	12,608,756	14,625,724	13,180,402	32,108,028	35,850,573
4,878,953	6,680,858	7,632,365	7,876,545	7,942,519	8,453,232
2,719,489	2,754,056	2,734,068	3,161,634	3,156,992	3,516,612
2,282,313	2,397,531	2,562,919	1,031,357	2,318,011	2,584,077
2,574,456	3,573,848	3,790,987	3,789,610	3,827,360	4,402,939
149,135	297,782	706,637	690,169	140,329	788,612
325,755	378,180	447,401	614,394	640,226	660,143
30,986	—	—	—	—	11,576
(3,083,437)	(4,339,995)	(3,930,906)	(5,963,068)	(3,851,666)	(5,465,790)
145,444,193	158,596,061	170,232,867	173,392,737	224,230,299	229,189,054
\$ 6,381,149	\$ 11,009,596	\$ 14,399,252	\$ 9,381,658	\$ 36,909,840	\$ 18,831,765

(continued)

Schedule of Changes in Net Position (continued)

For the Past Ten Fiscal Years

(accrual basis of accounting, amounts in thousands)

	2013	2014	2015	2016
Business-type activities				
Expenses				
Electric Power	\$ 488,000	\$ 835,000	\$ 799,000	\$ 728,000
Water Resources	1,127,195	983,048	1,019,378	1,086,650
Public Buildings Construction ⁴	410,404	—	—	—
State Lottery	4,499,451	5,078,935	5,560,299	6,315,957
Unemployment Programs	17,599,219	13,673,403	11,390,227	11,458,966
California State University ³	6,196,541	6,544,936	6,847,789	7,199,277
High Technology Education	6,568	847	—	—
State University Dormitory Building Maintenance and Equipment	—	—	—	—
State Water Pollution Control Revolving	3,698	5,072	9,082	11,814
Safe Drinking Water State Revolving ⁵	—	—	—	—
Housing Loan	70,356	57,206	58,280	55,627
Other enterprise programs	58,578	79,641	77,475	84,188
Total expenses	30,460,010	27,258,088	25,761,530	26,940,479
Program revenues				
Charges for services:				
Electric Power	488,000	835,000	799,000	728,000
Water Resources	1,127,195	983,048	1,019,378	1,086,650
Public Buildings Construction ⁴	616,041	—	—	—
State Lottery	4,445,921	5,077,976	5,553,418	6,367,902
Unemployment Programs	18,597,962	15,167,258	13,402,902	13,866,028
California State University ³	2,891,432	3,014,030	3,113,988	3,172,154
High Technology Education	5,585	424	—	—
State University Dormitory Building Maintenance and Equipment	—	—	—	—
State Water Pollution Control Revolving	60,173	62,985	65,959	70,245
Safe Drinking Water State Revolving ⁵	—	—	—	—
Housing Loan	66,050	65,247	57,742	53,617
Other enterprise programs	80,540	77,671	78,625	82,029
Operating grants/contributions	1,323,345	1,491,559	1,666,292	1,764,962
Capital grants/contributions	142,304	80,903	107,746	66,914
Total program revenues	29,844,548	26,856,101	25,865,050	27,258,501
Total business-type activities net program revenues (expenses)	(615,462)	(401,987)	103,520	318,022
Other changes in net position				
Gain (loss) on early extinguishment of debt ²	—	(26,913)	—	—
Transfers	1,997,759	2,296,010	2,554,970	2,800,101
Total business-type activities change in net position	1,382,297	1,867,110	2,658,490	3,118,123
Total primary government change in net position	\$ 9,893,335	\$ 9,693,669	\$ 15,793,535	\$ 10,626,968

2017	2018⁵	2019	2020	2021	2022
\$ 945,000	\$ 952,000	\$ 913,000	\$ 905,115	\$ 290,411	\$ 36,239
1,223,340	1,221,866	1,199,823	1,184,458	1,157,325	1,233,036
—	—	—	—	—	—
6,271,875	7,006,591	7,435,755	6,665,062	8,452,743	8,885,370
11,907,623	12,133,531	13,229,332	23,622,023	55,737,215	14,965,703
8,001,396	9,806,114	9,779,084	10,592,814	10,391,177	10,778,052
—	—	—	—	—	—
—	—	—	—	—	—
17,112	32,335	49,860	45,288	41,466	35,334
—	21,994	19,371	25,007	23,570	24,608
62,885	57,088	54,402	53,656	54,540	45,316
75,397	96,078	109,113	148,450	88,903	165,655
28,504,628	31,327,597	32,789,740	43,241,873	76,237,350	36,169,313
945,000	952,000	913,000	903,000	406,588	124,467
1,223,340	1,221,866	1,172,134	1,155,001	1,125,002	1,295,670
—	—	—	—	—	—
6,213,074	6,975,168	7,473,452	6,735,321	8,395,767	8,785,557
14,437,094	15,594,045	14,039,030	12,564,665	23,903,289	16,288,566
3,224,919	3,387,420	3,529,083	3,323,307	3,236,482	3,199,357
—	—	—	—	—	—
—	—	—	—	—	—
75,912	86,789	95,703	87,110	73,790	69,695
—	22,675	25,762	29,717	26,457	27,377
52,842	52,735	60,002	61,990	51,953	45,820
93,177	86,911	106,687	105,874	107,929	130,837
1,805,406	2,132,665	2,125,362	2,593,383	3,103,175	4,010,488
61,027	—	—	—	—	—
28,131,791	30,512,274	29,540,215	27,559,368	40,430,432	33,977,834
(372,837)	(815,323)	(3,249,525)	(15,682,505)	(35,806,918)	(2,191,479)
—	—	—	—	—	—
3,083,437	4,339,995	3,930,906	5,963,068	3,851,666	5,465,790
2,710,600	3,524,672	681,381	(9,719,437)	(31,955,252)	3,274,311
\$ 9,091,749	\$ 14,534,268	\$ 15,080,633	\$ (337,779)	\$ 4,954,588	\$ 22,106,076

(concluded)

Schedule of Fund Balances – Governmental Funds

For the Past Ten Fiscal Years

(modified accrual basis of accounting, amounts in thousands)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund				
Reserved	\$ —	\$ —	\$ —	\$ —
Unreserved	—	—	—	—
Nonspendable	140,107	128,609	53,431	75,939
Restricted	178,643	394,246	2,266,635	4,044,911
Committed	22,879	125,120	102,793	68,102
Assigned	—	—	—	—
Unassigned	(14,596,085)	(8,092,571)	(4,651,491)	(3,827,224)
Total General Fund	<u>\$ (14,254,456)</u>	<u>\$ (7,444,596)</u>	<u>\$ (2,228,632)</u>	<u>\$ 361,728</u>
 All other governmental funds				
Reserved	\$ —	\$ —	\$ —	\$ —
Unreserved, reported in:				
Special revenue funds	—	—	—	—
Capital projects funds	—	—	—	—
Nonspendable	15,022	27,260	5,620	11,188
Restricted	24,137,270	24,269,093	24,224,167	24,885,166
Committed	2,318,035	2,914,747	4,090,563	5,652,478
Assigned	209,171	18,857	16,767	14,622
Unassigned	(176,066)	(20,145)	(6,456)	(1,037)
Total all other governmental funds	<u>\$ 26,503,432</u>	<u>\$ 27,209,812</u>	<u>\$ 28,330,661</u>	<u>\$ 30,562,417</u>

2017	2018	2019	2020	2021	2022
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
103,903	559,644	1,180,575	2,129,227	2,878,611	2,958,319
7,429,825	9,807,729	14,834,597	16,709,782	12,928,039	23,251,079
180,755	171,020	1,787,142	2,965,662	668,351	4,024,689
—	—	—	3,080,372	4,938,117	7,290,655
(1,904,097)	1,648,511	765,568	3,616,557	52,731,990	36,522,416
\$ 5,810,386	\$ 12,186,904	\$ 18,567,882	\$ 28,501,600	\$ 74,145,108	\$ 74,047,158

