

State of California

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2023



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

December 13, 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, 2023. 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 a number of factors including a partnership with the California Department of Finance and our 203 reporting state entities. While there is no statutory deadline for publishing the ACFR, its completion satisfies several compliance requirements for the State. This ACFR release represents the shortest publication timeline in the SCO's history and is reflective of my commitment to publish the 2024-25 ACFR on time in March of 2026.

California's economic climate for the fiscal year ended June 30, 2023, was marked by ongoing high inflation, rising interest rates, a volatile stock market, job losses in high-wage sectors, and disruptions from catastrophic weather events. The State ended the fiscal year with total General Fund revenues of \$192.4 billion and was supported by a strong internal borrowable cash position of \$97.6 billion.

Since 2018, California has published its financial statements well beyond the regulatory target deadline. As previously highlighted, when I assumed office in 2023, I determined early in my administration that untimely financial statements were unacceptable. Consistent with the SCO's purpose, I recognized that timely, reliable, and sound financial reporting has long underpinned California's financial stability, and immediately established an aggressive goal of publishing an on-time ACFR in 2026. With an unprecedented collaboration, referred to as "Team California," with the Governor and his administration, the Legislature, and the Department of Finance, we have made significant progress towards achieving the goal. "Team California" has resulted in an ACFR governance structure and operating model, standardized ACFR tasks, increased efficiencies through leveraging technology, and substantive engagement with departments and agencies through technical assistance and training regarding financial reporting.

As of the most recent ACFR publication in March of 2024, we have realized significant milestones in our three-year path to timely submission of the ACFR. State departments and agencies have shown significant improvements in the timely and accurate submission of their financial reports. My office is now timely in publishing pension and other post-employment benefit schedules which support the independent audits of state departments that issue bonds or conduct enterprise activities that are ultimately reported in the ACFR. My office is also now current in obtaining and processing year-end budgetary/legal financial statement for all funds. These milestones are all critical components necessary to produce the ACFR, and because of “Team California’s” work we have realized a three month improvement in our ACFR publication timeline since the publication of the prior ACFR earlier this year.

I extend my gratitude and appreciation to our “Team California” partners for prioritizing accountability of the State’s finances through timely and accurate financial reporting. Thank you to the California State Auditor and his team for maintaining the highest standards of professionalism as the independent auditor of the State’s finances. Finally, I must also acknowledge and recognize the remarkable State Accounting and Reporting Division in my office for always modeling our T.R.U.S.T.E.D. values and executing on our purpose to move California forward so that everyone thrives, with completing this complex financial report.

Sincerely,

Original signed by

Malia M. Cohen

NOTE: Please see Report Overview beginning on Page v for additional transmittal components.

STATE OF CALIFORNIA

Annual

Comprehensive

Financial Report

For the Fiscal Year Ended
June 30, 2023



Prepared by the office of

MALIA M. COHEN
California State Controller

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Introductory Section

Report Overview

General Overview

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

The California State Auditor has issued a modified opinion on certain components of the State's basic financial statements for the year ended June 30, 2023, 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, 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 certain accounts in the aforementioned financial statements 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 programs.

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, 2023, and its economic performance as of and for the year ended June 30, 2024, 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 2023, 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 13.9% of the U.S. Gross Domestic Product (GDP) in 2023 and continued to rank fifth largest in the world (in terms of GDP) at the end of the year. Sectors of California's diverse economy include technology, trade, entertainment, manufacturing, government, tourism, construction, and services. California's GDP totaled \$3.8 trillion at fiscal year-end and, as the nation's leader in agricultural production, the state's farming operations generated approximately \$55.9 billion in cash receipts for the 2022 crop year. In 2023, California exported \$178.7 billion in products; its three largest export markets are Mexico (\$33.3 billion), Canada (\$19.1 billion), and China (\$16.9 billion). California's six largest exports are computer and electronic products, machinery (except electrical), chemicals, transportation equipment, agricultural products, and miscellaneous manufactured commodities. California enjoys one of the finest and most diverse collections of natural, cultural, and recreational resources in the nation. In 2023, California's travel and

tourism industry generated revenues of \$150.4 billion, a 5.6% increase over the previous year and travel-generated state and local tax revenues of \$12.7 billion, a 3.7% increase over the previous year. The increase was primarily as a result of increased prices of goods and services due to inflation.

Budget Outlook

Fiscal Year 2023-24

The Governor’s enacted 2023-24 Budget proposed to address the revenue shortfall caused by a declining stock market, persistently high inflation, rising interest rates, and job losses in high-wage sectors. The Budget provided balanced solutions to protect core State programs and services and preserve investments in the programs essential to millions of Californians. This included protecting commitments to address education, affordable housing, homelessness, healthcare, climate change, infrastructure, and public safety. The Budget also supported water, transportation, and clean energy projects, and continued to build budgetary reserves. The enacted Budget projected General Fund revenues of \$208.7 billion and set aside a record \$37.8 billion in budgetary reserves to put California on strong fiscal footing to better withstand future economic downturns or revenue declines.

Fiscal Year 2024-25

California enacted the 2024-25 Budget Act on June 26, 2024. After the tumultuous conditions caused by the pandemic, the State’s economy quickly recovered and revenue volatility stabilized; however, the pandemic was followed by a statewide flooding disaster in early 2023, resulting in an unprecedented emergency tax filing and payment postponement, that delayed critical General Fund cash receipts by more than six months. As a result, the Budget faced anticipated shortfalls, necessitating cuts, reductions, and pauses in order to keep the State on a fiscally responsible long-term path and protect essential programs assisting millions of Californians while minimizing the use of critical operating reserves. By the end of the fiscal year 2024-25, the Budget estimates a decrease in total reserves by \$15.6 billion, to \$22.2 billion, consisting of \$17.6 billion in the Budget Stabilization Account, \$1.1 billion in the Public School System Stabilization Account, and \$3.5 billion in the Special Fund for Economic Uncertainties.

The 2024-25 Budget projects General Fund revenue of \$212.1 billion (\$225.6 billion after transfers) and expenditures of \$211.5 billion. The Budget anticipates increased revenues from personal income taxes, sales and use taxes, and corporation taxes. Personal income taxes are estimated to contribute to the majority of General Fund revenue, at 56.2% (\$116.6 billion); corporation taxes are estimated to contribute 20.5% (\$42.6 billion); and sales and use taxes are estimated to contribute 16.4% (\$34.0 billion).

Long-term Financial Planning

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

- California’s economy remains strong and resilient despite persistent inflation and elevated interest rates. The 2024-25 Budget reflects a solid increase in overall expected General Fund revenues of 8.9% from the prior year, and the State’s “Big Three” General Fund revenue sources—personal income taxes, sales taxes, and corporation taxes—are projected to increase by 8.6% from the prior year. The Budget anticipates that fiscal year 2024-25 personal income tax revenues will increase from \$111.2 billion in the previous fiscal year to \$116.5 billion, sales and use tax revenues will increase from \$33.3 billion to \$34.0 billion, and corporation tax revenues will increase from \$33.3 billion to \$42.6 billion.
- The Consumer Price Index increased 3.0% during the year ended June 30, 2024. The food index increased 2.2%, and the shelter index increased 5.2%. The energy index increased by only 1.0%,

following a steep decrease of 16.7% in the prior year to correct for soaring pandemic energy price increases of over 40%.

- Between March 17, 2022, and July 27, 2023, the Federal Reserve Board increased interest rates by 525 basis points. Since July 27, 2023, the Federal Reserve Board has decreased interest rates by 75 basis points, with the last decrease on November 8, 2024. The net increase in interest rates of 450 basis points will continue to impact the State's future cost of borrowing.
- The 2024 Budget Act reflects the State's commitment to addressing the unfunded pension liabilities over the long term. The Budget includes \$337 million in one-time supplemental Proposition 2 debt repayment funding to further reduce the unfunded liabilities of the State's pension plans. Depending on the availability of Proposition 2 funding, an additional \$3.0 billion is projected 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, 2023, more than \$6.8 billion was set aside in a prefunding trust fund to pay future retiree health benefits. The trust fund is expected to approach \$10.8 billion in assets by the end of fiscal year 2024-25.
- The 2023 fire season saw a substantial decrease in the number and magnitude of wildfires in the state, with approximately 333,000 acres burned. The 2024 fire season was more significant, with over 1.0 million acres burned. Both years were well below the five-year average of 2.3 million acres burned per year. The 2024-25 Budget Act maintains \$2.6 billion in investments over seven years to restore forest and wildland health and reduce risk of future catastrophic wildfires.
- After 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 2024-25 Budget Act maintains \$6.7 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.

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

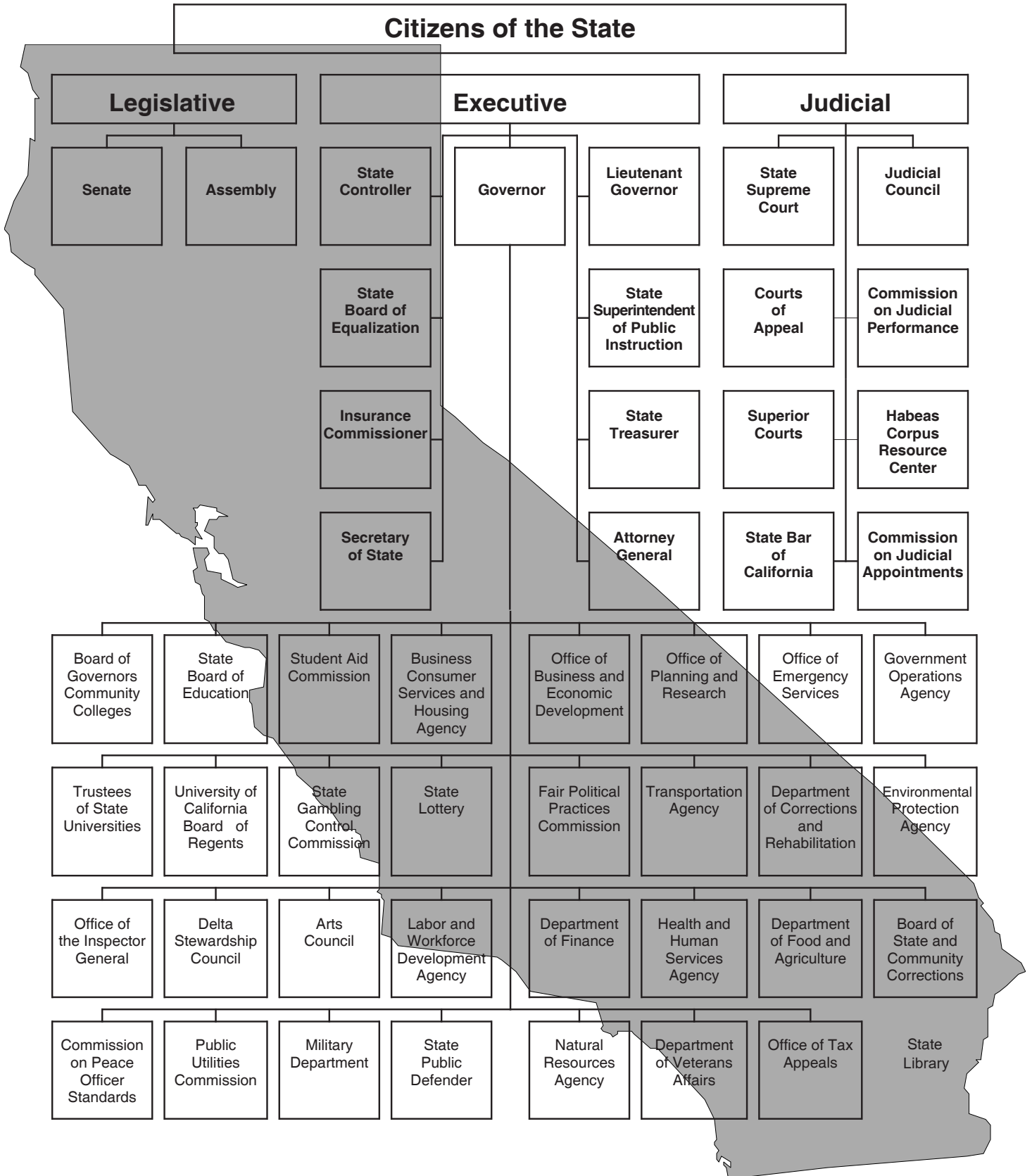
Mike McGuire
President pro Tempore, Senate

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, 2023, 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
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, 2023, 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, 2023, 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 85 percent of the assets and deferred outflows, and 60 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 94 percent of the revenues of the discretely presented component units.

Fund Financial Statements

- The following major enterprise funds: 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 52 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 14 percent of university's total assets and deferred outflows, and 4 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 within the Federal Fund are free from material misstatement.

The issues pertaining to the Federal Fund also affect Governmental Activities. Therefore, we were unable to obtain sufficient and appropriate audit evidence about the Federal Fund balances that represent 98 percent of Other Current Liabilities within Governmental Activities.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2023, the State of California implemented Governmental Accounting Standards Board Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* and Statement No. 96, *Subscription-Based Information Technology Arrangements* and restated the beginning net balances for its effect. Our opinions are not modified with respect to these matters.

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 reports 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 will issue a separate report 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

December 5, 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, 2023. 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

After a two-year span of unprecedented General Fund revenue growth, California faced an inevitable reduction in its revenue in fiscal year 2022-23. General revenues, comprised primarily of taxes, decreased by \$6.9 billion (2.9%), compared to the increase of \$6.6 billion (2.9%) recorded for fiscal year 2021-22. This slowdown in revenue performance was attributable to a combination of global economic challenges and shifting market dynamics. As the Federal Reserve aggressively raised interest rates to combat soaring inflation, borrowing costs for consumers and businesses escalated alongside the consumer price index, which together dampened spending and investment. This inflationary pressure ultimately contributed to a sharp stock market decline and decreased tax collections from high-income-earning Californians, whose strong capital gains and stock-based compensation played a major role in the State's prior-year tax collection increases. Still, through prudent planning and a commitment to building operating reserves in previous budgets, California was in a fiscally responsible position to address fiscal year 2022-23 downturn. As of June 30, 2023, the Budget Stabilization Account, California's "Rainy Day Fund," held reserves of \$22.3 billion, and accounted for a significant portion of the State's \$35.6 billion in total budgetary reserves. Expenses and transfers for the State's governmental activities were reduced by \$14.1 billion (3.3%) to accommodate for the lost revenue, and were less than total revenues received, resulting in a \$6.1 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 \$1.8 billion increase in the business-type activities' net position, as restated, for fiscal year 2022-23.

Net Position – Activity for fiscal year 2022-23 reflects a combined \$7.9 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 an increase in the beginning net position of governmental activities of \$9.1 billion, and a decrease in beginning net position of business-type activities of \$207 million. Beginning net position was also restated as a result of the implementation of GASB Statement No. 94, *Public-Private And Public-Public Partnerships And Availability Payment Arrangements*, which was established to improve financial reporting of public-private partnerships, public-public partnerships, and availability payment arrangements. As a result of the implementation, the primary government's beginning net position increased by \$594 million. GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which established uniform accounting and reporting guidance for information technology arrangements, also contributed \$42 million to the restatement of the beginning net position. See Note 1 for additional details related to restatements.

The primary government ended fiscal year 2022-23 with a deficit net position of \$37.9 billion, an increase of \$7.9 billion (17.2%) from the previous year, as restated. The total deficit net position is

reduced by \$134.9 billion for net investment in capital assets and by \$76.5 billion for restricted net position, yielding a negative unrestricted net position of \$249.4 billion. Restricted net position is dedicated for specified uses and is not available to fund current activities. Approximately 71.1%, or \$177.3 billion, of the negative \$249.4 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 \$65.9 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, 2023, the primary government's governmental funds reported a combined ending fund balance of \$75.5 billion, a decrease of \$1.3 billion over the prior fiscal year fund balance, as restated. The unrestricted fund balance, comprised of committed, assigned, and unassigned balances, was \$5.0 billion, a decrease of \$0.2 billion from the prior fiscal year unrestricted fund balance of \$5.2 billion. The nonspendable and restricted fund balances were \$4.0 billion and \$66.5 billion, respectively.

Proprietary Funds – As of June 30, 2023, the primary government's proprietary funds reported a combined ending deficit net position of \$18.8 billion, an increase of \$2.2 billion from the prior fiscal year, as restated. The total net position is reduced by \$4.2 billion for net investment in capital assets, expendable restrictions of \$10.1 billion, and nonexpendable restrictions of \$2 million, yielding a negative unrestricted net position of \$33.1 billion.

Noncurrent Assets and Liabilities

As of June 30, 2023, the primary government's noncurrent assets totaled \$193.9 billion, of which \$171.6 billion is related to capital assets. State highway infrastructure assets of \$83.7 billion represent the largest portion of the State's capital assets, while buildings and other depreciable property are the second largest portion at a total of \$59.7 billion.

The primary government's noncurrent liabilities totaled \$298.6 billion, which consists of \$177.2 billion in unfunded employee-related future obligations, \$75.4 billion in general obligation bonds, \$29.3 billion in revenue bonds, and \$16.7 billion in other noncurrent liabilities. During fiscal year 2022-23, the primary government's noncurrent liabilities increased by \$25.9 billion (9.5%) from the previously reported noncurrent liabilities. The net increase in noncurrent liabilities is driven by an increase of \$35.7 billion in net pension liability, which was offset by a decrease of \$12.5 billion in net other postemployment benefits liability.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

The statements provide both short-term and long-term information about the State's financial position to help readers assess the State's economic condition at the end of the fiscal year. These statements are prepared using the economic resources measurement focus and the accrual basis of accounting, similar to methods used by most businesses. These statements take into account all revenues and expenses connected with the fiscal year, regardless of when the State received or paid the cash. The government-wide financial statements include two statements: the Statement of Net Position and the Statement of Activities.

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

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

- *Governmental activities* are mostly supported by taxes, such as personal income and sales and use taxes, and intergovernmental revenues, primarily federal grants. Most services and expenses normally associated with state government fall into this activity category, including general government; education (public K–12 schools and institutions of higher education); health and human services; natural resources and environmental protection; business, consumer services, and housing; transportation; corrections and rehabilitation; and interest on long-term debt.
- *Business-type activities* typically recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The business-type activities of the State of California include providing unemployment insurance programs, providing housing loans to California veterans, providing water to local water districts, providing services to California State University students, selling California State Lottery tickets, selling electric power, and providing wildfire prevention programs. 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 \$7.9 billion (17.2%), from a negative \$45.8 billion, as restated, to a negative \$37.9 billion at June 30, 2023. As previously mentioned, the net position at the beginning of fiscal year 2022-23 was restated as a result of the implementation of GASB Statement No. 94, 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 \$134.9 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 \$76.5 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, 2023, the primary government’s combined unrestricted deficit net position was \$249.4 billion—\$218.2 billion for governmental activities and \$31.1 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, 2023 and 2022

(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
ASSETS						
Current and other assets	\$ 247,267	\$ 272,237	\$ 31,112	\$ 30,040	\$ 278,379	\$ 302,277
Capital assets	154,278	148,939	17,302	16,646	171,580	165,585
Total assets	401,545	421,176	48,414	46,686	449,959	467,862
DEFERRED OUTFLOWS OF RESOURCES						
Total assets and deferred outflows of resources	42,404	29,093	6,236	3,778	48,640	32,871
LIABILITIES						
Noncurrent liabilities	\$ 257,664	\$ 233,183	\$ 40,931	\$ 39,470	\$ 298,595	\$ 272,653
Other liabilities	175,453	202,779	22,766	22,722	198,219	225,501
Total liabilities	433,117	435,962	63,697	62,192	496,814	498,154
DEFERRED INFLOWS OF RESOURCES						
Total liabilities and deferred inflows of resources	31,108	49,826	8,621	7,501	39,729	57,327
NET POSITION						
Net investment in capital assets	131,322	125,863	3,538	3,341	134,860	129,204
Restricted	66,645	60,482	9,902	10,641	76,547	71,123
Unrestricted	(218,244)	(221,863)	(31,108)	(33,212)	(249,352)	(255,075)
Total net position (deficit)	(20,277)	(35,518)	(17,668)	(19,230)	(37,945)	(54,748)
Total liabilities, deferred inflows of resources, and net position	\$ 443,948	\$ 450,270	\$ 54,650	\$ 50,463	\$ 498,598	\$ 500,733

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, 2023, the primary government

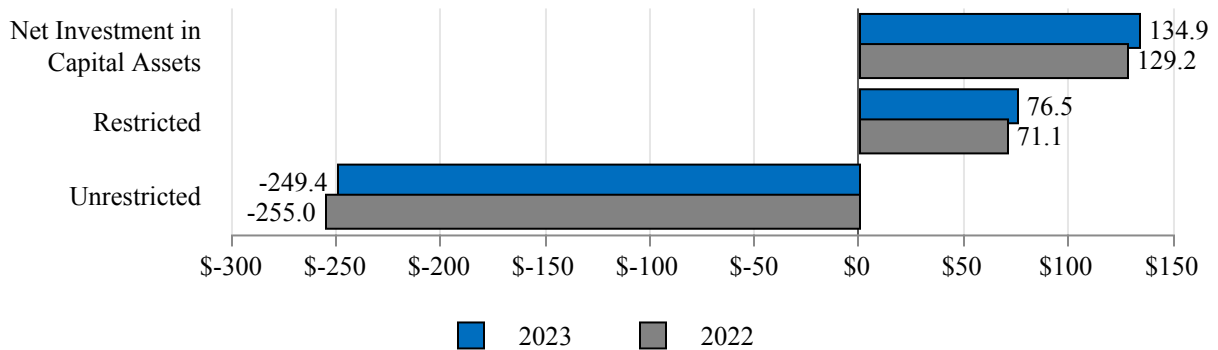
recognized \$177.3 billion (71.1% of the \$249.4 billion unrestricted net deficit) in unfunded employee-related obligations—net pension liability, net OPEB liability and compensated absences. In addition, the primary government recognized \$65.9 billion in outstanding bonded debt issued to build capital 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, 2023 and 2022
(amounts in billions)



Changes in Net Position

The expenses of the primary government totaled \$441.9 billion for the fiscal year ended June 30, 2023. Of this amount, \$222.0 billion (50.2%) was funded with program revenues (charges for services or program-specific grants and contributions), leaving a \$219.9 billion to be funded with general revenues (mainly taxes). The primary government's general revenues of \$227.8 billion were greater than the unfunded expenses. As a result, the total net position, as restated, increased by \$7.9 billion, or 17.2%.

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, 2023 and 2022

(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
REVENUES						
Program Revenues:						
Charges for services.....	\$ 39,707	\$ 36,222	\$ 30,367	\$ 29,967	\$ 70,074	\$ 66,189
Operating grants and contributions	147,292	170,663	2,797	4,010	150,089	174,673
Capital grants and contributions	1,847	1,895	—	—	1,847	1,895
General Revenues:						
Taxes	224,272	233,194	—	—	224,272	233,194
Investment and interest	2,597	789	—	—	2,597	789
Miscellaneous	876	660	—	—	876	660
Total revenues	416,591	443,423	33,164	33,977	449,755	477,400
EXPENSES						
Program Expenses:						
General government	24,946	38,760	—	—	24,946	38,760
Education	100,497	108,451	—	—	100,497	108,451
Health and human services	219,032	216,232	—	—	219,032	216,232
Natural resources and environmental protection	13,315	12,503	—	—	13,315	12,503
Business, consumer services, and housing	5,642	7,364	—	—	5,642	7,364
Transportation	19,100	15,793	—	—	19,100	15,793
Corrections and rehabilitation	18,205	16,526	—	—	18,205	16,526
Interest on long-term debt	3,705	3,508	—	—	3,705	3,508
Electric Power	—	—	—	36	—	36
Water Resources	—	—	1,460	1,233	1,460	1,233
State Lottery	—	—	9,291	8,885	9,291	8,885
Unemployment Programs	—	—	15,534	14,966	15,534	14,966
California State University	—	—	10,878	10,778	10,878	10,778
Other enterprise programs	—	—	278	271	278	271
Total expenses	404,442	419,137	37,441	36,169	441,883	455,306
Excess (deficiency) before transfers	12,149	24,286	(4,277)	(2,192)	7,872	22,094
Gain on early extinguishment of debt	23	12	—	—	23	12
Transfers	(6,047)	(5,466)	6,047	5,466	—	0
Change in net position	6,125	18,832	1,770	3,274	7,895	22,106
Net position (deficit), beginning	(26,403) *	(54,350) *	(19,437) *	(22,504) *	(45,840)	(76,854)
Net position (deficit), ending	\$ (20,278)	\$ (35,518)	\$ (17,667)	\$ (19,230)	\$ (37,945)	\$ (54,748)

*Restated

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

Governmental Activities

During fiscal year 2022-23, governmental activities' expenses and transfers totaled \$410.5 billion. Program revenues totaling \$188.8 billion, including \$149.1 billion in federal grants and contributions, funded 46.0% of expenses and transfers, leaving \$221.7 billion to be funded with general revenues (mainly taxes). General revenues for governmental activities of \$227.7 billion exceeded net unfunded expenses and transfers by \$6.1 billion resulting in the governmental activities' deficit net position of \$20.3 billion, after restatement, as of June 30, 2023, on par with the prior year's restated deficit net position of \$26.4 billion.

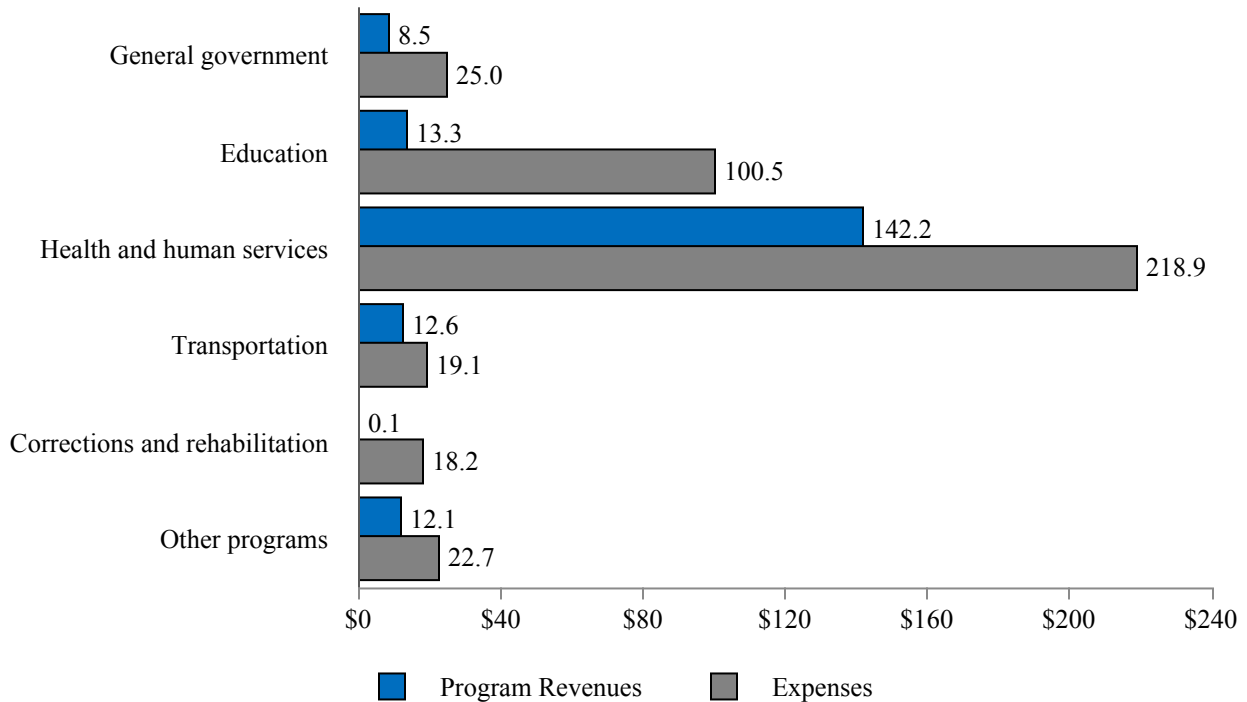
Chart 2 presents a comparison of governmental activities' expenses to related revenue by program.

Chart 2

Program Revenues and Expenses – Governmental Activities

Year ended June 30, 2023

(amounts in billions)



For the fiscal year ended June 30, 2023, total governmental activities' revenue was \$416.5 billion, a decrease of 6.1% from the prior year. General revenues decreased by \$6.9 billion (2.9%), to \$227.7 billion, and program revenues decreased by \$19.9 billion (9.5%), to \$188.8 billion. Corporation taxes rose marginally, by \$835 million (2.3%) over the prior year due to growth in retail sales earnings. Sales and use taxes increased by \$1.1 billion (2.2%) from the prior year due to an increase in consumer spending in services which also increased tax revenues. Personal income taxes decreased by \$11.5 billion (9.1%) from the prior year in fiscal year 2022-23, compared to a decrease of \$6.0 billion (4.5%) for fiscal year 2021-22. The decrease occurred despite an 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 fewer corporate initial public offerings (IPOs) to fuel individual investment earnings.

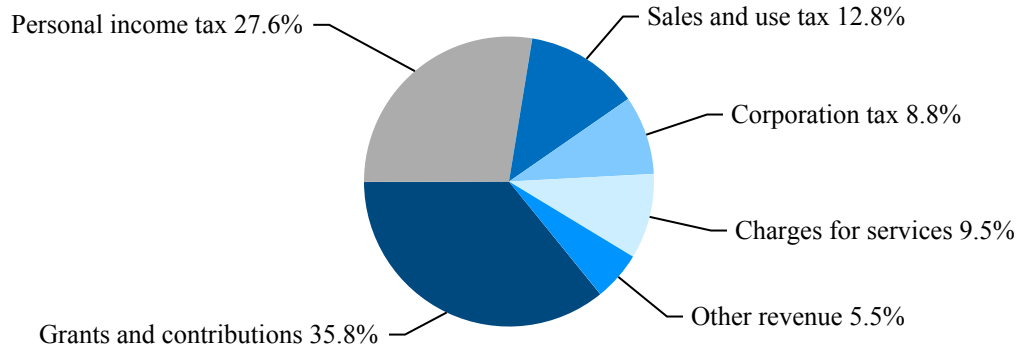
Chart 3 presents the percentage of total revenues by source for each governmental activities program.

Chart 3

Revenues by Source

Year ended June 30, 2023

(as a percent)



Overall, expenses for governmental activities decreased by \$14.7 billion (3.5%) from the prior year. The largest decrease in expenditures, \$13.8 billion (35.6%), occurred in general government, and \$8.0 billion (7.3%) in education expenditures; these decreases were partially offset by increases in other activities. The general government expenditures decreased due to a reduction in one-time spending programs and a focus on core budget priorities to align with the reduction in anticipated revenues. The decrease in education expenditures was due to a decrease in the State’s minimum funding guarantee for K-12 education and community colleges based on lower estimated General Fund revenues in fiscal year 2022-23.

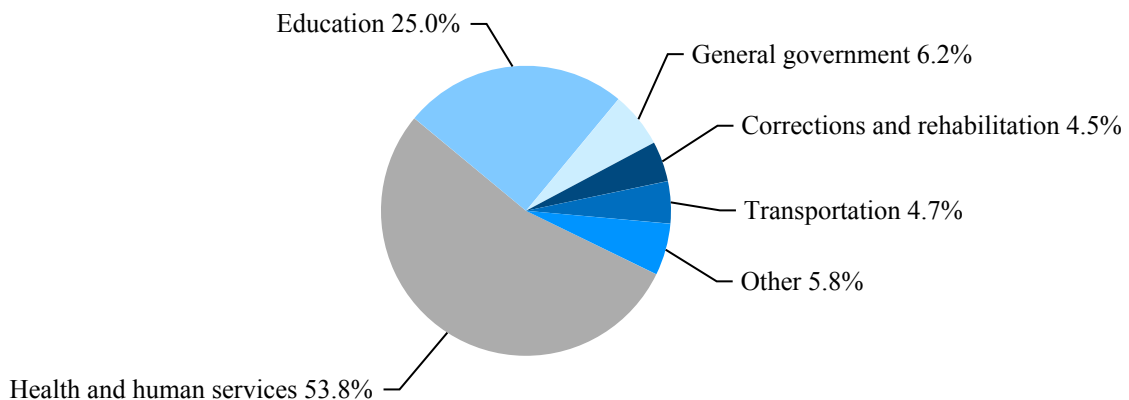
Chart 4 presents the percentage of total expenses for each governmental activities program.