\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
20,172	69,868	12,760	13,702	10,238	39,130
26,233,389	25,051,548	26,329,109	29,796,900	33,282,001	37,132,326
5,847,879	7,897,362	9,994,978	10,066,141	10,160,675	12,949,069
12,033	26,346	19,247	49,868	45,543	63,457
(15,152)	—	—	(2,474,960)	(8,822,239)	(55,655,634)
\$ 32,098,321	\$ 33,045,124	\$ 36,356,094	\$ 37,451,651	\$ 34,676,218	\$ (5,471,652)

Schedule of Changes in Fund Balances - Governmental Funds

For the Past Ten Fiscal Years

(modified accrual basis of accounting, amounts in thousands)

	2013	2014	2015	2016
Revenues				
Personal income taxes	\$ 67,424,576	\$ 68,771,667	\$ 78,245,616	\$ 79,934,285
Sales and use taxes	33,869,961	36,409,311	38,389,972	39,136,040
Corporation taxes	7,261,910	9,242,454	10,780,647	9,214,173
Motor vehicle excise taxes ¹	5,219,605	5,777,167	5,393,994	5,028,589
Insurance taxes	2,295,579	3,359,043	3,926,319	4,203,885
Managed care organization enrollment tax ²	—	—	—	—
Other taxes ¹	2,425,184	2,297,025	2,312,875	2,185,690
Intergovernmental	64,418,808	73,000,600	87,740,667	91,069,753
Licenses and permits	6,659,078	6,957,117	7,270,994	7,612,551
Charges for services	741,201	769,302	849,895	870,142
Fees and penalties	10,673,104	9,757,476	10,510,727	11,882,699
Investment and interest	135,928	137,754	119,690	232,285
Escheat	551,580	488,945	406,899	305,394
Other	3,227,347	2,903,335	3,975,144	4,049,789
Total revenues	204,903,861	219,871,196	249,923,439	255,725,275
Expenditures				
General government	15,748,069	14,778,214	16,202,395	16,715,892
Education	49,692,763	53,309,436	62,952,621	65,213,542
Health and human services	94,621,630	104,781,494	122,259,036	127,201,314
Natural resources and environmental protection	5,318,332	5,508,860	6,006,446	6,278,363
Business, consumer services, and housing	1,259,392	621,037	670,774	1,130,213
Transportation	15,008,671	15,721,532	15,137,217	14,814,829
Corrections and rehabilitation	9,681,086	10,395,234	11,182,926	11,450,980
Capital outlay	1,222,342	1,909,010	1,019,335	1,492,442
Debt service:				
Bond and commercial paper retirement	5,189,150	7,002,941	8,482,380	6,929,866
Interest and fiscal charges	4,363,260	4,321,040	4,473,799	4,057,907
Total expenditures	202,104,695	218,348,798	248,386,929	255,285,348
Excess (deficiency) of revenues over (under) expenditures	2,799,166	1,522,398	1,536,510	439,927
Other financing sources (uses)				
General obligation bonds and commercial paper issued	4,038,095	5,082,305	4,343,165	4,074,980
Revenue bonds issued	—	—	—	—
Refunding/remarketing debt issued	4,634,365	2,077,330	5,086,100	5,220,320
Payment to refund/remarket long-term debt	(3,174,613)	(328,024)	(3,865,093)	(4,378,328)
Premium on bonds issued	964,211	505,026	1,116,811	1,037,920
Capital leases	710,440	1,486,204	625,282	1,148,774
Transfers in	2,957,762	4,041,250	5,344,134	4,385,123
Transfers out	(4,898,754)	(6,304,047)	(7,934,754)	(7,130,142)
Total other financing sources	5,231,506	6,560,044	4,715,645	4,358,647
Total change in fund balance	\$ 8,030,672	\$ 8,082,442	\$ 6,252,155	\$ 4,798,574
Debt service as a percentage of noncapital expenditures	4.9 %	5.3 %	5.3 %	4.4 %

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.

2017	2018	2019	2020	2021	2022
\$ 85,737,905	\$ 94,484,443	\$ 96,801,076	\$ 111,831,167	\$ 132,095,124	\$ 125,914,865
38,741,715	39,777,069	41,085,626	40,709,462	45,906,755	52,317,376
11,125,198	12,597,928	14,038,348	13,722,735	32,122,361	35,824,715
4,878,953	6,680,858	7,632,365	7,876,545	7,942,519	8,453,232
2,719,489	2,754,056	2,734,068	3,161,634	3,156,993	3,516,612
2,282,313	2,397,531	2,562,919	1,031,357	2,318,011	2,584,077
2,565,928	3,548,182	3,688,531	3,862,045	4,007,125	4,421,355
95,709,784	92,904,469	99,867,750	148,951,650	272,691,880	175,107,421
8,113,542	8,761,620	9,186,945	9,256,454	9,999,107	10,126,549
860,241	975,314	956,032	972,805	1,025,167	1,028,747
11,571,934	13,548,471	14,187,698	14,322,983	15,062,529	15,461,639
318,502	607,418	1,321,143	1,328,956	626,478	643,594
327,614	382,793	448,756	615,720	644,248	661,698
2,934,157	5,318,739	5,594,587	4,595,386	6,802,576	7,862,830
267,887,275	284,738,891	300,105,844	362,238,899	534,400,873	443,924,710
17,250,720	18,978,389	19,263,146	27,393,107	29,908,484	44,249,597
67,224,796	69,902,627	75,071,188	76,347,719	99,964,095	111,764,166
134,372,094	138,018,275	144,543,589	191,819,998	311,093,756	216,174,091
6,712,838	7,987,878	9,069,777	9,244,813	8,862,649	12,175,743
1,103,694	1,189,365	2,013,409	2,457,248	2,824,462	7,637,467
15,007,639	17,169,040	17,893,338	20,025,848	19,623,756	19,491,005
12,276,391	14,665,524	14,055,766	14,680,705	12,598,851	15,689,740
1,238,700	612,769	287,487	401,066	886,020	682,904
9,364,550	8,598,856	10,444,825	10,276,581	9,594,575	13,402,490
3,986,270	3,961,704	3,971,353	3,856,390	3,650,153	4,126,022
268,537,692	281,084,427	296,613,878	356,503,475	499,006,801	445,393,225
(650,417)	3,654,464	3,491,966	5,735,424	35,394,072	(1,468,515)
4,325,075	5,283,365	3,626,765	5,085,590	5,051,305	4,552,690
—	—	—	500,000	450,000	1,050,000
7,074,225	6,681,855	5,683,865	4,384,895	3,657,445	10,011,411
(3,038,281)	(3,726,204)	(411,340)	—	(428,395)	(2,935,087)
1,309,254	1,036,320	1,003,337	1,217,615	1,218,766	1,229,185
988,680	405,930	50,506	24,082	439,180	143,759
4,586,199	4,266,596	4,414,250	5,776,094	6,408,853	7,121,202
(7,551,627)	(8,555,594)	(8,298,095)	(11,731,486)	(10,249,393)	(12,547,219)
7,693,525	5,392,268	6,069,288	5,256,790	6,547,761	8,625,941
\$ 7,043,108	\$ 9,046,732	\$ 9,561,254	\$ 10,992,214	\$ 41,941,833	\$ 7,157,426
5.1 %	4.6 %	5.0 %	4.0 %	2.7 %	4.0 %

This page intentionally left blank

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)

	2012	2013	2014	2015
Personal Income by Industry				
(items restated as footnoted) ¹				
Farm earnings	\$ 17,370,268	\$ 20,545,796	\$ 22,609,066	\$ 21,222,250
Forestry, fishing, and other natural resources	7,454,062	7,873,988	8,303,175	9,216,947
Mining	6,036,435	6,503,958	6,712,256	4,963,527
Construction and utilities	66,932,640	74,439,881	79,692,915	88,130,646
Manufacturing	124,445,460	126,037,578	133,035,011	139,414,534
Wholesale trade	58,930,627	61,468,734	65,805,068	70,215,535
Retail trade	76,425,385	78,268,977	81,107,100	84,898,965
Transportation and warehousing	37,625,628	39,503,640	42,142,663	45,945,185
Information, finance, and insurance	143,606,186	156,649,296	159,848,610	174,617,028
Real estate and rental and leasing	54,307,662	52,035,567	49,055,596	51,762,077
Services	476,932,767	482,396,884	516,952,464	552,135,538
Federal, civilian	26,157,969	25,771,225	26,450,856	27,477,720
Military	15,933,613	15,354,084	15,071,769	14,952,018
State and local government	179,879,539	190,360,140	200,331,079	212,528,644
Other ²	496,789,437	474,413,668	517,464,525	566,525,160
Total personal income	\$ 1,788,827,678	\$ 1,811,623,416	\$ 1,924,582,153	\$ 2,064,005,774
Average effective rate ³	5.0 %	6.1 %	5.6 %	6.1 %

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.