Chart 4

Expenses by Program

Year ended June 30, 2023

(as a percent)



Business-type Activities

As of June 30, 2023, business-type activities' expenses totaled \$37.4 billion. Program revenues of \$33.2 billion, primarily generated from charges for services, and \$6.0 billion in transfers, exceeded business-type activities expenses. As a result, the business-type activities' total deficit net position improved by \$1.8 billion over the prior-year's restated deficit net position of \$19.5 billion, to a net deficit of \$17.7 billion at June 30, 2023.

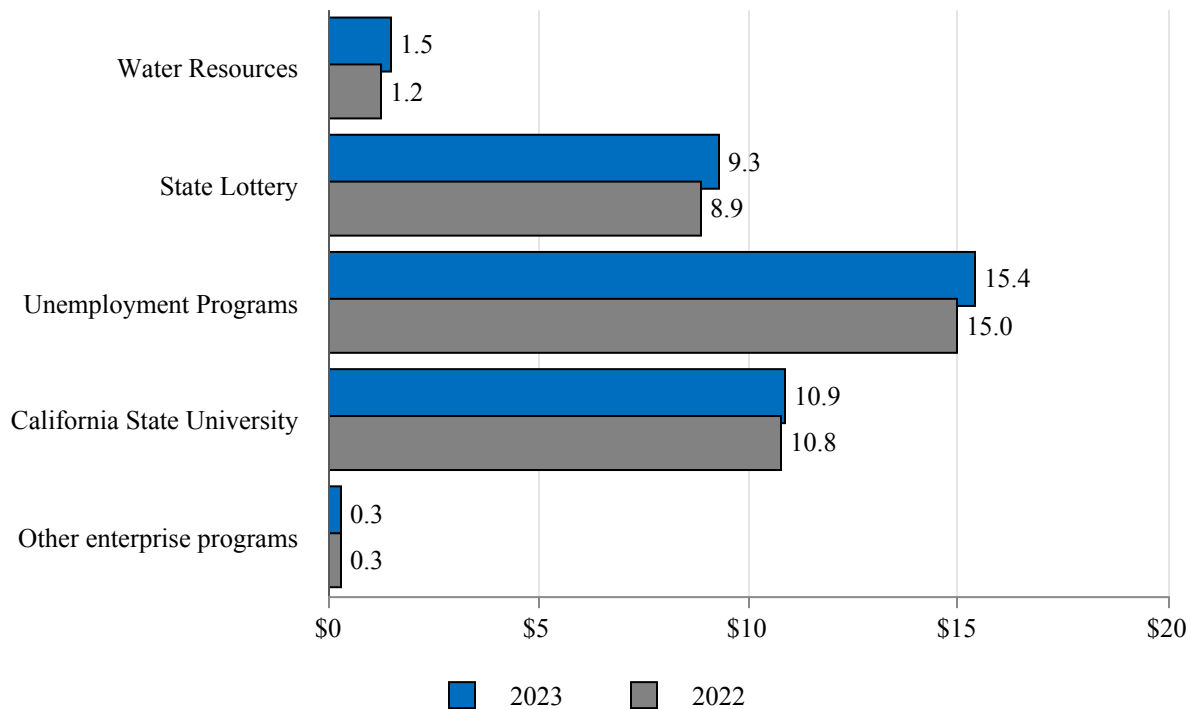
Chart 5 presents a two-year comparison of the expenses of the State's business-type activities.

Chart 5

Expenses – Business-type Activities – Two-year Comparison

Years ended June 30, 2023 and 2022

(amounts in billions)



Fund Financial Analysis

The financial position of the State's governmental funds declined in fiscal year 2022-23, with a combined fund balance decrease of \$1.3 billion from 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 combined net decrease during the fiscal year, primarily due to a sharp decline in personal income taxes. The proprietary funds' total net position increased by \$2.2 billion during fiscal year 2022-23—comprised of a \$1.8 billion increase for enterprise funds, as well as a \$443 million increase for internal service funds. The increase in the enterprise funds' net position includes a net position increase of \$1.8 billion for the California State University, driven largely by subsidies, and a net position decrease of \$230 million in

the Unemployment Programs Fund to a deficit balance of \$12.1 billion. The deficit net position for Unemployment Programs is due to the programs' inability to confirm eligibility for unemployment benefits claims.

Governmental Funds

As of June 30, 2023, the governmental funds' balance sheet reported \$260.1 billion in assets, \$184.6 billion in liabilities and deferred inflows of resources, and fund balances totaling \$75.5 billion. Total assets of governmental funds decreased by 9.9%, while total liabilities and deferred inflows of resources decreased by 16.1%, which yielded a net fund balance decrease of \$1.3 billion.

Within the governmental funds' total fund balance, \$4.0 billion is classified as nonspendable, as this amount consists of long-term interfund receivables, loans receivable, and legal or contractual requirements. Another \$66.4 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, \$20.4 billion of the total fund balance is classified as committed for specific purposes and \$20.8 billion is classified as assigned for specific purposes. The remaining unassigned balance of the governmental funds is a deficit of \$36.1 billion — \$17.0 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 \$416.3 billion in revenues, \$423.1 billion in expenditures, and \$5.4 billion in net receipts from other financing sources. The ending fund balance of the governmental funds for the fiscal year ended June 30, 2023, was \$75.5 billion, a \$1.3 billion decrease from the prior year's restated ending fund balance of \$76.8 billion.

Governmental funds' revenue consists primarily of taxes (53.8%) and intergovernmental revenue (36.4%). Personal income taxes accounted for 51.1% of tax revenues, a decrease of \$11.5 billion from the prior fiscal year. Sales and use taxes accounted for 23.9% of tax revenues, an increase of \$1.2 billion over the prior fiscal year. Corporation taxes accounted for 16.4% of tax revenues, an increase of \$838 million over the prior fiscal year. Intergovernmental revenue, primarily from the federal government, plummeted by \$23.6 billion (13.5%) from the prior fiscal year as funding from the American Rescue Plan Act was exhausted.

Governmental funds' expenditures decreased by \$22.3 billion (5.0%) from the prior fiscal year. The decrease is mainly due to a decline in general government expenditures of \$14.8 billion (33.5%). The overall decrease in governmental funds' expenditures also consists of a decrease in education expenditures of \$10.2 billion (9.1%), and bond and commercial paper retirement expenditures of \$3.2 billion (23.5%) from the prior fiscal year. Proposition 98 outlines the constitutional requirements that provide a minimum funding guarantee to support California's K-12 schools and community colleges. The minimum funding guarantee decreased as a result of decreased General Fund revenue in fiscal year 2022-23 impacting expenditures.

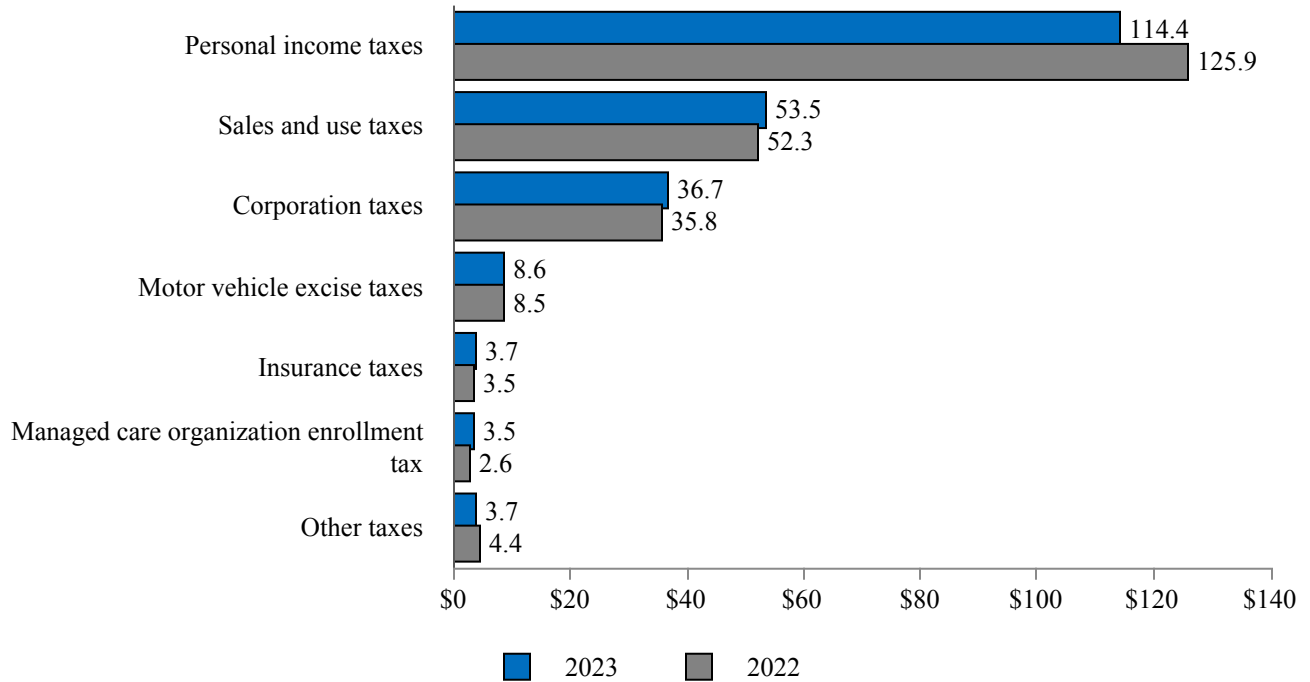
Chart 6 presents a two-year comparison of governmental funds' tax revenues.

Chart 6

Governmental Funds Tax Revenue – Two-year Comparison

Years ended June 30, 2023 and 2022

(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 \$64.0 billion, a decrease of \$9.1 billion from the prior year's fund balance, as restated. The Federal Fund ended the year with a negative fund balance of \$45.2 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 \$10.8 billion, \$20.7 billion, and \$2.0 billion, respectively. The nonmajor governmental funds ended the fiscal year with a combined fund balance of \$23.2 billion.

General Fund: As shown on the Balance Sheet, the General Fund (the State's main operating fund) ended fiscal year 2022-23 with assets of \$133.6 billion; liabilities and deferred inflows of resources of \$69.6 billion; and nonspendable, restricted, committed, and assigned fund balances of \$4.0 billion, \$24.8 billion, \$4.2 billion, and \$20.7 billion, respectively. This left the General Fund with an unassigned fund balance of \$10.3 billion, a decrease of \$26.2 billion from the prior year. Total assets of the General Fund decreased by \$34.9 billion (20.7%) from the prior fiscal year, and total liabilities and deferred inflows of resources decreased by \$24.9 billion (26.3%) over the prior year.

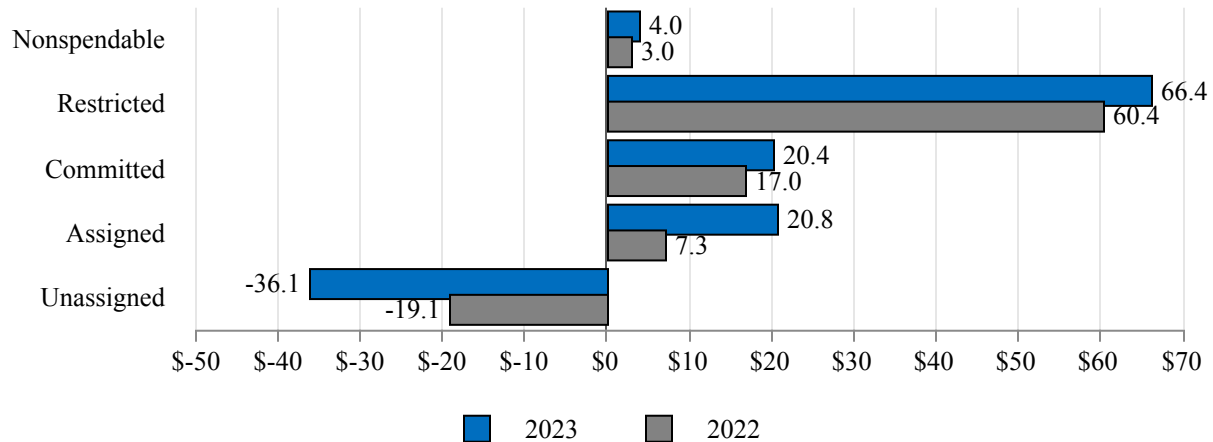
Chart 7 presents a two-year comparison of the components of the governmental funds' balance.

Chart 7

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

Years ended June 30, 2023 and 2022

(amounts in billions)



As shown on the Statement of Revenue, Expenditures, and Changes in Fund Balances, General Fund expenditures exceeded revenues by \$1.4 billion (\$192.4 billion in revenues and \$191.0 billion in expenditures). Approximately \$182.5 billion (94.8%) of General Fund revenue is derived from the State’s largest three taxes—personal income taxes (\$112.7 billion), corporation taxes (\$36.7 billion), and the sales and use taxes (\$33.1 billion). A total of \$494 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 2022-23, total General Fund revenue decreased by \$6.7 billion (3.4%), mainly due to a decrease in intergovernmental revenue and personal income taxes. Meanwhile, General Fund expenditures increased by \$0.1 billion (0.1%). The largest component of the expenditure increase was health and human services, which rose by \$13.4 billion. The General Fund ended the fiscal year with a fund balance of \$64.0 billion, a decrease of \$9.1 billion from the prior year’s restated ending fund balance of \$73.1 billion. The General Fund’s ending fund balance includes \$22.3 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 \$127.3 billion (85.9%) of the total \$148.2 billion in fund expenditures. Education and general government programs also constituted \$13.2 billion (8.9%) and \$1.3 billion (0.9%) of the fund’s expenditures, respectively. The Federal Fund’s revenues decreased by \$23.3 billion from the prior year, while expenditures and transfers had a combined decrease of

\$22.4 billion, resulting in a \$291 million improvement over the prior year's restated ending deficit fund balance of \$45.5 billion, to a \$45.2 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 \$1.2 billion (7.4%) and its expenditures increased by \$3.5 billion (21.2%) 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 \$2.7 billion. The Transportation Fund ended the fiscal year with a \$10.8 billion fund balance, an increase of \$609 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 \$112 million (1.2%) over the prior year, due to the spending requirements related to the Parks and Water Bond Act of 2018 (Proposition 68), passed by voters in June 2018. Expenditures decreased marginally by \$52 million (0.6%). 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 \$20.7 billion fund balance, an increase of \$3.0 billion (16.9%) over the prior year.

Health Care Related Programs Fund: The Health Care Related Programs Fund accounts for fees, taxes, intergovernmental revenue, bond proceeds, transfers from other state funds, and other revenue used for the Medi-Cal program, medical research, and other health care related programs. The Health Care Related Programs Fund's revenues increased by \$1.3 billion (13.6%), and expenditures increased by \$1.2 billion (11.7%). Other financing sources provided net receipts of \$539 million. The Health Care Related Programs Fund ended the fiscal year with a \$2.0 billion fund balance, an increase of \$294 million from the prior year.

Proprietary Funds

Enterprise Funds: The total deficit net position of the enterprise funds at June 30, 2023, was \$17.7 billion—a \$1.7 billion improvement from the prior year's restated deficit net position of \$19.4 billion. The largest portion of this improvement in net position, totaling \$1.8 billion, was attributable to California State University Fund. The Unemployment Programs Fund offset this increase with a \$230 million decrease to net position, ending the fiscal year with a deficit net position of \$12.1 billion. The net position of nonmajor enterprise funds increased by \$178 million, while the net position of the State Lottery Fund decreased by \$41 million.

As shown on the proprietary funds' Statement of Net Position, total assets and deferred outflows of resources for the enterprise funds were \$55.5 billion as of June 30, 2023. Of this amount, current assets totaled \$16.7 billion, noncurrent assets totaled \$32.6 billion, and deferred outflows of resources totaled \$6.2 billion. Total liabilities and deferred inflows of resources for the enterprise funds was \$73.1 billion. One of the largest liabilities of the enterprise funds is \$18.1 billion due to other governments, \$17.7 billion of which represents the balance in the Unemployment Programs Fund for which the program was unable to confirm unemployment benefits eligibility claims, primarily associated with federal pandemic relief programs. As of June 30, 2023, the Unemployment Programs Fund also reported a balance on deposit with the U.S. Treasury of \$475 million, funds used to pay unemployment claims during the pandemic. Other noteworthy cumulative liabilities of the enterprise funds include a net OPEB liability of \$14.5 billion, \$14.6 billion in revenue bonds payable including the current portion, and \$9.7 billion in net pension liability.

Total net position for enterprise funds consisted of four segments: net investment in capital assets of \$3.5 billion, nonexpendable restricted net position of \$2 million, restricted expendable net position of \$9.9 billion, and unrestricted net deficit of \$31.1 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 \$29.7 billion, operating expenses of \$34.4 billion, and net revenues from other transactions and transfers of \$6.4 billion. The largest sources of operating revenues were unemployment and disability insurance receipts of \$15.2 billion in the Unemployment Programs Fund, and lottery ticket sales of \$9.2 billion collected by the State Lottery Fund. Unemployment and disability insurance receipts in the Unemployment Programs Fund were \$1.1 billion (6.6%) less than the prior fiscal year. The largest operating expenses were distributions to beneficiaries of \$15.3 billion reported in the Unemployment Programs Fund, personal services expenses of \$6.4 billion reported in the California State University Fund, and lottery prizes of \$6.0 billion distributed by the State Lottery Fund.

Internal Service Funds: The total net deficit of the internal service funds was \$1.2 billion as of June 30, 2023. The net position consists of three segments: net investment in capital assets of \$650 million, restricted expendable net position of \$177 million, and unrestricted deficit net position of \$2.0 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 \$826.2 billion. The private purpose trust funds ended the fiscal year with a net position of \$14.4 billion. The investment trust funds ended the fiscal year with a net position of \$25.8 billion. The custodial fund ended the fiscal year with a net position of \$668 million.

For the fiscal year ended June 30, 2023, the fiduciary funds' combined net position was \$867.1 billion, a \$39.1 billion increase from the prior-year net position. The net position increased primarily because contributions received and investment income in pension and other employee benefit trust funds exceeded payments made to participants, despite a 28.0% decrease in investment trust net position compared to the prior fiscal year.

General Fund Budget Highlights

The original General Fund budget of \$207.3 billion was increased by \$18.7 billion during fiscal year 2022-23. This increase is primarily attributed to additional funding for education and other general government expenditures.

The Education budget increased due to updated revenue estimates which increased the guaranteed minimum funding levels for K-12 schools and community colleges under Proposition 98.

The other general government budget increased as a result of one-time Better for Families 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, 2023

(amounts in millions)

	Original	Final	Increase/ (Decrease)
Budgeted amounts			
Business, consumer services, and housing	\$ 3,132	\$ 3,310	\$ 178
Transportation	473	1,009	536
Natural resources and environmental protection	7,655	9,019	1,364
Health and human services	68,182	65,760	(2,422)
Corrections and rehabilitation	14,560	15,483	923
Education	92,157	101,838	9,681
General government:			
Tax relief	388	415	27
Debt service	6,343	4,908	(1,435)
Other general government	14,402	24,286	9,884
Total	\$ 207,292	\$ 226,028	\$ 18,736

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2023, the State's investment in capital assets for its governmental and business-type activities amounted to \$172.0 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, 2023, the State's capital assets increased by \$6.4 billion, or 3.9% over the prior fiscal year. The majority of the increase is attributed to net additions to buildings and other depreciable property of \$4.0 billion, construction/development in progress of \$1.2 billion, and State highway infrastructure of \$1.0 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, 2023 and 2022

(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 22,496	\$ 21,699	\$ 466	\$ 448	\$ 22,962	\$ 22,147
State highway infrastructure	83,022	81,997	—	—	83,022	81,997
Collections – nondepreciable	22	23	37	35	59	58
Buildings and other						
depreciable property	38,228	35,948	21,882	20,114	60,110	56,062
Intangible assets – amortizable	3,752	3,129	475	497	4,227	3,626
Right to use leased assets	3,638	2,953	587	386	4,225	3,339
Less: accumulated						
depreciation/amortization	(20,452)	(18,875)	(8,880)	(8,170)	(29,332)	(27,045)
Construction/development in progress	22,741	20,917	2,598	3,210	25,339	24,127
Intangible assets – nonamortizable	1,254	1,148	137	126	1,391	1,274
Total	\$ 154,701	\$ 148,939	\$ 17,302	\$ 16,646	\$ 172,003	\$ 165,585

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 2022-23, the actual amount spent on preservation was 42.2% 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 93.7% of bridge deck area judged to be of fair or better quality and 85.3% of lane miles judged to be of fair or better quality in the last completed pavement-condition survey. The State is responsible for maintaining 12,604 bridges and tunnels and 50,607 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, 2023, the State had total bonded debt outstanding of \$110.1 billion. Of this amount, \$79.4 billion (72.1%) 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 \$4.0 billion and the

long-term portion is \$75.4 billion. The remaining \$30.7 billion (27.9%) 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 \$29.3 billion.

During the fiscal year, the State issued a total of \$8.8 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, 2023 and 2022

(amounts in millions)

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Government-wide noncurrent liabilities						
General obligation bonds	\$ 74,713	\$ 72,977	\$ 671	\$ 533	\$ 75,384	\$ 73,510
Revenue bonds payable	15,278	16,310	14,008	13,858	29,286	30,168
Total bonded debt	89,991	89,287	14,679	14,391	104,670	103,678
Net pension liability	80,146	47,921	9,686	6,248	89,832	54,169
Net other postemployment benefits liability	67,360	77,369	14,454	16,914	81,814	94,283
Mandated cost claims payable	1,810	1,923	—	—	1,810	1,923
Loans payable	31	40	—	—	31	40
Compensated absences payable	5,312	5,225	297	287	5,609	5,512
Workers' compensation benefits payable	5,390	4,909	13	15	5,403	4,924
Lease liability	2,062	2,091	319	300	2,381	2,391
Subscription liability	53	—	31	—	84	—
Commercial paper	1,327	1,449	381	307	1,708	1,756
Other noncurrent liabilities	4,183	2,968	1,071	1,009	5,254	3,977
Total noncurrent liabilities	257,665	233,182	40,931	39,471	298,596	272,653
Current portion of long-term obligations	6,421	6,475	1,841	1,769	8,262	8,244
Total long-term obligations	\$ 264,086	\$ 239,657	\$ 42,772	\$ 41,240	\$ 306,858	\$ 280,897

During the fiscal year ended June 30, 2023, the primary government's total long-term obligations increased by \$26.0 billion from the prior year's balance. The largest increase in long-term obligations during the fiscal year was a \$35.7 billion increase in net pension liability resulting from a decrease in pension plan net investment income. Significant decreases included \$12.5 billion in net other post employment obligation liability.

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, 2023, 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, 2023

After two years of rapid economic expansion spurred by pandemic-related federal stimulus, mounting economic headwinds began to push California's economy toward a downturn during the year ended June 30, 2023. In an effort to maintain stable price growth and slow inflation, the Federal Reserve Board repeatedly enacted large interest rate increases, raising rates by 500 basis points between March 2022 and May 2023. The increased cost of borrowings meant that California businesses had less access to capital to expand operations and hire new workers. After record-high unemployment during the pandemic, and a rapid and steady descent thereafter, the number of unemployed workers in California rose by nearly 120,000 during the 2022-23 fiscal year, resulting in a 0.7% increase to the state's unemployment rate. Economic difficulties were evident in California government as well, as the State conformed with federal actions postponing tax payment deadlines in response to widespread California flooding disasters in December 2022 and January 2023. Collections data showed a severe revenue decline, with total income tax collections down by 25.0% in fiscal year 2022-23.

As of June 2023, California's real gross domestic product (GDP) had reached \$3.8 trillion, an increase of 5.8% during fiscal year 2022-23, compared to growth of 7.5% during the 2021-22 fiscal year, to \$3.6 trillion. California's economic growth slowed but did not trail far behind that of the United States GDP, which increased by 6.4% during fiscal year 2022-23.

The California real estate market continued to experience a downshift in June 2023 as a result of the rise in interest rates. The median price of homes in California was \$837,850 as of June 2023, a slight decrease of 2.4% from the prior year and a nominal increase of 2.2% over a two-year span. This stabilization in home prices is in sharp contrast to the appreciation that occurred during the pandemic, as the median price of homes in California at June 2023 was still 33.8% higher than in June 2020. By comparison, the national median home price decreased by 0.9% from the prior year to \$410,100 in June 2023. The housing market saw 30-year fixed mortgage rates rise to an average of 6.7% in June 2023, compared to 5.5% in June 2022. The rate increase impacted sales of existing single-family homes; in June 2023 sales were down 19.7% from the prior year. New active listings declined by 34.0%, the largest year-over-year decrease since May 2021. The number of new privately owned residential units in California also decreased during fiscal year 2022-23 by approximately 14,199 units. Despite the dampening of the California real estate market as a result of high home prices and rising interest rates, the market could see some improvement as buyer demand stabilizes, inflation subsides, and mortgage rates and housing supply conditions improve.

The real estate market was not the only segment of the state's economy that was adjusting during the 2022-23 fiscal year. New light vehicle registrations increased by 11.6% in the first six months of 2023 compared to the prior year, due to the cessation of pandemic-induced supply chain interruptions that significantly impacted sales in the second half of 2022.

Unemployment insurance claims per week, which were reduced by roughly half to 299,000 at the end of the 2021-22 fiscal year, rose significantly as California issued approximately 385,000 claims per week to unemployed workers by June 30, 2023. The unemployment rate responded comparably, increasing to 4.6% by the end of fiscal year 2022-23, compared to 3.9% at the end of the prior period. During fiscal year 2022-23, the increase of approximately 150,000 new non-farm jobs was a steep regression from the increase of one million jobs in each of the two immediately preceding fiscal years. Five of California's 11 major industry sectors experienced job growth. The private education and health services sector saw

growth for two consecutive years, with a 3.8% gain in jobs during fiscal year 2021-22 and another 169,000 jobs added in fiscal year 2022-23, an increase of 5.8%. The private education and health services sector includes jobs in private educational services as well as health care and social assistance.

Californians' personal income exhibited modest gains, increasing 4.8% during the period; this was less than the national increase of 5.6%. Since 2011, personal income of Californians has grown an average of 5.4% annually, due largely to the low unemployment rate sustained during the majority of this period. Comparatively, personal income in the United States grew an average of 4.8% during the same period. Effective January 1, 2023, California's minimum wage increased to \$15.50 per hour. The minimum wage continued to increase to \$16.00 per hour on January 1, 2024, with fast food restaurant employees' minimum wage increasing to \$20.00 per hour on April 1, 2024, and certain health care workers receiving the \$20.00 per hour minimum wage between October 15, 2024, and January 1, 2025. In spite of the long-term growth trend of personal earnings for Californians and other positive economic growth factors, ongoing inflationary pressures and elevated Federal Reserve interest rates will continue to pose a risk to the state's economy.

Economic Conditions for the 2023-24 Fiscal Year and Future Outlook

California's economy remained resilient during fiscal year 2023-24 despite tight financial conditions—with inflationary pressures receding, and the Federal Reserve Board in a holding pattern while waiting for an opportunity to curb a 16-month tide of interest rate hikes—alleviating concerns of a recession in the near-term. At the same time, California technology companies in the San Francisco Bay Area alone cut more than 48,000 jobs between 2022 and mid-2024, seeking to trim their workforces in response to inflation and increase efficiency in the post-pandemic era. The California technology industry was also briefly disrupted by the withdrawal of market capital available for startup and expansion loans in the aftermath of the financial fallout incited by Silicon Valley Bank in early 2023; however, the market showed signs of normalizing by the beginning of 2024. In addition, California experienced a season of severe winter storms, which produced flooding, landslides, and mudslides in early 2023, leading to a State tax filing postponement that affected 99% of California taxpayers.

In spite of these challenges, California strengthened its position as the fifth largest economy in the world during the year. At June 30, 2024, the state's GDP climbed to \$4.1 trillion, an increase of 6.3% over the previous fiscal year—higher than the United States GDP increase of 5.7% over the same period. Personal income growth for Californians was robust, increasing by 7.1% during fiscal year 2023-24. Statewide personal income growth outpaced both the increase in Consumer Price Index of 3.3% during the period and the U.S. national personal income increase of 5.9%.

California's unemployment rate for the 2023-24 fiscal year rose slightly throughout the year, ending at 5.2% on June 30, 2024. The private education and health services sector saw growth for a fourth consecutive year, with a 5.3% gain in jobs during fiscal year 2023-24. The private education and health services sector includes jobs in private educational services as well as health care and social assistance. The technology sector continued to make headlines, with nearly 13,000 reported Silicon Valley job cuts in the first half of 2024, and continued layoffs tapering through the subsequent months.

As a result of the Federal Reserve Board's aggressive hoist of interest rates to tame consumer price increases, California's statewide inflation of 8.3% in 2022 had decreased to 3.1% and 3.3% in 2023 and 2024, respectively. The Federal Reserve Board maintained a steady interest rate after July 2023, and once the national inflation retreated to a target rate of 2.0%, the Board cut its rate by 50 basis points in September 2024. The pause in rate hikes from July 2023 had a stabilizing effect on the statewide housing market, with existing home sales totaling 270,200 units in June 2024, a modest 2.7% decrease from June 2023. The 30-year fixed mortgage interest rate rose slightly, from an average of 6.7% in June 2023, to a 6.9% average in June 2024. As demand for homes outpaced supply, the statewide median home price eclipsed the \$900,000 benchmark for the final three months of fiscal year 2023-24, ending at \$900,700 in June 2024, an increase of 7.5% from June 2023. The U.S. national median home price

increased at a lesser rate of 4.1% during the same period, landing at \$432,700 in June 2024. In contrast to the 11.6% rebound in new vehicle registrations experienced in fiscal year 2022-23, the state's automotive industry remained flat in the first six months of 2024, with a 0.7% decrease in new vehicle registrations compared to the same period during the prior year. The decrease in consumer spending on automobiles is mainly attributable to monthly finance and lease costs remaining elevated due to higher interest rates; sales may begin to increase if the Federal Reserve Board continues to cut interest rates into 2025.

The state experienced a net population loss of 410,000 Californians since the last Census Bureau survey was conducted in April 2020; the loss can be primarily be attributed to displacement during the pandemic and the high cost of living in the state. Housing costs will likely remain elevated, as lower interest rates will push buyers from the sidelines into an already supply-constrained housing market. New state minimum wage increases, including the increase to \$20.00 per hour in 2024 for fast-food restaurant and certain health care workers, will make it difficult for some businesses in those sectors to remain afloat, unless they are able to pass the increases on to consumers in the form of higher prices without reducing demand. California's short-term economic outlook will likely closely correlate to the greater US economy, which has shown potential harbingers for recessions over the past few years but has adeptly managed to circumvent such an outcome.

California's 2023-24 Budget

California's 2023-24 Budget Act was enacted on June 27, 2023. The Budget Act appropriated \$310.8 billion; \$225.9 billion from the General Fund, \$82.0 billion from special funds, and \$2.9 billion from bond funds. Budgeted expenditures for the General Fund decreased by \$8.7 billion, or 3.7% less than last year's budget, and General Fund revenues were projected to be \$208.7 billion. General Fund revenue comes predominantly from taxes, with personal income taxes expected to provide 56.6% of total revenue in fiscal year 2023-24. California's major taxes, including personal income taxes, sales and use taxes, and corporation taxes were projected to supply approximately 92.8% of the General Fund's resources in the 2023-24 fiscal year. The General Fund was projected to end the 2023-2024 fiscal year with \$37.8 billion in total reserves, including \$22.3 billion in the Budget Stabilization Account (BSA) for fiscal emergencies, \$10.8 billion in the Public School System Stabilization Account (PSSSA), \$3.8 billion in the State's operating reserve, and \$900 million in the Safety Net Reserve (SNR).