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$	18,646,282	\$ 20,041,415	\$ 15,669,285	\$ 15,978,888	\$ 17,315,815	\$ 15,575,403
	9,898,303	10,176,211	10,765,747	11,261,626	12,690,920	12,409,090
	3,753,851	3,216,216	3,717,373	3,427,775	2,839,729	2,644,161
	93,511,037	102,974,465	112,396,379	120,240,852	117,965,220	122,073,288
	145,528,697	153,661,389	159,126,826	161,854,115	172,313,755	187,218,373
	70,149,369	73,535,459	71,639,917	72,727,682	73,620,933	76,454,399
	84,819,197	87,143,887	90,173,648	92,171,144	93,632,170	103,125,834
	49,332,199	53,670,285	60,511,132	69,759,793	68,916,210	82,190,820
	190,140,120	206,955,669	218,388,275	229,828,550	252,396,092	293,219,543
	54,244,467	55,830,864	60,774,043	69,549,333	72,006,102	77,184,395
	574,579,377	604,183,727	640,289,889	680,264,303	678,958,934	760,246,498
	28,337,175	29,073,247	30,340,685	31,010,832	32,936,947	33,470,612
	16,333,621	16,101,002	15,238,777	15,611,106	16,600,127	17,841,972
	223,593,750	230,997,705	237,580,482	245,796,913	255,052,712	263,859,389
	593,930,254	612,061,700	643,820,394	677,994,115	858,162,187	919,383,466
	<u>\$ 2,156,797,699</u>	<u>\$ 2,259,623,241</u>	<u>\$ 2,370,432,852</u>	<u>\$ 2,497,477,027</u>	<u>\$ 2,725,407,853</u>	<u>\$ 2,966,897,243</u>
	6.0 %	5.9 %	6.1 %	6.0 %	6.5 %	6.5 %

(continued)

Schedule of Revenue Base (continued)

For the Past Ten Calendar Years

(amounts in thousands)

	2012	2013	2014	2015
Taxable Sales by Industry				
Retail and Food Services:				
Motor vehicle and parts dealers	\$ 61,547,848	\$ 67,986,436	\$ 73,232,242	\$ 80,346,595
Furniture and home furnishings stores	9,937,187	10,645,523	11,408,837	12,169,888
Electronics and appliance stores	14,744,723	14,765,485	15,148,893	16,349,542
Building materials, garden equipment, and supplies	27,438,083	29,680,053	31,299,110	33,601,538
Food and beverage	24,511,714	25,289,203	26,298,414	27,134,034
Health and personal care stores	10,787,801	11,294,049	11,640,870	12,364,559
Gasoline stations	58,006,168	56,860,585	55,733,384	48,203,175
Clothing and clothing accessories stores	32,357,516	34,918,036	36,822,241	38,438,074
Sporting goods, hobby, book, and music stores	10,751,814	11,113,831	11,056,024	11,341,328
General merchandise stores	49,996,451	51,431,094	52,013,855	53,119,200
Miscellaneous store retailers	17,880,765	18,382,224	19,024,905	19,852,685
Nonstore retailers	4,375,432	7,296,839	8,292,788	9,531,606
Food services and drinking places	59,037,320	62,776,360	67,864,614	73,889,708
All other outlets	177,014,427	184,399,899	195,985,698	202,290,022
Total taxable sales	\$ 558,387,249	\$ 586,839,617	\$ 615,821,875	\$ 638,631,954
Direct sales tax rate ¹	6.25 %	6.50 % ²	6.50 %	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 January 1, 2013.

³ Rate change was effective on January 1, 2017.

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$	84,225,652	\$ 86,983,280	\$ 89,696,669	\$ 88,526,876	\$ 87,847,344	\$ 106,686,238
	12,790,041	13,035,340	13,578,685	13,427,029	13,626,241	16,375,319
	17,120,030	17,170,671	17,520,474	16,999,111	16,926,013	19,232,973
	35,238,333	37,504,347	39,469,798	40,313,948	45,966,216	50,775,894
	27,678,056	28,799,044	29,697,424	30,216,432	32,042,780	33,308,785
	13,163,569	13,669,415	14,384,602	15,160,891	15,622,747	17,397,455
	43,273,182	47,434,923	54,302,232	54,141,178	38,345,721	56,231,375
	39,698,156	40,206,581	42,233,560	43,130,842	32,500,749	47,599,716
	11,441,556	10,900,749	10,467,200	10,407,608	10,110,131	11,776,823
	53,032,357	54,684,182	56,416,293	58,066,003	57,003,022	66,201,633
	19,617,820	19,719,301	20,503,078	20,952,870	20,863,193	24,996,467
	11,717,407	13,599,808	15,663,789	20,276,518	53,383,005	60,520,452
	78,494,623	82,355,474	85,226,197	89,403,960	63,665,386	87,700,329
	206,365,477	211,760,378	217,675,199	231,733,635	218,853,973	263,908,719
	\$ 653,856,259	\$ 677,823,493	\$ 706,835,200	\$ 732,756,901	\$ 706,756,521	\$ 862,712,178
	6.50 %	6.00 % ³	6.00 %	6.00 %	6.00 %	6.00 % (concluded)

Schedule of Revenue Payers by Income Level/Industry

For Calendar Years 2013 and 2021

Personal Income Tax Filers and Liability by Income Level ¹

		2013			
		Number	Percent	Tax	Percent
		of Filers	of Total	Liability ²	of Total
Under	\$ 50,000	9,549,671	61.6 %	\$ 1,396,252	2.5 %
50,000 to	99,999	3,265,205	21.1	5,639,339	10.2
100,000 to	149,999	1,296,856	8.4	6,207,337	11.2
150,000 to	199,999	575,201	3.7	5,008,725	9.0
200,000 to	299,999	432,933	2.8	6,240,174	11.2
300,000 to	399,999	151,111	1.0	3,541,194	6.4
400,000 to	499,999	70,980	0.4	2,340,079	4.2
500,000 to	599,999	38,634	0.2	1,635,841	2.9
600,000 to	699,999	24,779	0.2	1,302,480	2.3
700,000 to	799,999	16,995	0.1	1,070,707	1.9
800,000 to	899,999	11,615	0.1	856,683	1.6
900,000 to	999,999	8,610	0.1	720,373	1.3
1,000,000 to	1,999,999	33,152	0.2	4,409,909	7.9
2,000,000 to	2,999,999	8,288	0.1	2,151,781	3.9
3,000,000 to	3,999,999	3,640	—	1,395,555	2.5
4,000,000 to	4,999,999	1,968	—	1,001,131	1.8
\$ 5,000,000 and over	.....	5,745	—	10,704,400	19.2
Total	.....	15,495,383	100.0 %	\$ 55,621,960	100.0 %