The 2023-24 Budget Act increased total state expenditures by \$4.4 billion over the 2022-23 budgeted level. General Fund spending decreases included \$6.3 billion for General Government operations, and \$4.7 billion for Legislative, Judicial, and Executive, partially offset by an increase of \$5.9 billion for Health and Human Services. The General Fund's share of the Proposition 98 guaranteed minimum funding level for K-12 schools and community colleges decreased by \$660 million from the revised 2022-23 level, to \$77.5 billion.

The Budget included total funding of \$129.2 billion for all K-12 education programs, reflecting significant Proposition 98 funding that enables increased support for core programs such as the Local Control Funding Formula, special education, transitional kindergarten, nutrition, and preschool. The Budget includes over \$52.0 billion in multi-year climate investments and \$5.1 billion for public transit, including \$4.0 billion in Transit and Intercity Rail Capital Program funding and \$1.1 billion in zero-emission vehicle transit funding.

Continuing the State's comprehensive approach to providing service and support for individuals experiencing homelessness, the Budget couples the Administration's \$15.3 billion investment in measures to address homelessness with new accountability measures. The Budget maintains the

commitment to increase access to health care for all Californians, regardless of their immigration status, and especially for low-income Californians. It also maintains key investments—including more than \$10.0 billion for the California Advancing and Innovating Medi-Cal program (CalAIM) and over \$8.0 billion for behavioral health. After two years of unprecedented General Fund revenue growth due to unanticipated increases in tax revenue collections and federal stimulus grants, the State now faces a downturn in revenues and slower future projected revenue growth. The Budget avoids new significant ongoing commitments and maintains fiscal discipline by setting aside \$37.8 billion in total budgetary reserves. It also preserves investments in programs that are essential to millions of Californians while closing a shortfall of more than \$30.0 billion through a balanced package of solutions that avoids deep program cuts. The Budget protects investments in education, health care, climate, public safety and social service programs that are relied on by millions of Californians. Additionally, it is paired with the Governor's streamlining proposals that accelerate construction of water, transportation, and clean energy projects to advance the State's ambitious economic, climate, and social goals.

In June 2024, the 2024-25 Budget Act was enacted, and provided updated estimates of fiscal year 2023-24 General Fund revenues, expenditures, and reserves. The 2024-25 Budget Act projected fiscal year 2023-24 General Fund revenue of \$189.4 billion after transfers—\$19.3 billion (9.2%) less than projected in the 2023-24 Budget Act—and expenditures of \$223.1 billion. Total year-end reserves were estimated at \$26.3 billion—\$22.5 billion in the BSA, \$2.9 billion in the State's operating reserve, and \$900 million in the SNR—which is \$11.5 billion less than projected in the 2023-24 Budget Act.

California's 2024-25 Budget

California's fiscal year 2024-25 Budget Act was enacted on June 26, 2024, and includes projections of fiscal year 2024-25 General Fund revenues, expenditures, and reserves. General Fund revenues are anticipated to be \$207.2 billion, an increase of \$17.0 billion (8.9%) from revised fiscal year 2023-24 revenue estimates, primarily due to projected increases of \$9.3 billion in corporation taxes, \$5.4 billion in personal income taxes, and \$1.5 billion in other revenue sources. General Fund expenditures for fiscal year 2024-25 are budgeted at \$211.5 billion, a decrease of \$11.6 billion (5.2%) compared to the fiscal year 2023-24 estimates. The Budget again avoids new significant ongoing commitments and, after subsidizing expenditures through transfers, preserves a total of \$22.2 billion in budgetary reserves: \$17.6 billion in the BSA for fiscal emergencies, \$3.5 billion in the State's operating reserve, and \$1.1 billion in the PSSSA.

The 2024-25 Budget Act maintains the State's commitments to increase funding for K-12 schools and higher education, combat the impacts of climate change, and address homelessness. The Budget allocates total funding of \$133.8 billion for K-12 education programs, and \$44.6 billion for higher education programs in 2024-25. The Budget also maintains \$44.6 billion in climate investments over eight years to integrate climate solutions with equity and economic opportunity. Additionally, as part of the State's continued focus on homelessness, the Budget includes \$1.3 billion in new funding for homelessness programs.

Emerging from the COVID-19 pandemic, California experienced significant revenue volatility, seeing unprecedented revenue growth quickly followed by a sharp and deep correction back toward historical trends. In addressing a \$46.8 billion deficit, the Budget maintains the multi-year fiscal structure by providing positive balances in the Special Fund for Economic Uncertainties (SFEU), the State's "Rainy Day" fund, for both the 2024-25 and 2025-26 fiscal years. Additionally, the Budget includes commitments to support further budget resilience. Part of the budget agreement reached proposes

additional legislation requiring the State to set aside a portion of anticipated surplus funds to be allocated in a subsequent Budget Act, adding further fiscal protection so that the State does not commit future anticipated surplus revenues until those revenues have been realized.

Requests for Information

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

Basic Financial Statements

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Government-wide Financial Statements

Statement of Net Position

June 30, 2023

(amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and pooled investments	\$ 136,506,812	\$ 7,512,221	\$ 144,019,033	\$ 4,361,701
Amount on deposit with U.S. Treasury	—	475,075	475,075	—
Investments	1,932,444	4,269,940	6,202,384	14,747,794
Restricted assets:				
Cash and pooled investments	1,193,575	875,893	2,069,468	747,458
Investments	—	—	—	24,320
Due from other governments	—	209,306	209,306	—
Contracts and installments receivable	10,458	—	10,458	—
Receivables (net)	57,031,444	2,780,954	59,812,398	7,902,470
Internal balances	271,786	(271,786)	—	—
Due from primary government	—	—	—	312,420
Due from other governments	41,855,096	305,425	42,160,521	189,465
Prepaid items	190,202	83,042	273,244	1,994
Inventories	103,670	27,854	131,524	397,407
Other current assets	718,888	7,150	726,038	712,385
Total current assets	239,814,375	16,275,074	256,089,449	29,397,414
Noncurrent assets:				
Restricted assets:				
Cash and pooled investments	106,788	180,533	287,321	47,691
Investments	—	50,709	50,709	337,168
Loans receivable	—	5,259,875	5,259,875	—
Investments	—	3,819,234	3,819,234	44,313,880
Contracts and installments receivable	183,329	—	183,329	—
Receivables (net)	2,749,971	1,684,729	4,434,700	4,433,181
Loans receivable	4,411,935	2,856,749	7,268,684	2,919,714
Long-term prepaid charges	143	940,915	941,058	104
Capital assets:				
Land	21,824,503	466,071	22,290,574	1,899,824
State highway infrastructure	83,693,741	—	83,693,741	—
Collections – nondepreciable	21,828	37,312	59,140	660,251
Buildings and other depreciable property	37,794,167	21,882,485	59,676,652	67,806,520
Intangible assets – amortizable	7,390,334	1,061,694	8,452,028	5,890,841
Less: accumulated depreciation/amortization	(20,441,213)	(8,880,312)	(29,321,525)	(37,358,797)
Construction/development in progress	22,741,085	2,598,207	25,339,292	6,672,314
Intangible assets – nonamortizable	1,253,757	136,896	1,390,653	2,420
Other noncurrent assets	—	43,998	43,998	654,700
Total noncurrent assets	161,730,368	32,139,095	193,869,463	98,279,811
Total assets	401,544,743	48,414,169	449,958,912	127,677,225
DEFERRED OUTFLOWS OF RESOURCES	42,404,516	6,235,662	48,640,178	7,884,610
Total assets and deferred outflows of resources	\$ 443,949,259	\$ 54,649,831	\$ 498,599,090	\$ 135,561,835

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 47,912,117	\$ 932,460	\$ 48,844,577	\$ 4,713,932
Due to component units	312,420	—	312,420	—
Due to other governments	40,057,061	18,050,461	58,107,522	—
Revenues received in advance	8,933,244	508,734	9,441,978	2,161,316
Tax overpayments	21,740,974	—	21,740,974	—
Deposits	524,471	—	524,471	230,978
Contracts and notes payable	1,351	—	1,351	13,315
Unclaimed property liability	1,314,797	—	1,314,797	—
Interest payable	1,041,620	42,646	1,084,266	5,108
Securities lending obligations	—	—	—	1,913,858
Benefits payable	69,623	343,897	413,520	—
Current portion of long-term obligations	6,421,194	1,840,946	8,262,140	6,222,081
Other current liabilities	47,124,043	1,046,390	48,170,433	2,401,137
Total current liabilities	<u>175,452,915</u>	<u>22,765,534</u>	<u>198,218,449</u>	<u>17,661,725</u>
Noncurrent liabilities:				
Loans payable	31,041	—	31,041	12,766
Lottery prizes and annuities	—	622,932	622,932	—
Compensated absences payable	5,311,409	296,297	5,607,706	482,961
Workers' compensation benefits payable	5,389,775	12,715	5,402,490	1,065,486
Commercial paper and other borrowings	1,327,110	381,276	1,708,386	116,600
Lease liability	2,062,136	319,390	2,381,526	2,563,532
Subscription liability	53,136	31,093	84,229	113,700
General obligation bonds payable	74,713,468	671,352	75,384,820	—
Revenue bonds payable	15,277,863	14,007,493	29,285,356	30,699,095
Mandated cost claims payable	1,809,879	—	1,809,879	—
Net other postemployment benefits liability	67,359,807	14,453,980	81,813,787	22,564,811
Net pension liability	80,145,864	9,686,137	89,832,001	20,677,108
Revenues received in advance	—	30,127	30,127	19,405
Other noncurrent liabilities	4,182,955	417,884	4,600,839	3,114,070
Total noncurrent liabilities	<u>257,664,443</u>	<u>40,930,676</u>	<u>298,595,119</u>	<u>81,429,534</u>
Total liabilities	<u>433,117,358</u>	<u>63,696,210</u>	<u>496,813,568</u>	<u>99,091,259</u>
DEFERRED INFLOWS OF RESOURCES	<u>31,108,319</u>	<u>8,621,198</u>	<u>39,729,517</u>	<u>10,284,346</u>
Total liabilities and deferred inflows of resources	<u>\$ 464,225,677</u>	<u>\$ 72,317,408</u>	<u>\$ 536,543,085</u>	<u>\$ 109,375,605</u>

(continued)

Statement of Net Position (continued)

June 30, 2023

(amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
NET POSITION				
Net investment in capital assets	\$ 131,322,297	\$ 3,538,034	\$ 134,860,331	\$ 14,522,596
Restricted:				
Nonexpendable – endowments	—	1,595	1,595	10,100,018
Expendable:				
Endowments and gifts	—	—	—	19,380,795
General government	7,848,581	107,817	7,956,398	—
Education	1,520,475	130,503	1,650,978	1,801,155
Health and human services	9,392,779	2,346,722	11,739,501	—
Natural resources and environmental protection	7,203,294	3,812,796	11,016,090	—
Business, consumer services, and housing	7,325,877	95	7,325,972	—
Transportation	10,631,851	968	10,632,819	—
Corrections and rehabilitation	469,735	18,334	488,069	—
Unemployment programs	—	3,483,072	3,483,072	—
Indenture	—	—	—	749,992
Statute	—	—	—	4,034,268
Budget stabilization	22,252,422	—	22,252,422	—
Other purposes	—	—	—	26,497
Total expendable	66,645,014	9,900,307	76,545,321	25,992,707
Unrestricted	(218,243,729)	(31,107,513)	(249,351,242)	(24,429,091)
Total net position (deficit)	(20,276,418)	(17,667,577)	(37,943,995)	26,186,230
Total liabilities, deferred inflows of resources, and net position	\$ 443,949,259	\$ 54,649,831	\$ 498,599,090	\$ 135,561,835

(concluded)

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Statement of Activities

Year Ended June 30, 2023

(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	\$ 24,946,231	\$ 6,992,729	\$ 1,558,549	\$ —
Education	100,496,652	111,947	13,201,197	—
Health and human services	219,032,287	14,195,544	127,989,215	—
Natural resources and environmental protection	13,314,762	8,488,546	372,817	—
Business, consumer services, and housing	5,641,942	1,561,023	1,676,330	—
Transportation	19,100,099	8,346,084	2,398,560	1,847,186
Corrections and rehabilitation	18,204,561	11,403	95,221	—
Interest on long-term debt	3,705,403	—	—	—
Total governmental activities	404,441,937	39,707,276	147,291,889	1,847,186
Business-type activities:				
Water Resources	1,460,049	1,531,195	—	—
State Lottery	9,291,352	9,250,527	—	—
Unemployment Programs	15,533,539	15,303,547	—	—
California State University	10,877,952	3,977,056	2,645,177	—
State Water Pollution Control Revolving	46,948	83,654	37,996	—
Safe Drinking Water State Revolving	28,052	30,890	113,877	—
Housing Loan	50,682	53,383	—	—
Other enterprise programs	152,586	136,636	—	—
Total business-type activities	37,441,160	30,366,888	2,797,050	—
Total primary government	\$ 441,883,097	\$ 70,074,164	\$ 150,088,939	\$ 1,847,186
Component Units				
University of California	52,377,894	33,563,275	13,087,883	50,064
California Housing Finance Agency	95,580	190,304	—	—
Nonmajor component units	2,498,465	856,996	1,276,326	43,626
Total component units	\$ 54,971,939	\$ 34,610,575	\$ 14,364,209	\$ 93,690
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
\$ (16,394,953)		\$ (16,394,953)	
(87,183,508)		(87,183,508)	
(76,847,528)		(76,847,528)	
(4,453,399)		(4,453,399)	
(2,404,589)		(2,404,589)	
(6,508,269)		(6,508,269)	
(18,097,937)		(18,097,937)	
(3,705,403)		(3,705,403)	
<u>(215,595,586)</u>		<u>(215,595,586)</u>	
	71,146	71,146	
	(40,825)	(40,825)	
	(229,992)	(229,992)	
	(4,255,719)	(4,255,719)	
	74,702	74,702	
	116,715	116,715	
	2,701	2,701	
	(15,950)	(15,950)	
	<u>(4,277,222)</u>	<u>(4,277,222)</u>	
\$ (215,595,586)	\$ (4,277,222)	\$ (219,872,808)	
			\$ (5,676,672)
			94,724
			<u>(321,517)</u>
			\$ (5,903,465)
\$ 114,593,854	\$ —	\$ 114,593,854	\$ —
53,471,988	—	53,471,988	—
36,685,982	—	36,685,982	—
8,654,176	—	8,654,176	—
3,720,620	—	3,720,620	—
3,478,815	—	3,478,815	—
3,667,941	—	3,667,941	—
2,596,512	—	2,596,512	3,682,122
876,112	—	876,112	—
—	—	—	4,708,743
22,783	—	22,783	—
(6,047,026)	6,047,026	—	—
<u>221,721,757</u>	<u>6,047,026</u>	<u>227,768,783</u>	<u>8,390,865</u>
6,126,171	1,769,804	7,895,975	2,487,400
<u>(26,402,589)</u>	<u>(19,437,381)</u>	<u>(45,839,970)</u>	<u>23,698,830</u>
\$ (20,276,418)	\$ (17,667,577)	\$ (37,943,995)	\$ 26,186,230

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Fund Financial Statements



Balance Sheet

Governmental Funds

June 30, 2023

(amounts in thousands)

	<u>General</u>	<u>Federal</u>
ASSETS		
Cash and pooled investments	\$ 71,968,861	\$ 6,986,275
Investments	—	—
Receivables (net)	46,621,774	2,076,598
Due from other funds	6,933,803	165,231
Due from other governments	4,075,837	37,069,188
Interfund receivables	3,914,413	—
Loans receivable	45,225	384,293
Other assets	6,244	601,252
Total assets	\$ 133,566,157	\$ 47,282,837
LIABILITIES		
Accounts payable	\$ 14,422,777	\$ 24,499,200
Due to other funds	3,911,973	3,865,533
Due to component units	264,995	—
Due to other governments	21,808,112	11,125,464
Interfund payables	2,692,941	—
Benefits payable	—	69,623
Revenues received in advance	25,891	6,675,956
Tax overpayments	21,740,974	—
Deposits	4,231	—
Unclaimed property liability	1,314,797	—
Other liabilities	522,844	46,256,400
Total liabilities	66,709,535	92,492,176
DEFERRED INFLOWS OF RESOURCES	2,852,934	10,709
Total liabilities and deferred inflows of resources	69,562,469	92,502,885
FUND BALANCES		
Nonspendable	3,950,919	—
Restricted	24,830,454	1,210,267
Committed	4,210,891	—
Assigned	20,714,283	—
Unassigned	10,297,141	(46,430,315)
Total fund balances (deficit)	64,003,688	(45,220,048)
Total liabilities, deferred inflows of resources, and fund balances	\$ 133,566,157	\$ 47,282,837