		2021			
		Number	Percent	Tax	Percent
		of Filers	of Total	Liability ²	of Total
Under	\$ 50,000	9,569,754	53.2 %	\$ 1,533,745	1.2 %
50,000 to	99,999	4,011,233	22.3	6,612,276	5.3
100,000 to	149,999	1,737,997	9.7	8,044,591	6.4
150,000 to	199,999	901,853	5.0	7,593,390	6.0
200,000 to	299,999	793,450	4.4	11,225,388	8.9
300,000 to	399,999	331,440	1.8	7,579,555	6.0
400,000 to	499,999	178,318	1.0	5,645,447	4.5
500,000 to	599,999	109,408	0.6	4,451,632	3.5
600,000 to	699,999	71,676	0.4	3,539,243	2.8
700,000 to	799,999	51,011	0.3	2,988,245	2.4
800,000 to	899,999	36,855	0.2	2,516,548	2.0
900,000 to	999,999	27,406	0.2	2,147,554	1.7
1,000,000 to	1,999,999	98,315	0.6	11,799,095	9.4
2,000,000 to	2,999,999	23,777	0.1	5,539,434	4.4
3,000,000 to	3,999,999	10,743	0.1	3,644,107	2.9
4,000,000 to	4,999,999	6,148	—	2,717,326	2.2
\$ 5,000,000 and over	.....	19,461	0.1	38,273,200	30.4
Total	.....	17,978,845	100.0 %	\$ 125,850,776	100.0 %

Source: California Franchise Tax Board

¹ For California resident tax returns. Calendar year 2021 is the most applicable year for which data is available.

² Amounts are in thousands.

For Calendar Years 2012 and 2021

Sales Tax Permits and Tax Liability by Industry

	2012			
	Number of Permits	Percent of Total	Tax Liability ¹	Percent of Total
Retail and Food Services:				
Motor vehicle and parts dealers	33,767	3.4 %	\$ 3,846,740	11.0 %
Furniture and home furnishings stores	18,587	1.9	621,074	1.8
Electronics and appliance stores	23,301	2.4	921,545	2.6
Building materials, garden equipment, and supplies	17,236	1.8	1,714,880	4.9
Food and beverage	31,900	3.3	1,531,982	4.4
Health and personal care stores	24,427	2.5	674,238	1.9
Gasoline stations	9,990	1.0	3,625,385	10.4
Clothing and clothing accessories stores	70,775	7.2	2,022,345	5.8
Sporting goods, hobby, book, and music stores	29,246	3.0	671,988	1.9
General merchandise stores	17,163	1.8	3,124,778	9.0
Miscellaneous store retailers	117,979	12.1	1,117,548	3.2
Nonstore retailers	167,568	17.1	273,464	0.8
Food services and drinking places	94,453	9.6	3,689,833	10.6
All other outlets	321,897	32.9	11,063,402	31.7
Total	978,289	100.0 %	\$ 34,899,202	100.0 %

	2021			
	Number of Permits	Percent of Total	Tax Liability ¹	Percent of Total
Retail and Food Services:				
Motor vehicle and parts dealers	35,023	2.7 %	\$ 6,401,174	12.4 %
Furniture and home furnishings stores	18,817	1.4	982,519	1.9
Electronics and appliance stores	22,751	1.7	1,153,978	2.2
Building materials, garden equipment, and supplies	16,887	1.3	3,046,554	5.9
Food and beverage	37,857	2.9	1,998,527	3.8
Health and personal care stores	50,315	3.8	1,043,847	2.0
Gasoline stations	10,419	0.8	3,373,883	6.5
Clothing and clothing accessories stores	124,244	9.5	2,855,983	5.5
Sporting goods, hobby, book, and music stores	32,280	2.5	706,609	1.4
General merchandise stores	27,040	2.1	3,972,098	7.7
Miscellaneous store retailers	160,337	12.2	1,499,788	2.9
Nonstore retailers	93,745	7.1	3,631,227	7.0
Food services and drinking places	118,341	9.0	5,262,020	10.2
All other outlets	565,049	43.0	15,834,523	30.6
Total	1,313,105	100.0 %	\$ 51,762,730	100.0 %

Source: California Department of Tax and Fee Administration (CDTFA)

¹ Calculated by multiplying the taxable sales by industry shown on pages 322 and 323 by the direct sales tax rate. Amounts are in thousands.

Schedule of Personal Income Tax Rates

For Calendar Years 2012-2021

Married Filing Jointly and Surviving Spouse				
	2012	2013	2014	2015
Tax Rate ¹	Income Level	Income Level	Income Level	Income Level
1.0	Up to \$14,910	Up to \$15,164	Up to \$15,498	Up to \$15,700
2.0	14,911 – 35,352	15,165 – 35,952	15,499 – 36,742	15,701 – 37,220
4.0	35,353 – 55,794	35,953 – 56,742	36,743 – 57,990	37,221 – 58,744
6.0	55,795 – 77,452	56,743 – 78,768	57,991 – 80,500	58,745 – 81,546
8.0	77,453 – 97,884	78,769 – 99,548	80,501 – 101,738	81,547 – 103,060
9.3	97,885 – 500,000	99,549 – 508,500	101,739 – 519,688	103,061 – 526,444
10.3	500,001 – 600,000	508,501 – 610,200	519,689 – 623,624	526,445 – 631,732
11.3	600,001 – 1,000,000	610,201 – 1,000,000	623,625 – 1,000,000	631,733 – 1,000,000
12.3	—	1,000,001 – 1,017,000	1,000,001 – 1,039,374	1,000,001 – 1,052,886
13.3	\$1,000,001 and over	\$1,017,001 and over	\$1,039,375 and over	\$1,052,887 and over

Single and Married Filing Separately				
	2012	2013	2014	2015
Tax Rate ¹	Income Level	Income Level	Income Level	Income Level
1.0	Up to \$7,455	Up to \$7,582	Up to \$7,749	Up to \$7,850
2.0	7,456 – 17,676	7,583 – 17,976	7,750 – 18,371	7,851 – 18,610
4.0	17,677 – 27,897	17,977 – 28,371	18,372 – 28,995	18,611 – 29,372
6.0	27,898 – 38,726	28,372 – 39,384	28,996 – 40,250	29,373 – 40,773
8.0	38,727 – 48,942	39,385 – 49,774	40,251 – 50,869	40,774 – 51,530
9.3	48,943 – 250,000	49,775 – 254,250	50,870 – 259,844	51,531 – 263,222
10.3	250,001 – 300,000	254,251 – 305,100	259,845 – 311,812	263,223 – 315,866
11.3	300,001 – 500,000	305,101 – 508,500	311,813 – 519,687	315,867 – 526,443
12.3	500,001 – 1,000,000	508,501 – 1,000,000	519,688 – 1,000,000	526,444 – 1,000,000
13.3	\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over

Head of Household				
	2012	2013	2014	2015
Tax Rate ¹	Income Level	Income Level	Income Level	Income Level
1.0	Up to \$14,920	Up to \$15,174	Up to \$15,508	Up to \$15,710
2.0	14,921 – 35,351	15,175 – 35,952	15,509 – 36,743	15,711 – 37,221
4.0	35,352 – 45,571	35,953 – 46,346	36,744 – 47,366	37,222 – 47,982
6.0	45,572 – 56,400	46,347 – 57,359	47,367 – 58,621	47,983 – 59,383
8.0	56,401 – 66,618	57,360 – 67,751	58,622 – 69,242	59,384 – 70,142
9.3	66,619 – 340,000	67,752 – 345,780	69,243 – 353,387	70,143 – 357,981
10.3	340,001 – 408,000	345,781 – 414,936	353,388 – 424,065	357,982 – 429,578
11.3	408,001 – 680,000	414,937 – 691,560	424,066 – 706,774	429,579 – 715,962
12.3	680,001 – 1,000,000	691,561 – 1,000,000	706,775 – 1,000,000	715,963 – 1,000,000
13.3	\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over	\$1,000,001 and over

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)

	2012	2013	2014	2015
Personal income tax revenue ¹	\$ 54,442,733	\$ 66,220,132	\$ 67,584,256	\$ 76,879,115
Adjusted gross income ²	\$ 1,087,823,400	\$ 1,091,080,300	\$ 1,216,002,700	\$ 1,265,341,200
Average effective rate ³	5.0 %	6.1 %	5.6 %	6.1 %

¹ Personal income tax revenue is reported on a fiscal year basis.