<u>Transportation</u>	<u>Environmental and Natural Resources</u>	<u>Health Care Related Programs</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
\$ 12,218,246	\$ 19,745,829	\$ 2,886,735	\$ 19,553,625	\$ 133,359,571
—	—	—	1,932,444	1,932,444
1,464,551	672,252	7,169,919	1,662,319	59,667,413
800,984	325,038	58,803	3,457,675	11,741,534
4,861	22,441	523,951	119,754	41,816,032
178,574	1,296,285	154,364	881,119	6,424,755
2,811	763,027	5,086	3,207,097	4,407,539
12,242	—	—	99,153	718,891
\$ 14,682,269	\$ 22,824,872	\$ 10,798,858	\$ 30,913,186	\$ 260,068,179
\$ 1,689,842	\$ 625,531	\$ 4,275,671	\$ 770,940	\$ 46,283,961
315,056	203,266	3,859,353	242,811	12,397,992
6,788	3,548	—	37,089	312,420
1,057,488	494,304	504,519	5,184,767	40,174,654
642	528,808	—	40,200	3,262,591
—	—	—	—	69,623
15,768	242,662	1,206	362,307	7,323,790
—	—	—	—	21,740,974
3,024	235	—	515,832	523,322
—	—	—	—	1,314,797
765,191	3,822	—	182,414	47,730,671
3,853,799	2,102,176	8,640,749	7,336,360	181,134,795
51,748	20,076	122,959	332,599	3,391,025
3,905,547	2,122,252	8,763,708	7,668,959	184,525,820
—	—	—	95,021	4,045,940
10,727,030	6,860,380	1,476,870	21,362,816	66,467,817
49,692	13,842,240	558,280	1,708,472	20,369,575
—	—	—	77,937	20,792,220
—	—	—	(19)	(36,133,193)
10,776,722	20,702,620	2,035,150	23,244,227	75,542,359
\$ 14,682,269	\$ 22,824,872	\$ 10,798,858	\$ 30,913,186	\$ 260,068,179

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

(amounts in thousands)

Total fund balances – governmental funds **\$ 75,542,359**

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	21,822,423	
State highway infrastructure	83,693,741	
Collections – nondepreciable	21,828	
Buildings and other depreciable property	37,119,583	
Intangible assets – amortizable	6,648,977	
Less: accumulated depreciation/amortization	(19,775,504)	
Construction/development in progress	20,322,927	
Intangible assets – nonamortizable	<u>1,253,757</u>	
		151,107,732

- 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. 2,605,117
- Internal service funds are used by management to charge the costs of certain activities, such as building construction and architectural, 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. (9,171,277)
- 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. (8,034,927)
- Deferred inflows and outflows of resources related to pension transactions are not reported in the funds. 11,884,611
- 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. (88,323)
- General obligation bonds and related accrued interest totaling \$71,593,206, revenue bonds totaling \$7,521,090, and commercial paper totaling \$1,327,110 are not due and payable in the current period and are not reported in the funds. (80,441,406)

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

Compensated absences	(5,122,966)	
Lease, subscription, and financed purchase liability	(2,411,642)	
Net pension liability	(78,654,519)	
Net other postemployment benefits liability	(65,956,698)	
Mandated cost claims	(1,809,879)	
Workers’ compensation	(5,339,431)	
Pollution remediation obligations	(1,830,566)	
Other noncurrent liabilities	<u>(2,554,603)</u>	
		(163,680,304)

Net position of governmental activities **\$ (20,276,418)**

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Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2023

(amounts in thousands)

	<u>General</u>	<u>Federal</u>
REVENUES		
Personal income taxes	\$ 112,736,701	\$ —
Sales and use taxes	33,128,145	—
Corporation taxes	36,662,999	—
Motor vehicle excise taxes	156,321	—
Insurance taxes	3,720,620	—
Managed care organization enrollment tax	—	—
Other taxes	682,050	—
Intergovernmental	3,200	149,131,716
Licenses and permits	7,806	—
Charges for services	420,749	—
Fees	16,717	—
Penalties	872,820	16
Investment and interest	2,435,353	147,166
Escheat	876,109	—
Other	732,591	—
Total revenues	<u>192,452,181</u>	<u>149,278,898</u>
EXPENDITURES		
Current:		
General government	13,557,086	1,317,833
Education	86,822,520	13,223,519
Health and human services	61,477,274	127,292,302
Natural resources and environmental protection	5,906,134	340,744
Business, consumer services, and housing	1,722,649	1,716,132
Transportation	656,436	4,245,521
Corrections and rehabilitation	14,903,847	73,764
Capital outlay	165,706	2,526
Debt service:		
Bond, commercial paper, and lease principal retirement	2,922,769	10,836
Interest and fiscal charges	2,876,197	321
Total expenditures	<u>191,010,618</u>	<u>148,223,498</u>
Excess (deficiency) of revenues over (under) expenditures	1,441,563	1,055,400
OTHER FINANCING SOURCES (USES)		
General obligation bonds and commercial paper issued	—	—
Refunding debt issued	—	—
Payment to refund long-term debt	—	—
Premium on bonds issued	223,296	—
Proceeds from leases	164,366	2,503
Transfers in	889,336	—
Transfers out	(11,827,908)	(766,920)
Total other financing sources (uses)	<u>(10,550,910)</u>	<u>(764,417)</u>
Net change in fund balances	(9,109,347)	290,983
Fund balances – beginning	73,113,035 *	(45,511,031) *
Fund balances (deficits) – ending	<u>\$ 64,003,688</u>	<u>\$ (45,220,048)</u>

* Restated

Transportation	Environmental and Natural Resources	Health Care Related Programs	Nonmajor Governmental	Total
\$ —	\$ —	\$ —	\$ 1,702,918	\$ 114,439,619
1,429,431	—	—	18,912,155	53,469,731
—	—	—	—	36,662,999
8,260,535	100,428	—	136,892	8,654,176
—	—	—	—	3,720,620
—	—	3,478,815	—	3,478,815
—	245,391	—	2,763,401	3,690,842
—	—	1,542,804	820,808	151,498,528
5,784,917	480,827	—	4,459,526	10,733,076
131,985	163,849	231	410,714	1,127,528
2,188,779	3,004,096	5,162,307	4,203,080	14,574,979
9,285	75,199	3,964	419,728	1,381,012
251,002	392,830	111,325	272,399	3,610,075
—	—	—	39,602	915,711
87,983	4,729,833	654,222	2,173,615	8,378,244
18,143,917	9,192,453	10,953,668	36,314,838	416,335,955
565,869	283,846	8,610	13,694,620	29,427,864
9,658	5,912	216,152	1,304,286	101,582,047
6,658	57,444	10,936,664	19,232,289	219,002,631
217,443	6,362,287	299	298,713	13,125,620
113,695	107,307	—	1,984,527	5,644,310
16,798,133	395,728	—	22,410	22,118,228
—	—	—	2,301,518	17,279,129
121,131	226,654	8,125	381,185	905,327
2,322,167	1,195,345	17,443	3,775,002	10,243,562
56,900	9,400	11,418	802,387	3,756,623
20,211,654	8,643,923	11,198,711	43,796,937	423,085,341
(2,067,737)	548,530	(245,043)	(7,482,099)	(6,749,386)
2,360,075	1,951,405	262,305	2,248,840	6,822,625
1,416,480	338,735	—	1,946,675	3,701,890
—	—	—	(37,408)	(37,408)
154,180	109,864	11,264	180,925	679,529
121,131	16,165	8,125	58,441	370,731
25,165	124,039	258,931	7,074,762	8,372,233
(1,400,173)	(98,193)	(1,152)	(390,925)	(14,485,271)
2,676,858	2,442,015	539,473	11,081,310	5,424,329
609,121	2,990,545	294,430	3,599,211	(1,325,057)
10,167,601	17,712,075 *	1,740,720 *	19,645,016 *	76,867,416
\$ 10,776,722	\$ 20,702,620	\$ 2,035,150	\$ 23,244,227	\$ 75,542,359

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 **\$ (1,325,057)**

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

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

Purchase of assets	4,981,665	
Disposal of assets	(244,928)	
Depreciation expense, net of asset disposal	<u>(985,220)</u>	
		3,751,517

- Some revenues in the Statement of Activities do not provide current financial resources and, therefore, are unavailable in governmental funds. 214,840

- 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. 442,658

- 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	(8,590,580)	(218,300)	(1,715,635)	(10,524,515)	
Premium on debt issued	(671,557)	(7,972)	—	(679,529)	
Accreted interest	—	(25,913)	—	(25,913)	
Principal repayments	7,102,962	737,487	1,837,250	9,677,699	
Payments to refund/remarket long-term debt	37,408	—	—	37,408	
Related expenses not reported in governmental funds:					
Premium/discount amortization	506,375	187	—	506,562	
Deferred gain/loss on refunding	17,588	(134,372)	—	(116,784)	
Prepaid insurance	—	—	—	—	
Accrued interest	(5,293)	228	—	(5,065)	
	<u>(1,603,097)</u>	<u>351,345</u>	<u>121,615</u>		(1,130,137)
					(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	(88,536)	
Lease, subscription, and financed purchase liability	17,282	
Net pension liability	3,580,959	
Net other postemployment benefits liability	1,296,578	
Mandated cost claims	113,089	
Workers' compensation	(483,190)	
Proposition 98 funding guarantee	—	
Pollution remediation obligations	(122,005)	
Other noncurrent liabilities	(141,827)	
		4,172,350

Change in net position of governmental activities

\$ 6,126,171
(concluded)

Statement of Net Position

Proprietary Funds

June 30, 2023

(amounts in thousands)

	<u>Water Resources</u>	<u>State Lottery</u>
ASSETS		
Current assets:		
Cash and pooled investments	\$ 792,486	\$ 661,696
Amount on deposit with U.S. Treasury	—	—
Investments	—	83,628
Restricted assets:		
Cash and pooled investments	—	—
Due from other governments	—	—
Contracts and installments receivable	—	—
Receivables (net)	192,770	777,976
Due from other funds	—	7,391
Due from other governments	121,566	—
Prepaid items	—	—
Inventories	4,945	16,577
Other current assets	—	7,150
Total current assets	<u>1,111,767</u>	<u>1,554,418</u>
Noncurrent assets:		
Restricted assets:		
Cash and pooled investments	180,533	—
Investments	50,709	—
Loans receivable	—	—
Investments	—	562,301
Contracts and installments receivable	—	—
Receivables (net)	—	—
Interfund receivables	183,169	—
Loans receivable	6,917	—
Long-term prepaid charges	931,688	9,227
Capital assets:		
Land	210,769	18,798
Collections – nondepreciable	—	—
Buildings and other depreciable property	7,423,903	308,981
Intangible assets – amortizable	98,430	24,244
Less: accumulated depreciation/amortization	(2,770,080)	(168,577)
Construction/development in progress	1,387,524	—
Intangible assets – nonamortizable	125,052	—
Other noncurrent assets	—	—
Total noncurrent assets	<u>7,828,614</u>	<u>754,974</u>
Total assets	<u>8,940,381</u>	<u>2,309,392</u>
DEFERRED OUTFLOWS OF RESOURCES	414,932	108,494
Total assets and deferred outflows of resources	<u>\$ 9,355,313</u>	<u>\$ 2,417,886</u>

Business-type Activities – Enterprise Funds				Governmental
Unemployment	California State	Nonmajor	Total	Internal
Programs	University	Enterprise		Service Funds
\$ 3,691,745	\$ 1,457,611	\$ 908,683	\$ 7,512,221	\$ 3,147,241
475,075	—	—	475,075	—
—	4,186,312	—	4,269,940	—
—	—	875,893	875,893	1,193,575
—	—	209,306	209,306	—
—	—	—	—	564,176
1,312,602	353,423	144,183	2,780,954	106,579
79,957	2,833	39,781	129,962	836,835
96,615	—	87,244	305,425	39,064
—	83,012	30	83,042	190,202
—	—	6,332	27,854	103,670
—	—	—	7,150	—
<u>5,655,994</u>	<u>6,083,191</u>	<u>2,271,452</u>	<u>16,676,822</u>	<u>6,181,342</u>
—	—	—	180,533	106,788
—	—	—	50,709	—
—	—	5,259,875	5,259,875	—
—	3,245,642	11,291	3,819,234	—
—	—	—	—	7,643,992
1,040,204	644,525	—	1,684,729	7,421
235,250	—	6,615	425,034	40,856
7,751	32,526	2,809,555	2,856,749	4,396
—	—	—	940,915	143
—	235,231	1,273	466,071	2,080
—	37,312	—	37,312	—
29,816	14,093,455	26,330	21,882,485	674,584
244,118	669,382	25,520	1,061,694	741,357
(97,319)	(5,815,782)	(28,554)	(8,880,312)	(665,709)
—	1,210,577	106	2,598,207	2,418,158
—	11,844	—	136,896	—
—	35,566	8,432	43,998	—
<u>1,459,820</u>	<u>14,400,278</u>	<u>8,120,443</u>	<u>32,564,129</u>	<u>10,974,066</u>
<u>7,115,814</u>	<u>20,483,469</u>	<u>10,391,895</u>	<u>49,240,951</u>	<u>17,155,408</u>
197,188	5,480,742	34,306	6,235,662	887,052
<u>\$ 7,313,002</u>	<u>\$ 25,964,211</u>	<u>\$ 10,426,201</u>	<u>\$ 55,476,613</u>	<u>\$ 18,042,460</u>

(continued)

Statement of Net Position (continued)

Proprietary Funds

June 30, 2023

(amounts in thousands)

	Water Resources	State Lottery
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 150,961	\$ 56,270
Due to other funds	133,313	596,100
Due to other governments	354,550	—
Revenues received in advance	—	2,739
Deposits	—	—
Contracts and notes payable	—	—
Interest payable	9,759	—
Benefits payable	—	—
Current portion of long-term obligations	259,941	956,449
Other current liabilities	—	202
Total current liabilities	908,524	1,611,760
Noncurrent liabilities:		
Interfund payables	14,511	3,244
Lottery prizes and annuities	—	622,932
Compensated absences payable	32,368	—
Workers' compensation benefits payable	—	8,337
Commercial paper and other borrowings	250,093	—
Lease liability	27,551	1,152
Subscription liability	1,253	256
General obligation bonds payable	35	—
Revenue bonds payable	3,168,395	—
Net other postemployment benefits liability	585,339	182,078
Net pension liability	625,680	164,757
Revenues received in advance	—	—
Other noncurrent liabilities	109,568	—
Total noncurrent liabilities	4,814,793	982,756
Total liabilities	5,723,317	2,594,516
DEFERRED INFLOWS OF RESOURCES	2,393,647	102,441
Total liabilities and deferred inflows of resources	8,116,964	2,696,957
NET POSITION		
Net investment in capital assets	1,150,237	179,672
Restricted:		
Nonexpendable – endowments		
	—	—
Expendable:		
Construction	—	—
Debt service	88,112	—
Security for revenue bonds	—	—
Lottery	—	—
Unemployment programs	—	—
Other purposes	—	—
Total expendable	88,112	—
Unrestricted	—	(458,743)
Total net position (deficit)	1,238,349	(279,071)
Total liabilities, deferred inflows of resources, and net position	\$ 9,355,313	\$ 2,417,886