² Source: California Franchise Tax Board. Fiscal year 2021 information reflects returns processed as of December 2022

³ The average effective rate equals personal income tax revenue divided by adjusted gross income.

Married Filing Jointly and Surviving Spouse

2016	2017	2018	2019	2020	2021
Income Level	Income Level	Income Level	Income Level	Income Level	Income Level
Up to \$16,030	Up to \$16,446	Up to \$17,088	Up to \$17,618	Up to \$17,864	Up to \$18,650
16,031 – 38,002	16,447 – 38,990	17,089 – 40,510	17,619 – 41,766	17,865 – 42,350	18,651 – 44,214
38,003 – 59,978	38,991 – 61,538	40,511 – 63,938	41,767 – 65,920	42,351 – 66,842	44,215 – 69,784
59,979 – 83,258	61,539 – 85,422	63,939 – 88,754	65,921 – 91,506	66,843 – 92,788	69,785 – 96,870
83,259 – 105,224	85,423 – 107,960	88,755 – 112,170	91,507 – 115,648	92,789 – 117,268	96,871 – 122,428
105,225 – 537,500	107,961 – 551,476	112,171 – 572,984	115,649 – 590,746	117,269 – 599,016	122,429 – 625,372
537,501 – 644,998	551,477 – 661,768	572,985 – 687,576	590,747 – 708,890	599,017 – 718,814	625,373 – 750,442
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	750,443 – 1,000,000
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	1,000,001 – 1,250,738
\$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	1,250,739 and over

Single and Married Filing Separately

2016	2017	2018	2019	2020	2021
Income Level	Income Level	Income Level	Income Level	Income Level	Income Level
Up to \$8,015	Up to \$8,223	Up to \$8,544	Up to \$8,809	Up to \$8,932	Up to \$9,325
8,016 – 19,001	8,224 – 19,495	8,545 – 20,255	8,810 – 20,883	8,933 – 21,175	9,326 – 22,107
19,002 – 29,989	19,496 – 30,769	20,256 – 31,969	20,884 – 32,960	21,176 – 33,421	22,108 – 34,892
29,990 – 41,629	30,770 – 42,711	31,970 – 44,377	32,961 – 45,753	33,422 – 46,394	34,893 – 48,435
41,630 – 52,612	42,712 – 53,980	44,378 – 56,085	45,754 – 57,824	46,395 – 58,634	48,436 – 61,214
52,613 – 268,750	53,981 – 275,738	56,086 – 286,492	57,825 – 295,373	58,635 – 295,508	61,215 – 312,686
268,751 – 322,499	275,739 – 330,884	286,493 – 343,788	295,374 – 354,445	295,509 – 359,407	312,687 – 375,221
322,500 – 537,498	330,885 – 551,473	343,789 – 572,980	354,446 – 590,742	359,408 – 599,012	375,222 – 625,369
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	625,370 – 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

2016	2017	2018	2019	2020	2021
Income Level	Income Level	Income Level	Income Level	Income Level	Income Level
Up to \$16,040	Up to \$16,457	Up to \$16,457	Up to \$17,629	Up to \$17,876	Up to \$18,663
16,041 – 38,003	16,458 – 38,991	16,458 – 38,991	17,630 – 41,768	17,877 – 42,353	18,664 – 44,217
38,004 – 48,990	38,992 – 50,264	38,992 – 50,264	41,769 – 53,843	42,354 – 54,597	44,218 – 56,999
48,991 – 60,630	50,265 – 62,206	50,265 – 62,206	53,844 – 66,636	54,598 – 67,569	57,000 – 70,542
60,631 – 71,615	62,207 – 73,477	62,207 – 73,477	66,637 – 78,710	67,570 – 79,812	70,543 – 83,324
71,616 – 365,499	73,478 – 375,002	73,478 – 375,002	78,711 – 401,705	79,813 – 407,329	83,325 – 425,251
365,500 – 438,599	375,003 – 450,003	375,003 – 450,003	401,706 – 482,047	407,330 – 488,796	425,252 – 510,303
438,600 – 730,997	450,004 – 750,003	450,004 – 750,003	482,048 – 803,410	488,797 – 814,658	510,304 – 850,503
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	850,504 – 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

2016	2017	2018	2019	2020	2021
\$ 78,510,777	\$ 84,253,851	\$ 92,808,996	\$ 95,026,913	\$ 110,352,220	\$ 129,514,535
\$ 1,318,362,700	\$ 1,430,332,000	\$ 1,531,670,000	\$ 1,596,322,000	\$ 1,693,751,000	\$ 1,991,347,000
6.0 %	5.9 %	6.1 %	6.0 %	6.5 %	6.5 %

This page intentionally left blank

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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental activities				
General obligation bonds ¹	\$ 82,346,211	\$ 83,276,347	\$ 80,509,802	\$ 79,043,295
Revenue bonds ²	7,735,053	18,917,443	18,409,971	17,210,499
Certificates of participation and commercial paper ³	538,593	598,094	493,770	771,215
Capital lease obligations ^{4,7}	5,319,487	260,088	274,760	370,182
Lease Liability	—	—	—	—
Total governmental activities	95,939,344	103,051,972	99,688,303	97,395,191
Business-type activities				
General obligation bonds ¹	887,053	674,394	650,133	794,369
Revenue bonds ²	25,558,129	12,991,827	12,670,619	13,928,374
Commercial paper	77,560	204,647	237,186	47,416
Capital lease obligations ⁷	909,871	1,250,274	1,210,409	389,385
Lease Liability	—	—	—	—
Total business-type activities	27,432,613	15,121,142	14,768,347	15,159,544
Total primary government	\$ 123,371,957	\$ 118,173,114	\$ 114,456,650	\$ 112,554,735
Debt as a percentage of personal income ⁵	6.7%	6.3%	5.7%	5.2%
Amount of debt per capita ⁶	\$ 3,251	\$ 3,089	\$ 2,965	\$ 2,892

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 340 and 341 for the prior calendar year.

⁶ Amount calculated using population data shown on pages 340 and 341 for the prior calendar year.

⁷ Due to implementation of GASB 87, capital lease obligations are no longer reported.

2017	2018	2019	2020	2021	2022
\$ 79,503,871	\$ 79,663,028	\$ 78,772,850	\$ 78,883,746	\$ 78,481,408	\$ 77,346,130
16,879,900	16,364,255	15,711,660	15,905,264	15,998,239	17,157,391
1,158,080	859,695	1,032,760	1,108,720	1,176,235	1,448,725
416,468	481,261	434,876	393,089	359,812	—
—	—	—	—	—	2,514,714
97,958,319	97,368,239	95,952,146	96,290,819	96,015,694	98,466,960
703,754	694,100	850,762	788,052	598,384	536,352
14,955,858	14,319,372	14,521,460	14,277,362	14,806,645	14,421,501
147,765	749,877	799,643	1,049,226	401,219	323,313
353,453	309,928	315,322	357,072	336,081	—
—	—	—	—	—	332,614
16,160,830	16,073,277	16,487,187	16,471,712	16,142,329	15,613,780
\$ 114,119,149	\$ 113,441,516	\$ 112,439,333	\$ 112,762,531	\$ 112,158,023	\$ 114,080,740
5.0%	4.8%	4.5%	4.3%	4.1%	3.8%
\$ 2,914	\$ 2,882	\$ 2,849	\$ 2,859	\$ 2,839	\$ 2,914

Schedule of Ratios of General Bonded Debt Outstanding

For the Past Ten Fiscal Years

(amounts in thousands, except per capita)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Net general bonded debt				
General obligation bonds ¹	\$ 78,001,049	\$ 79,368,794	\$ 80,215,650	\$ 79,837,664
Economic Recovery bonds	5,232,215	4,581,745	944,285	—
Less: restricted debt service fund	278,425	318,171	818,321	—
Net Economic Recovery bonds ²	4,953,790	4,263,574	125,964	—
Net general bonded debt	\$ 82,954,839	\$ 83,632,368	\$ 80,341,614	\$ 79,837,664
Net general bonded debt as a percentage of personal income ³	4.5%	4.4%	4.0%	3.7%
Amount of net general bonded debt per capita ⁴	\$ 2,186	\$ 2,186	\$ 2,082	\$ 2,051

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 [340](#) and [341](#) for the prior calendar year.