Business Type Activities – Enterprise Funds				Governmental Activities
Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
\$ 309,566	\$ 397,546	\$ 18,049	\$ 932,392	\$ 494,022
—	—	23,110	752,523	692,019
17,695,762	—	149	18,050,461	31,761
61,003	444,956	36	508,734	1,609,454
—	—	—	—	1,149
—	—	—	—	34,368
—	—	32,887	42,646	97,758
343,897	—	—	343,897	—
—	472,417	152,139	1,840,946	641,544
106,435	939,753	—	1,046,390	23,814
18,516,663	2,254,672	226,370	23,517,989	3,625,889
—	34,420	22,152	74,327	3,584,768
—	—	—	622,932	—
95,000	155,859	13,070	296,297	201,302
—	—	4,378	12,715	50,344
—	131,183	—	381,276	—
—	271,869	18,818	319,390	226,754
—	29,169	415	31,093	1,342
—	—	671,317	671,352	—
—	8,879,457	1,959,641	14,007,493	7,991,925
313,242	13,342,974	30,347	14,453,980	1,403,109
364,482	8,484,855	46,363	9,686,137	1,491,345
—	30,127	—	30,127	—
—	282,587	25,729	417,884	21,343
772,724	31,642,500	2,792,230	41,005,003	14,972,232
19,289,387	33,897,172	3,018,600	64,522,992	18,598,121
115,563	5,962,940	46,607	8,621,198	601,235
19,404,950	39,860,112	3,065,207	73,144,190	19,199,356
237,211	1,968,845	2,069	3,538,034	649,606
—	1,595	—	1,595	—
—	34,673	—	34,673	177,197
—	2,089	500,118	590,319	—
—	—	3,097,871	3,097,871	—
—	—	—	—	—
3,483,072	—	—	3,483,072	—
—	93,741	2,600,631	2,694,372	—
3,483,072	130,503	6,198,620	9,900,307	177,197
(15,812,231)	(15,996,844)	1,160,305	(31,107,513)	(1,983,699)
(12,091,948)	(13,895,901)	7,360,994	(17,667,577)	(1,156,896)
\$ 7,313,002	\$ 25,964,211	\$ 10,426,201	\$ 55,476,613	\$ 18,042,460

(concluded)

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

Proprietary Funds

Year Ended June 30, 2023

(amounts in thousands)

	Water Resources	State Lottery
OPERATING REVENUES		
Unemployment and disability insurance	\$ —	\$ —
Lottery ticket sales	—	9,239,353
Power sales	129,898	—
Student tuition and fees	—	—
Services and sales	1,373,766	—
Investment and interest	—	—
Rent	—	—
Grants and contracts	—	—
Other	—	—
Total operating revenues	1,503,664	9,239,353
OPERATING EXPENSES		
Lottery prizes	—	5,960,302
Power purchases (net of recoverable power costs)	355,582	—
Personal services	494,647	100,872
Supplies	—	19,813
Services and charges	58,234	911,698
Depreciation	151,939	15,613
Scholarships and fellowships	—	—
Distributions to beneficiaries	—	—
Interest expense	—	—
Amortization of long-term prepaid charges	—	—
Other	16,091	—
Total operating expenses	1,076,493	7,008,298
Operating income (loss)	427,171	2,231,055
NONOPERATING REVENUES (EXPENSES)		
Donations and grants	—	—
Private gifts	—	—
Investment and interest income (loss)	27,531	11,167
Interest expense and fiscal charges	(88,668)	(26,216)
Lottery payments for education	—	(2,256,838)
Other	(294,888)	7
Total nonoperating revenues (expenses)	(356,025)	(2,271,880)
Income (loss) before capital contributions and transfers	71,146	(40,825)
Gain on early extinguishment of debt	—	—
Transfers in	—	—
Transfers out	—	—
Change in net position	71,146	(40,825)
Total net position (deficit) – beginning	1,167,203	(238,246)
Total net position (deficit) – ending	\$ 1,238,349	\$ (279,071)

* Restated

Business-type Activities – Enterprise Funds				Governmental
Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
\$ 15,206,667	\$ —	\$ —	\$ 15,206,667	\$ —
—	—	—	9,239,353	—
—	—	—	129,898	—
—	2,319,592	—	2,319,592	—
—	813,337	128,631	2,315,734	5,237,640
—	—	132,472	132,472	31,378
—	—	—	—	330,997
—	82,796	—	82,796	—
—	306,937	3,028	309,965	—
15,206,667	3,522,662	264,131	29,736,477	5,600,015
—	—	—	5,960,302	—
—	—	—	355,582	—
174,345	6,391,241	38,318	7,199,423	592,592
—	2,356,069	61,795	2,437,677	32,078
92,467	—	91,845	1,154,244	4,184,626
11,870	565,582	3,336	748,340	124,410
—	1,243,155	—	1,243,155	—
15,254,298	—	—	15,254,298	—
—	—	32,082	32,082	307,942
—	—	—	—	38
—	—	8,886	24,977	—
15,532,980	10,556,047	236,262	34,410,080	5,241,686
(326,313)	(7,033,385)	27,869	(4,673,603)	358,329
—	2,645,177	151,873	2,797,050	—
—	73,477	—	73,477	—
96,880	298,874	38,424	472,876	3,832
(559)	(321,905)	(41,764)	(479,112)	(12,424)
—	—	—	(2,256,838)	—
—	82,043	1,766	(211,072)	4,126
96,321	2,777,666	150,299	396,381	(4,466)
(229,992)	(4,255,719)	178,168	(4,277,222)	353,863
—	—	—	—	22,783
—	6,047,026	—	6,047,026	103,421
—	—	—	—	(37,409)
(229,992)	1,791,307	178,168	1,769,804	442,658
(11,861,956)*	(15,687,208)	7,182,826*	(19,437,381)	(1,599,554)
\$ (12,091,948)	\$ (13,895,901)	\$ 7,360,994	\$ (17,667,577)	\$ (1,156,896)

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2023

(amounts in thousands)

	Water Resources	State Lottery
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers/employees	\$ 1,408,224	\$ 9,213,349
Receipts from interfund services provided	—	—
Payments to suppliers	(407,807)	(349,071)
Payments to power suppliers	(494,647)	—
Payments to employees	—	(116,588)
Payments for interfund services used	—	(14,885)
Payments for lottery prizes	—	(6,914,987)
Claims paid to other than employees	—	(633,207)
Other receipts (payments)	(9,921)	956,434
Net cash provided by (used in) operating activities	495,849	2,141,045
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Changes in notes receivable and leases receivable	—	—
Changes in interfund receivables	—	—
Changes in interfund payables and loans payable	—	—
Proceeds from general obligation bonds	—	—
Retirement of general obligation bonds	—	—
Proceeds from revenue bonds	—	—
Retirement of revenue bonds	—	—
Interest received	—	—
Interest paid	—	—
Transfers in	—	—
Transfers out	—	—
Grants received	—	—
Lottery payments for education	—	(2,220,805)
Other receipts (payments)	—	—
Net cash provided by (used in) noncapital financing activities	—	(2,220,805)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(390,757)	(2,241)
Proceeds from sale of capital assets	—	56
Proceeds from notes payable and commercial paper	200,664	—
Principal paid on notes payable and commercial paper	(158,514)	—
Proceeds from long-term capital financing	—	—
Payment on long-term capital financing	—	(2,776)
Retirement of general obligation bonds	(85)	—
Proceeds from revenue bonds	99,015	—
Retirement of revenue bonds	(217,147)	—
Interest paid	(80,061)	—
Grants received	62,000	—
Net cash used in capital and related financing activities	(484,885)	(4,961)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(100,870)	(44,129)
Proceeds from maturity and sale of investments	101,987	72,589
Change in loans receivable	794	—
Earnings on investments	20,174	27,594
Net cash provided by (used in) investing activities	22,085	56,054
Net increase (decrease) in cash and pooled investments	33,049	(28,667)
Cash and pooled investments – beginning	939,970	690,363
Cash and pooled investments – ending	\$ 973,019	\$ 661,696

Business-type Activities - Enterprise Funds				Governmental Activities	
Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds	
\$ 14,915,944	\$ 3,173,253	\$ 282,881	\$ 28,993,651	\$	17,771
93,369	—	107,912	201,281		7,243,571
(50,924)	(2,338,867)	(133,837)	(3,280,506)		(4,191,980)
—	—	—	(494,647)		—
(173,692)	(6,410,485)	(12,710)	(6,713,475)		(927,185)
(17,514)	—	(26,686)	(59,085)		(18,094)
—	—	—	(6,914,987)		—
(15,314,603)	—	(108,162)	(16,055,972)		—
(198,193)	(825,878)	(601,922)	(679,480)		(397,362)
(745,613)	(6,401,977)	(492,524)	(5,003,220)		1,726,721
—	(4,250)	(64)	(4,314)		—
158,683	—	2,916	161,599		(9,183)
—	(6,982)	496	(6,486)		758,930
—	—	169,568	169,568		—
—	—	(29,955)	(29,955)		—
—	—	692,470	692,470		—
—	(28,365)	(124,005)	(152,370)		—
—	16,629	—	16,629		—
—	(16,076)	(57,454)	(73,530)		(97)
—	5,589,077	—	5,589,077		999,004
—	—	—	—		(35,867)
—	2,865,951	148,324	3,014,275		—
—	—	—	(2,220,805)		—
—	—	(49,058)	(49,058)		—
158,683	8,415,984	753,238	7,107,100		1,712,787
(528)	(888,471)	(21,266)	(1,303,263)		(2,007,686)
—	18,947	11	19,014		350,758
—	—	—	200,664		—
—	—	—	(158,514)		—
—	—	19,233	19,233		10,206
—	(275,635)	(194)	(278,605)		(15,959)
—	—	—	(85)		—
—	45,106	—	144,121		886,174
—	—	—	(217,147)		(1,294,870)
(559)	(318,828)	(76)	(399,524)		(12,322)
—	55,496	—	117,496		—
(1,087)	(1,363,385)	(2,292)	(1,856,610)		(2,083,699)
—	(10,677,078)	—	(10,822,077)		—
5,366	9,412,338	8,271	9,600,551		—
—	—	—	794		(5)
96,880	185,075	30,533	360,256		3,744
102,246	(1,079,665)	38,804	(860,476)		3,739
(485,771)	(429,043)	297,226	(613,206)		1,359,548
4,177,516	1,886,654 *	1,487,350 *	9,181,853		3,088,056
\$ 3,691,745	\$ 1,457,611	\$ 1,784,576	\$ 8,568,647	\$	4,447,604

(continued)

Statement of Cash Flows (continued)

Proprietary Funds

Year Ended June 30, 2023

(amounts in thousands)

	Water Resources	State Lottery
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss).....	\$ 427,171	\$ 2,231,055
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation.....	151,939	15,613
Provisions and allowances.....	—	9,111
Amortization of premiums and discounts.....	—	—
Amortization of long-term prepaid charges and credits.....	(118,933)	—
Other.....	—	61
Change in account balances:		
Receivables.....	(9,921)	(57,052)
Due from other funds.....	(129,504)	(454)
Due from other governments.....	9,293	—
Prepaid items.....	—	(2,371)
Inventories.....	195	634
Contracts and installments receivable.....	—	—
Leases receivable.....	—	—
Other current assets.....	—	(2,269)
Loans receivable.....	—	—
Deferred outflow of resources.....	—	—
Accounts payable.....	80,025	(37,078)
Due to other funds.....	73,105	(36,058)
Due to other governments.....	22,780	—
Deposits.....	—	—
Contracts and notes payable.....	—	—
Interest payable.....	—	—
Revenues received in advance.....	—	140
Other current liabilities.....	—	(1,897)
Benefits payable.....	—	—
Lottery prizes and annuities.....	—	1,594
Compensated absences payable.....	—	—
Other noncurrent liabilities.....	(10,301)	20,016
Deferred inflow of resources.....	—	—
Total adjustments.....	68,678	(90,010)
Net cash provided by (used in) operating activities.....	\$ 495,849	\$ 2,141,045
Noncash investing, capital, and financing activities:		
Long-term debt retirement from bond issuance.....	\$ 149,245	\$ —
Amortization/defeasance of bond premium and discount.....	46,996	—
Amortization of deferred loss on refundings.....	12,648	—
Unrealized loss on investments.....	—	39,929
Unclaimed lottery prizes directly allocated to another entity.....	—	51,827
Other miscellaneous noncash transactions.....	—	44,946

* Restated

Business-type Activities – Enterprise Funds				Governmental Activities
Unemployment Programs	California State University	Nonmajor Enterprise	Total	Internal Service Funds
\$ (326,313)	\$ (7,033,385)	\$ 27,869	\$ (4,673,603)	\$ 358,329
11,870	565,582	3,336	748,340	124,410
—	—	1	9,112	—
—	—	(1,031)	(1,031)	(124,045)
—	—	—	(118,933)	38
—	(8,851)	(17,004)	(25,794)	9,061
(105,575)	(18,364)	(2,779)	(193,691)	(67,096)
143,325	3,744	(3,055)	14,056	56,271
10,190	—	(865)	18,618	4,636
—	752	(9)	(1,628)	580
—	—	(634)	195	(21,891)
—	—	—	—	1,072,166
—	—	—	—	(2,289)
—	—	1,021	(1,248)	—
—	—	(472,200)	(472,200)	—
(109,521)	(1,750,296)	(17,440)	(1,877,257)	(330,455)
(6,265)	9,177	(2,740)	43,119	35,552
(55,582)	—	(4,031)	(22,566)	375,294
(169,123)	—	(258)	(146,601)	(29,030)
—	—	—	—	(1,216)
—	—	—	—	(100)
—	—	728	728	(762)
(185,148)	157,919	(17)	(27,106)	245,431
(51,148)	(26,381)	(7,374)	(86,800)	6,012
(12,497)	16,851	—	4,354	(2)
—	—	—	1,594	—
4,308	19,029	(258)	23,079	(6,916)
125,242	816,977	15,518	967,452	174,869
(19,376)	845,269	(11,302)	814,591	(152,126)
(419,300)	631,408	(520,393)	(329,617)	1,368,392
\$ (745,613)	\$ (6,401,977)	\$ (492,524)	\$ (5,003,220)	\$ 1,726,721
				(concluded)
\$ —	\$ —	\$ —	\$ 149,245	\$ —
—	—	—	46,996	—
—	—	—	12,648	—
—	—	—	39,929	—
—	—	—	51,827	—
—	—	1,690	46,636	891,366

Statement of Fiduciary Net Position

Fiduciary Funds and Similar Component Units

June 30, 2023

(amounts in thousands)

	Pension and Other Employee Benefit Trust	Private Purpose Trust	Investment Trust	Custodial
ASSETS				
Cash and pooled investments	\$ 2,700,314	\$ 88,307	\$ 25,665,008	\$ 2,529,803
Investments, at fair value:				
Short-term	14,337,678	451,985	282	—
Equity securities	353,672,151	7,362,869	64,017	—
Debt securities	176,482,976	3,207,034	76,072	—
Real estate	115,319,878	369,889	—	—
Securities lending collateral	34,012,415	—	—	—
Other	168,573,309	2,961,008	—	—
Total investments	<u>862,398,407</u>	<u>14,352,785</u>	<u>140,371</u>	<u>—</u>
Receivables (net)	23,923,705	2,917	220,778	3,037,677
Due from other funds	1,069,439	4	—	64,760
Due from other governments	—	—	—	43
Interfund receivable	—	—	—	31,041
Loans receivable	5,648,418	—	—	1,023
Other assets	948,173	259,572	—	15
Total assets	<u>896,688,456</u>	<u>14,703,585</u>	<u>26,026,157</u>	<u>5,664,362</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>400,346</u>	<u>—</u>	<u>37</u>	<u>254</u>
Total assets and deferred outflows of resources	<u>897,088,802</u>	<u>14,703,585</u>	<u>26,026,194</u>	<u>5,664,616</u>
LIABILITIES				
Accounts payable	7,072,102	28,577	46	810,043
Due to other governments	12	—	208,402	3,134,415
Tax overpayments	—	—	—	208
Benefits payable	605,620	—	170	—
Revenues received in advance	—	8,445	—	695
Deposits	—	259,547	—	1,034,849
Securities lending obligations	40,742,449	—	—	—
Loans payable	5,669,435	—	—	—
Other liabilities	16,400,134	—	49	15,944
Total liabilities	<u>70,489,752</u>	<u>296,569</u>	<u>208,667</u>	<u>4,996,154</u>
DEFERRED INFLOWS OF RESOURCES	<u>433,486</u>	<u>—</u>	<u>75</u>	<u>282</u>
Total liabilities and deferred inflows of resources	<u>70,923,238</u>	<u>296,569</u>	<u>208,742</u>	<u>4,996,436</u>
NET POSITION				
Restricted:				
Pension benefits	784,081,793	—	140,123	—
Other postemployment benefits	17,659,344	—	—	—
Deferred compensation participants	24,416,126	—	—	—
Pool participants	—	—	25,677,329	—
Individuals, organizations, or other governments	8,301	14,407,016	—	668,180
Total net position	<u>\$ 826,165,564</u>	<u>\$ 14,407,016</u>	<u>\$ 25,817,452</u>	<u>\$ 668,180</u>