⁴ Amount calculated using population data shown on pages [340](#) and [341](#) for the prior calendar year.

2017	2018	2019	2020	2021	2022
\$ 79,503,871	\$ 80,357,128	\$ 79,623,612	\$ 79,671,798	\$ 79,079,792	\$ 77,882,481
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
\$ 79,503,871	\$ 80,357,128	\$ 79,623,612	\$ 79,671,798	\$ 79,079,792	\$ 77,882,481
3.5%	3.4%	3.2%	3.0%	2.9%	2.6%
\$ 2,030	\$ 2,042	\$ 2,018	\$ 2,020	\$ 2,002	\$ 1,990

Schedule of General Obligation Bonds Outstanding

June 30, 2022

(amounts in thousands)

Governmental activity

California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection	\$ 1,640,440
California Drought, Water, Parks, Climate, Coastal Protection, and Out Door Access For All	465,535
California Library Construction and Renovation	197,830
California Park and Recreational Facilities	3,485
California Parklands	480
California Safe Drinking Water	22,035
California Stem Cell Research and Cures	1,140,790
California Wildlife, Coastal, and Park Land Conservation	36,720
Children's Hospital	1,358,785
Class-Size Reduction Public Education Facilities	3,603,210
Clean Air and Transportation Improvement	301,280
Clean Water	1,565
Clean Water and Water Conservation	1,545
Clean Water and Water Reclamation	5,315
Community Parklands	415
County Correctional Facility Capital Expenditure	2,075
County Correctional Facility Capital Expenditure and Youth Facility	15,215
Disaster Preparedness and Flood Prevention	2,709,390
Earthquake Safety and Public Buildings Rehabilitation	10,510
Fish and Wildlife Habitat Enhancement	2,650
Higher Education Facilities	108,280
Highway Safety, Traffic Reduction, Air Quality, and Port Security	14,178,860
Housing and Emergency Shelter	933,185
Housing and Homeless	190
Kindergarten-University Public Education Facilities	28,314,200
New Prison Construction	3,675
Passenger Rail and Clean Air	935
Public Education Facilities	691,930
Safe, Clean, Reliable Water Supply	336,715
Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection	1,016,745
Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection	3,201,415
Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection	962,685
Safe, Reliable High-Speed Passenger Train	2,679,535
School Building and Earthquake	5,320
School Facilities	200,215
Seismic Retrofit	685,785
State, Urban, and Coastal Park	1,275
Veterans and Affordable Housing	169,150
Veterans Homes	30,055
Veterans Housing and Homeless Prevention	148,270
Voting Modernization	41,365
Water Conservation	7,610
Water Conservation and Water Quality	9,360
Water Quality, Supply, and Infrastructure Improvement	1,773,040
Water Security, Clean Drinking Water, Coastal and Beach Protection	2,196,740
Total governmental activity	69,215,805
Business-type activity	
California Water Resources Development	205
Veterans' Farm and Home Building	525,490
Total business-type activity	525,695
Total outstanding general obligation bonds	69,741,500
Unamortized bond premiums/discounts	8,140,981
Total general obligation bonds payable	\$ 77,882,481

Source: California State Treasurer's Office

This page intentionally left blank

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	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
	2016	52,117	30,926	21,191	131,010	11,368	142,378	0.15
	2017	52,480	25,943	26,537	14,000	10,380	24,380	1.09
	2018	59,743	20,248	39,495	6,435	11,401	17,836	2.21
	2019	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
	2022	45,820	18,656	27,164	142,575	9,132	151,707	0.18
Water Resources	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
	2022	1,295,670	660,537	635,133	160,300	88,108	248,408	2.56
Water Pollution Control	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
	2022	61,698	510	61,188	87,375	30,656	118,031	0.52

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	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
	2022	311,000	(140,000)	451,000	—	—	—	—
Public Buildings Construction	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
	2022	366,050	7,396	358,654	1,922,085	411,384	2,333,469	0.15
High Technology Education ⁴	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	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)
	2022	7,675,072	9,969,192	(2,294,120)	498,712	345,120	843,832	(2.72)

(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	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
	2022	11,478	—	11,478	29,485	1,260	30,745	0.37
Golden State Tobacco Securitization Corporation	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
	2022	482,247	371	481,876	2,981,103	799,366	3,780,469	0.13
Grant Anticipation Revenue Vehicles ^{4,5}	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

	2012	2013	2014	2015
Population (in thousands) ¹				
California	37,970	38,291	38,636	38,966
% Change	0.8%	0.8%	0.9%	0.9%
United States	314,344	316,735	319,270	321,829
% Change	0.8%	0.8%	0.8%	0.8%
Total personal income (in millions) ¹				
California	\$ 1,814,763	\$ 1,840,885	\$ 1,955,718	\$ 2,097,050
% Change	5.9%	1.4%	6.2%	7.2%
United States	\$ 13,905,749	\$ 14,063,283	\$ 14,778,160	\$ 15,467,113
% Change	4.6%	1.1%	5.1%	4.7%
Per capita personal income ^{1,2}				
California	\$ 47,794	\$ 48,076	\$ 50,619	\$ 53,817
% Change	5.0%	0.6%	5.3%	6.3%
United States	\$ 44,237	\$ 44,401	\$ 46,287	\$ 48,060
% Change	3.7%	0.4%	4.2%	3.8%
Labor force and employment (in thousands)				
California				
Civilian labor force	18,511	18,573	18,941	18,996
Employed	16,740	17,044	17,600	17,894
Unemployed	1,771	1,530	1,341	1,102
Unemployment rate	9.6%	8.2%	7.1%	5.8%
United States employment rate	8.1%	7.4%	6.2%	5.3%

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 September 2023.

¹ Some prior years were updated based on more current information.

² Calculated by dividing total personal income by population.

2016	2017	2018	2019	2020	2021
39,223	39,424	39,536	39,548	39,502	39,143
0.7%	0.5%	0.3%	—	-0.1%	-0.9%
324,368	326,623	328,542	330,233	331,512	332,032
0.8%	0.7%	0.6%	0.5%	0.4%	0.2%
\$ 2,191,138	\$ 2,295,049	\$ 2,411,055	\$ 2,537,951	\$ 2,767,521	\$ 3,013,677
4.5%	4.7%	5.1%	5.3%	9.0%	8.9%
\$ 15,884,741	\$ 16,658,962	\$ 17,514,402	\$ 18,343,601	\$ 19,609,985	\$ 21,392,812
2.7%	4.9%	5.1%	4.7%	6.9%	9.1%
\$ 55,863	\$ 58,214	\$ 60,984	\$ 64,174	\$ 70,061	\$ 76,991
3.8%	4.2%	4.8%	5.2%	9.2%	9.9%
\$ 48,971	\$ 51,004	\$ 53,309	\$ 55,547	\$ 59,153	\$ 64,430
1.9%	4.2%	4.5%	4.2%	6.5%	8.9%
19,099	19,319	19,534	18,743	18,920	19,234
18,141	18,515	18,740	16,104	17,367	18,445
957	804	794	2,640	1,553	789
5.0%	4.2%	4.1%	14.1%	8.2%	4.1%
4.9%	4.4%	3.9%	3.7%	8.1%	5.3%

Schedule of Employment by Industry

For Calendar Years 2012 and 2021

Industry	2012		2021	
	Employees	Percent of Total State Employment	Employees	Percent of Total State Employment
Services	6,584,800	43.4 %	7,679,000	44.7 %
Government				
Federal	189,200	1.3	187,000	1.1
Military	61,300	0.4	64,400	0.4
State and Local	2,125,700	14.0	2,218,200	12.9
Retail trade	1,560,100	10.3	1,581,400	9.2
Manufacturing	1,262,100	8.3	1,282,900	7.5
Information, finance, and insurance	960,600	6.4	1,102,100	6.4
Construction and utilities	650,000	4.3	943,600	5.5
Wholesale trade	658,000	4.3	649,200	3.8
Transportation and warehousing	430,100	2.8	734,100	4.3
Farming	399,900	2.6	409,800	2.4
Real estate	251,100	1.7	289,500	1.7
Natural resources and mining	28,400	0.2	19,100	0.1
Total	15,161,300	100.0 %	17,160,300	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
	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
2022	50,360	169,350	51,137	30,701	7,430	41,444	61,823	412,245

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.

This page intentionally left blank

Schedule of Operating Indicators by Function

For the Past Ten Fiscal Years

	2013	2014	2015	2016
General Government				
State Lottery				
Total revenue ¹	\$ 4,446	\$ 5,035	\$ 5,525	\$ 6,276
Allocation to Education Fund ¹	\$ 1,262	\$ 1,328	\$ 1,364	\$ 1,563
Judicial Council of California				
Supreme Court ^{2,9}				
Cases filed	8,029	7,907	7,861	8,081
Cases disposed	8,482	7,770	7,553	7,952
Courts of Appeal ⁹				
Notices of appeal filed ³				
Civil	6,052	5,983	6,062	5,935
Criminal	6,004	6,373	7,113	6,714
Juvenile	2,713	2,857	3,036	3,025
Trial Courts ⁹				
Total civil cases ⁴				
Filings	1,358,481	1,264,983	1,145,892	1,148,205
Dispositions	1,327,078	1,216,185	1,118,443	1,031,105
Department of Food and Agriculture				
Milk production (million lbs.) ^{5,9}	41,256	42,339	40,897	40,469
Farm land (thousand acres) ⁵	25,300	25,200	24,900	24,800
Education				
Public Colleges and Universities				
Fall enrollment ⁹				
Community Colleges	1,664,430	1,664,174	1,674,652	1,674,798
California State University	446,530	460,200	474,571	478,638
University of California	244,126	252,263	257,438	270,112
K-12 Schools				
Fall enrollment ⁹				
Public	6,226,989	6,236,672	6,235,520	6,226,737
Private	516,119	511,286	503,295	500,543

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, 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 September 2023.

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 2022 is projected.

N/A = Not Available

2017		2018		2019		2020		2021		2022	
\$	6,233	\$	6,966	\$	7,388	\$	6,622	\$	8,418	\$	8,853
\$	1,499	\$	1,665	\$	1,825	\$	1,437	\$	1,863	\$	2,020
	7,318		6,812		6,896		6,470		6,522		N/A
	6,995		6,728		7,052		6,362		6,311		N/A
	5,975		6,002		5,697		5,144		4,769		N/A
	5,593		5,221		5,577		6,286		4,546		N/A
	3,029		3,068		3,332		2,818		3,223		N/A
	1,198,076		1,235,568		1,289,017		1,112,151		989,009		1,019,646
	1,039,092		985,039		1,110,908		996,686		571,582		575,268
	39,798		40,404		40,595		41,311		41,861		41,787
	24,500		24,300		24,300		24,300		24,200		24,000
	1,681,195		1,681,514		1,659,399		1,459,960		1,355,658		1,388,411
	484,297		481,210		481,929		485,550		477,466		457,992
	278,996		286,271		285,216		285,862		294,662		294,309
	6,228,235		6,220,413		6,186,278		6,163,001		6,002,523		5,852,544
	490,966		488,854		495,693		488,984		471,653		498,486

(continued)

Schedule of Operating Indicators by Function (continued)

For the Past Ten Fiscal Years

	2013	2014	2015	2016
Health and Human Services				
Department of Public Health				
Vital statistics				
Live births ^{5,10}	494,392	502,973	491,789	488,925
Department of Social Services				
Calfresh programs households (avg. per month).....	1,898,283	2,004,016	2,102,031	2,130,583
Employment Development Department				
Number of employed ^{5,6,9}	15,563,700	15,992,600	16,474,800	16,906,200
Resources				
Department of Fish and Wildlife				
Sport fishing licenses sold ^{5,9}	2,540,439	2,491,578	2,485,400	2,508,490
Hunting licenses sold ^{5,9}	2,033,573	1,980,655	2,131,655	2,143,146
California Energy Commission				
Electrical energy generation plus net imports (gigawatt hours) ⁹	296,280	296,147	295,878	290,797
Business, Consumer Services, and Housing				
Franchise Tax Board				
Personal Income Tax ^{5,9}				
Number of tax returns filed	15,495,383	15,856,019	16,257,600	16,586,622
Taxable income ¹	\$ 949,346	\$ 1,057,520	\$ 1,107,474	\$ 1,159,688
Total tax liability ¹	\$ 55,622	\$ 65,459	\$ 68,498	\$ 71,558
Corporation Tax ^{5,9}				
Number of tax returns filed	801,041	828,080	865,593	900,358
Income reported for taxation ¹	\$ 101,942	\$ 122,976	\$ 140,534	\$ 129,452
Total tax liability ¹	\$ 7,124	\$ 8,593	\$ 9,235	\$ 9,276
Transportation				
California Highway Patrol				
Total number of DUI arrests ⁵	60,807	75,871	65,016	63,210
Department of Motor Vehicles				
Motor vehicle registration ^{5,9}	32,903,847	32,980,355	34,346,325	34,721,195
License issued by age ^{5,7,9}				
Under age 18	221,385	223,024	221,250	225,569
Between 18-80	23,824,697	24,195,705	25,089,910	25,639,270
Over age 80	597,350	595,739	603,691	619,807
Department of Transportation				
Highway center-line miles – rural ^{5,8,9}	10,315	10,312	10,407	10,259
Highway center-line miles – urban ^{5,8,9}	4,789	4,788	4,686	4,833
Correctional Programs				
Department of Corrections and Rehabilitation				
Division of Adult Institutions				
Institution population at December 31 each year ...	134,333	134,431	127,815	129,415
Division of Juvenile Justice				
Institution population at June 30 each year	712	675	681	690

	2017	2018	2019	2020	2021	2022
	471,806	454,244	446,548	448,758	419,271	419,802
	2,032,818	1,979,526	1,782,500	2,249,323	2,446,529	2,618,623
	17,249,800	17,594,500	17,854,100	16,594,600	17,160,200	18,111,800
	2,502,863	2,498,077	2,371,800	2,780,352	2,713,545	2,430,559
	2,143,026	2,113,888	2,043,323	2,404,425	2,387,932	2,066,144
	292,115	285,884	278,177	274,254	281,001	288,010
	16,888,470	17,101,753	17,530,141	18,381,491	17,978,845	N/A
\$	1,259,819	\$ 1,357,636	\$ 1,412,083	\$ 1,519,003	\$ 1,842,709	N/A
\$	79,927	\$ 87,168	\$ 90,071	\$ 103,753	\$ 125,851	N/A
	936,211	974,652	1,003,389	1,048,599	1,063,592	N/A
\$	127,290	\$ 172,954	\$ 191,621	\$ 168,413	\$ 264,189	N/A
\$	8,822	\$ 11,625	\$ 13,861	\$ 15,174	\$ 27,754	N/A
	58,894	59,708	66,059	55,692	60,271	57,244
	35,391,347	35,707,821	36,423,657	35,820,417	36,229,205	35,656,590
	219,572	213,402	215,084	182,187	205,668	207,465
	26,078,773	26,275,559	26,439,138	26,063,084	26,560,379	26,763,045
	659,530	647,831	650,998	624,254	696,062	750,908
	10,259	10,259	10,511	10,458	10,430	N/A
	4,833	4,833	4,547	4,564	4,597	N/A
	130,263	127,709	124,027	95,432	99,729	91,385
	638	629	720	782	677	558
						(concluded)

Schedule of Capital Asset Statistics by Function

For the Past Ten Fiscal Years

	2013	2014	2015	2016
General Government				
Department of Food and Agriculture				
Vehicles and mobile equipment	792	747	747	752
Square footage of structures (in thousands)	455	455	455	455
Department of Justice				
Vehicles and mobile equipment	527	520	520	484
Department of Military				
Vehicles and mobile equipment	211	211	211	217
Square footage of structures (in thousands)	3,623	4,019	3,977	3,965
Department of Veterans Affairs				
Veterans homes	8	8	8	8
Vehicles and mobile equipment	267	285	285	235
Square footage of structures (in thousands)	2,488	2,543	2,541	2,541
Education				
California State University				
Vehicles and mobile equipment	4,467	4,555	4,619	4,945
Campuses	23	23	23	23
Square footage of structures (in thousands)	73,866	73,316	73,988	75,292
Health and Human Services				
Department of Developmental Services				
Vehicles and mobile equipment	632	424	571	640
Developmental centers	4	4	3	3
Square footage of structures (in thousands)	5,279	5,308	4,699	3,664
Department of State Hospitals				
Vehicles and mobile equipment	699	886	752	678
State hospitals	7	7	7	8
Square footage of structures (in thousands)	6,457	6,460	6,445	6,445

Source: California Department of General Services (DGS).

Note: This schedule presents data available as of June 2023.

2017	2018	2019	2020	2021	2022
677	823	633	780	752	672
462	384	384	384	394	394
511	509	495	485	549	536
218	261	221	241	212	212
3,954	3,770	3,268	3,254	3,253	3,217
8	8	8	8	8	8
280	292	247	276	279	278
2,552	2,552	2,536	2,541	2,541	2,541
4,838	5,216	5,246	5,397	5,447	5,434
23	23	23	23	23	23
75,786	76,227	76,969	78,447	79,572	80,271
559	616	600	490	418	392
3	3	2	2	2	2
3,664	3,595	3,578	2,321	2,321	2,321
674	728	820	969	900	973
5	5	5	5	5	5
5,944	5,944	6,425	6,433	6,478	6,485

(continued)

Schedule of Capital Asset Statistics by Function (continued)

For the Past Ten Fiscal Years

	2013	2014	2015	2016
Resources				
Department of Fish and Wildlife				
Vehicles and mobile equipment	2,896	2,954	2,954	3,104
Square footage of structures (in thousands)	1,317	1,311	1,311	1,297
Department of Forestry and Fire Protection				
Vehicles and mobile equipment	2,845	2,748	2,748	3,151
Square footage of structures (in thousands)	3,641	3,632	3,664	3,666
Department of Parks and Recreation				
Vehicles and mobile equipment	3,311	3,489	3,489	3,538
State Parks	280	279	280	280
Acres of state park land (in thousands)	1,590	1,590	1,605	1,605
Square footage of structures (in thousands)	6,598	6,751	6,761	6,790
State Lands Commission				
Vehicles and mobile equipment	42	41	41	41
Acres of land (in thousands)	4,489	4,489	4,482	4,480
Business, Consumer Services, and Housing				
Department of Consumer Affairs				
Vehicles and mobile equipment	518	554	554	588
Department of General Services				
Vehicles and mobile equipment	5,226	5,053	5,053	4,697
Square footage of structures (in thousands)	19,098	19,367	19,448	19,311
Transportation				
California Highway Patrol				
Vehicles and mobile equipment	5,341	5,170	5,170	5,167
Square footage of structures (in thousands)	1,149	1,166	1,169	1,211
Department of Motor Vehicles				
Vehicles and mobile equipment	294	295	295	287
Square footage of structures (in thousands)	1,842	1,845	1,786	1,780
Department of Transportation				
Vehicles and mobile equipment	11,767	11,596	11,596	11,776
Square footage of structures (in thousands)	8,170	7,960	7,965	7,968
Correctional Programs				
Department of Corrections and Rehabilitation				
Vehicles and mobile equipment	5,156	5,137	5,968	5,291
Prisons and juvenile facilities	37	37	39	39
Square footage of structures (in thousands)	40,606	40,726	40,590	40,485

2017	2018	2019	2020	2021	2022
3,126	2,970	3,266	3,334	3,392	3,167
1,322	1,322	1,333	1,333	1,333	1,334
3,073	3,115	3,144	3,090	3,681	3,608
3,677	3,640	3,626	3,654	3,765	3,762
3,542	3,804	3,571	3,794	3,835	3,878
280	280	280	280	279	280
1,617	1,619	1,618	1,641	1,360	1,643
7,363	7,360	7,544	7,554	7,558	7,429
43	48	42	43	44	43
4,480	4,480	4,480	4,480	4,480	4,480
596	600	622	671	614	612
4,476	4,465	4,552	4,664	4,838	4,838
19,487	19,565	19,490	20,267	20,285	22,017
5,336	4,912	4,946	4,807	5,656	5,362
1,191	1,182	1,199	1,301	1,302	1,308
276	283	266	314	308	314
1,777	1,785	1,785	1,785	1,785	1,785
11,585	11,494	11,483	11,449	11,416	11,303
7,960	7,933	8,074	8,096	8,365	8,402
8,079	7,571	7,139	7,312	7,632	8,356
40	39	39	39	38	37
42,198	42,209	42,605	42,936	42,932	42,932

(concluded)

STATE OF CALIFORNIA Office of the State Controller

MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

Executive Office

Cathy Leal
Acting Chief Operating Officer

Regina Evans
Chief of Staff

Michael Carter
Acting Chief Administrative Officer

State Accounting and Reporting Division

Ted Lambert
Division Chief

James Anderson, CPA
Assistant Division Chief

State Government Reporting

Vacant
Bureau Chief

Managers

Gabriel Flores
May Lam
Yumi Li
Eli Paul

April Ramos, CPA
Kao Saephan
Yi-Wen Tsai

Christopher Bradford
Will LeMarQuand
Modupe Otusanya

Supervisors

Hao Phan
Janti Tam
Karla Uriarte

Staff

Kutaiba Al Badri	Alexander Francisco	Bing Leng	Heather Nguyen	Moses Reginalds
Mark Awad	Meredith Hatai Garcia	Daniel Lopez	Elizabeth Ocaranza	Eric Sarell
Nicole Caccam	Devon Golez	Josey Lu	Marissa Parris	Xiaoqing Sun
Rahul Chaudhary	Yolandalynn Green	Nia Bianca Mandlik	Lijo Paul	Fatima Toure
Janet Delorey	Nina Johnson	Sally Masterson	Jessica Phan	Wendy Tram
Aqel Elhady	Harpreet Khinda	Adnan Muhammad	Randy Phan	Tuyen Truong
Forrest Flanagan, CPA	Samantha Lam	Anh Nguyen	Cameron Quinn	Carrie Wylie
Alex Formanyuk	Nangcua Lee			

Technical Advisors

Andy Leung
Rod Renteria

Editors

Jenna Lewis
Estelle Manticas

Special Thanks

Muhammad Atif	Ash Kaur
Jil Barraza	Harleen Khangura
Garin Casaleggio	KC Mohseni
Diana Frierson	Nancy Nguyen
Richard Hamner	Allen Nunley
Chinh Hoang	Caroline Vue

Staff

Ross Boyer	Carl Walker
Megan Hang	Thomas Wong



MALIA M. COHEN

California State Controller's Office

State Accounting and Reporting Division

P.O. Box 942850/Sacramento, CA 94250/916.445.2636

www.sco.ca.gov