Statement of Changes in Fiduciary Net Position

Fiduciary Funds and Similar Component Units

Year Ended June 30, 2023

(amounts in thousands)

	Pension and Other Employee Benefit Trust	Private Purpose Trust	Investment Trust	Custodial
ADDITIONS				
Contributions:				
Employer	\$ 37,521,702	\$ —	\$ 51,713	\$ 31,783
Plan member	11,099,231	—	—	—
Non-employer	3,719,874	—	—	—
Total contributions	<u>52,340,807</u>	<u>—</u>	<u>51,713</u>	<u>31,783</u>
Investment income:				
Net appreciation (depreciation) in fair value of investments	37,878,390	46,115	4,861	—
Interest, dividends, and other investment income	15,774,180	1,167,419	653,636	18,436
Less: investment expense	(3,291,737)	(5,620)	(54)	—
Net investment income (loss)	<u>50,360,833</u>	<u>1,207,914</u>	<u>658,443</u>	<u>18,436</u>
Receipts from depositors	—	3,411,550	16,377,539	—
Other	354,978	—	243	48,376
Total additions	<u>103,056,618</u>	<u>4,619,464</u>	<u>17,087,938</u>	<u>98,595</u>
DEDUCTIONS				
Distributions paid and payable to participants	53,438,710	—	651,638	49,671
Refunds of contributions	534,474	—	—	—
Administrative expense	589,680	246	2,025	1,524
Interest expense	272,756	—	—	—
Payments to and for depositors	828,699	2,832,030	26,463,987	—
Total deductions	<u>55,664,319</u>	<u>2,832,276</u>	<u>27,117,650</u>	<u>51,195</u>
Change in net position	47,392,299	1,787,188	(10,029,712)	47,400
Net position – beginning	<u>778,773,265</u>	<u>12,619,828</u>	<u>35,847,164</u>	<u>620,780</u> *
Net position – ending	<u>\$ 826,165,564</u>	<u>\$ 14,407,016</u>	<u>\$ 25,817,452</u>	<u>\$ 668,180</u>

* Restated

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Discretely Presented Component Units Financial Statements

Statement of Net Position

Discretely Presented Component Units – Enterprise Activity

June 30, 2023

(amounts in thousands)

	University of California	California Housing Finance Agency	Nonmajor Component Units	Total
ASSETS				
Current assets:				
Cash and pooled investments	\$ 822,358	\$ 1,896,902	\$ 1,642,441	\$ 4,361,701
Investments	13,914,685	54	833,055	14,747,794
Restricted assets:				
Cash and pooled investments	—	—	747,458	747,458
Investments	—	—	24,320	24,320
Receivables (net)	7,066,489	225,436	610,545	7,902,470
Due from primary government	312,292	—	128	312,420
Due from other governments	178,365	11,100	—	189,465
Prepaid items	—	433	1,561	1,994
Inventories	397,407	—	—	397,407
Other current assets	601,632	65,454	45,299	712,385
Total current assets	<u>23,293,228</u>	<u>2,199,379</u>	<u>3,904,807</u>	<u>29,397,414</u>
Noncurrent assets:				
Restricted assets:				
Cash and pooled investments	—	—	47,691	47,691
Investments	—	—	337,168	337,168
Investments	40,877,878	299,399	3,136,603	44,313,880
Receivables (net)	3,724,297	—	708,884	4,433,181
Loans receivable	—	2,413,954	505,760	2,919,714
Long-term prepaid charges	—	—	104	104
Capital assets:				
Land	1,719,374	—	180,450	1,899,824
Collections – nondepreciable	647,193	—	13,058	660,251
Buildings and other depreciable property	65,652,958	599	2,152,963	67,806,520
Intangible assets – amortizable	5,523,104	27,987	339,750	5,890,841
Less: accumulated depreciation/amortization	(36,003,685)	(5,423)	(1,349,689)	(37,358,797)
Construction/development in progress	6,264,963	—	407,351	6,672,314
Intangible assets – nonamortizable	—	—	2,420	2,420
Other noncurrent assets	574,605	27,578	52,517	654,700
Total noncurrent assets	<u>88,980,687</u>	<u>2,764,094</u>	<u>6,535,030</u>	<u>98,279,811</u>
Total assets	<u>112,273,915</u>	<u>4,963,473</u>	<u>10,439,837</u>	<u>127,677,225</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>7,694,282</u>	<u>21,982</u>	<u>168,346</u>	<u>7,884,610</u>
Total assets and deferred outflows of resources	<u>\$ 119,968,197</u>	<u>\$ 4,985,455</u>	<u>\$ 10,608,183</u>	<u>\$ 135,561,835</u>

	University of California	California Housing Finance Agency	Nonmajor Component Units	Total
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 3,792,444	\$ 41,478	\$ 880,010	\$ 4,713,932
Revenues received in advance	1,983,286	—	178,030	2,161,316
Deposits	—	229,759	1,219	230,978
Contracts and notes payable	—	—	13,315	13,315
Interest payable	—	2,079	3,029	5,108
Securities lending obligations	1,913,858	—	—	1,913,858
Current portion of long-term obligations	6,029,132	5,805	187,144	6,222,081
Other current liabilities	2,053,772	156,542	190,823	2,401,137
Total current liabilities	15,772,492	435,663	1,453,570	17,661,725
Noncurrent liabilities:				
Compensated absences payable	466,650	2,556	13,755	482,961
Workers' compensation benefits payable	1,058,806	—	6,680	1,065,486
Loans payable	—	1,201	11,565	12,766
Commercial paper and other borrowings	—	—	116,600	116,600
Lease liability	2,330,725	21,615	211,192	2,563,532
Subscription liability	110,145	—	3,555	113,700
Revenue bonds payable	29,761,483	40,525	897,087	30,699,095
Net other postemployment benefits liability	22,327,431	44,476	192,904	22,564,811
Net pension liability	20,385,317	39,718	252,073	20,677,108
Revenues received in advance	—	—	19,405	19,405
Other noncurrent liabilities	1,774,152	628,123	711,795	3,114,070
Total noncurrent liabilities	78,214,709	778,214	2,436,611	81,429,534
Total liabilities	93,987,201	1,213,877	3,890,181	99,091,259
DEFERRED INFLOWS OF RESOURCES	9,705,316	46,489	532,541	10,284,346
Total liabilities and deferred inflows of resources	103,692,517	1,260,366	4,422,722	109,375,605
NET POSITION				
Net investment in capital assets	13,777,714	(384)	745,266	14,522,596
Restricted:				
Nonexpendable – endowments	8,243,388	—	1,856,630	10,100,018
Expendable:				
Endowments and gifts	19,362,032	—	18,763	19,380,795
Education	344,376	—	1,456,779	1,801,155
Indenture	—	749,992	—	749,992
Statute	—	3,015,725	1,018,543	4,034,268
Other purposes	—	—	26,497	26,497
Total expendable	19,706,408	3,765,717	2,520,582	25,992,707
Unrestricted	(25,451,830)	(40,244)	1,062,983	(24,429,091)
Total net position	16,275,680	3,725,089	6,185,461	26,186,230
Total liabilities, deferred inflows of resources, and net position	\$ 119,968,197	\$ 4,985,455	\$ 10,608,183	\$ 135,561,835

(concluded)

Statement of Activities

Discretely Presented Component Units – Enterprise Activity

Year Ended June 30, 2023

(amounts in thousands)

	University of California	California Housing Finance Agency	Nonmajor Component Units	Total
OPERATING EXPENSES				
Personal services	\$ 33,092,815	\$ 13,194	\$ 531,756	\$ 33,637,765
Scholarships and fellowships	892,943	—	104,593	997,536
Supplies	5,922,349	—	21,745	5,944,094
Services and charges	529,740	9,442	1,592,924	2,132,106
Department of Energy laboratories	1,104,266	—	—	1,104,266
Depreciation	2,829,698	2,953	101,939	2,934,590
Interest expense and fiscal charges	1,158,643	17,525	51,521	1,227,689
Other	6,847,440	52,466	93,987	6,993,893
Total operating expenses	52,377,894	95,580	2,498,465	54,971,939
PROGRAM REVENUES				
Charges for services	33,563,275	190,304	856,996	34,610,575
Operating grants and contributions	13,087,883	—	1,276,326	14,364,209
Capital grants and contributions	50,064	—	43,626	93,690
Total program revenues	46,701,222	190,304	2,176,948	49,068,474
Net revenues (expenses)	(5,676,672)	94,724	(321,517)	(5,903,465)
GENERAL REVENUES				
Investment and interest income (loss)	3,188,304	164,688	329,130	3,682,122
Other	3,692,772	57,325	958,646	4,708,743
Total general revenues	6,881,076	222,013	1,287,776	8,390,865
Change in net position	1,204,404	316,737	966,259	2,487,400
Net position – beginning	15,071,276 *	3,408,352	5,219,202 *	23,698,830
Net position – ending	\$ 16,275,680	\$ 3,725,089	\$ 6,185,461	\$ 26,186,230

* Restated

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Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements present information on the financial activities of the State of California over which the Governor, the Legislature, and other elected officials have direct or indirect governing and fiscal control. These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The provisions of the following Governmental Accounting Standards Board (GASB) Statements have been implemented for the fiscal year ended June 30, 2023:

GASB Statement No. 91, *Conduit Debt Obligations* is effective for the fiscal year ended June 30, 2023. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (a) commitments extended by issuers, (b) arrangements associated with conduit debt obligations, and (c) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation, establishing that a conduit debt obligation is not a liability of the issuer, establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations, and improving required note disclosures. Implementation of GASB Statement No. 91 resulted in minor changes to conduit debt reporting in the notes to the financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates* is effective for the fiscal year ended June 30, 2023. This Statement addresses the accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate (IBOR). This Statement achieves that objective by:

- a. Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment.
- b. Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate.
- c. Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable.
- d. Removing London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap.
- e. Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap.
- f. Clarifying the definition of reference rate, as it is used in Statement No. 53, as amended.
- g. Providing an exception to the lease modifications guidance in Statement No. 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The implementation of GASB Statement No. 93 had an insignificant impact to the State's ACFR.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* is effective for the fiscal year ended June 30, 2023. The Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or another capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement, which is defined in this Statement as a PPP in which (a) the operator collects and is compensated by fees from third parties; (b) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (c) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This Statement requires that PPPs that meet the definition of a lease apply GASB 87 guidance. A transferor will generally recognize an underlying PPP asset as a capital asset, a related receivable, a receivable for installment payments (if any), and a deferred inflow of resources. An operator should recognize an intangible right-to-use asset and related liability, and a liability for installment payments if applicable. This Statement requires that APAs related to designing, constructing, and financing a nonfinancial asset in which ownership of the asset transfers to the State by the end of the contract should be accounted for as a financed purchase by recognizing a capital asset and related installment contract liability. The implementation of GASB Statement No. 94 had a material impact the financial statements and the notes to the financial statements including a restatement of beginning net position, the recognition of new capital assets, and recognition of new long-term obligations. Previously reported receivables and deferred inflows related to service concession arrangements of the primary government are no longer reported as a result of the implementation of GASB Statement No. 94.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* is effective for the fiscal year ended June 30, 2023. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for subscription-based information technology arrangements (SBITAs) by governments. The Statement establishes uniform accounting and financial reporting requirements for SBITAs. Under this Statement, a government is required to recognize a SBITA liability and an intangible right-to-use SBITA asset, thereby enhancing the relevance and consistency of information about SBITAs. GASB 96 defines a SBITA as a contract that conveys control of the right to use another party's (a SBITA vendor) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Any contract that meets this definition should be accounted for under the SBITAs guidance, unless specifically excluded in this Statement. The implementation of GASB Statement No. 96 had a material impact to the financial statements and the notes to the financial statements including a restatement of beginning net position, the recognition of new capital assets, and recognition of new long-term obligations.

GASB Statement No. 99, *Omnibus 2022* is effective for the fiscal year ended June 30, 2023. 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. The practice issues addressed by this Statement are as follows:

- a. Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- b. Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term, and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- c. Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the SBITA term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.

The implementation of GASB Statement No. 99 had 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, 2022).

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, 2023, CADA had total assets and deferred outflows of resources of \$81.2 million, total liabilities and deferred inflows of resources of \$53.8 million, and total net position of \$27.4 million. Total revenues for the fiscal year were \$17.9 million and expenses were \$12.4 million, resulting in an increase in net position of \$5.5 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. Jointly Governed Organization

A jointly governed organization is a regional government or other multigovernmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. These entities are not part of the primary government or a component unit.

The State participates in a jointly governed organization called the *California Residential Mitigation Program (CRMP)*. CRMP was created in 2011 by the joint exercise of powers agreement between the primary government and the *California Earthquake Authority (CEA)*; a related organization. The purpose of CRMP is to provide for the joint exercise of powers common to the primary government and the CEA by funding and managing programming to supply grants, assistance, and incentives to owners of dwellings in California who wish to retrofit their homes to protect against earthquake damage. CRMP is a public entity, separate from the primary government and the CEA; it is administered by a board composed of four members – two appointed by the primary government, and two appointed by the CEA. As the primary government does not have an ongoing financial interest or responsibility for CRMP, 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 CRMP, go to its website at www.californiarresidentialmitigationprogram.com.

6. Related Organizations

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

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

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

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

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

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

The *California Health Facilities Financing Authority (CHFFA)* was established by the State through legislation enacted in 1979. The CHFFA is a legally separate entity that provides financing for the construction, equipping, and acquisition of health facilities. A nine-member board composed of state-elected officials and appointees govern the CHFFA. The State's accountability for this institution does not extend beyond making the appointments. As the primary government is not financially accountable for the CHFFA, the financial information of this institution is not included in the financial statements of this report. For information regarding obtaining copies of the financial statements of the CHFFA, go to its website at www.treasurer.ca.gov/chffa.

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

The State reports the following major governmental funds:

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

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

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

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

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

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

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

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

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

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

The State reports the following major enterprise funds:

The *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.

The *Custodial Fund* generally accounts for fiduciary activities that are not held under a trust agreement or equivalent, such as receipts and disbursements of sales tax, use tax, and other assessments held for local agencies, cash deposits for bail solicitors, and condemnation deposits.

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 five 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 one 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 two 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.

The State has noncancelable SBITAs for the right to use information technology (IT) arrangements. For SBITAs that meet the capitalization threshold of \$50,000 or greater in total payments over the subscription term, the State recognizes right-to-use SBITA assets at the commencement of a SBITA. Right-to-use SBITA assets represent the State's right to use underlying IT assets for the subscription term. The right-to-use SBITA asset is measured at the initial value of the subscription liability, plus any subscription payments made to the SBITA vendor before commencement of the subscription term and capitalizable implementation costs, less any vendor incentive received at or before the SBITA commencement date. The right-to-use SBITA asset is amortized over the shorter of the subscription term or useful life of the underlying IT assets, ranging from two to 10 years, using the straight-line method. SBITAs below the capitalization threshold and SBITAs 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 bonds, 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.

Subscription liabilities represent the State's obligation to make subscription payments arising from a SBITA contract. Subscription liabilities are recognized by the State at the SBITA commencement date based on the present value of future subscription payments expected to be made during the subscription

term. The present value of subscription payments is discounted based on a borrowing rate explicitly stated in the SBITA contract, the incremental borrowing rate published on the State Controller's Office website, or other determined incremental borrowing rates. Variable payments based on future performance of the government, usage of the underlying IT assets, or number of user seats are expensed as incurred, and are not included in the measurement of the subscription liability. The State assesses each subscription liability annually for changes in the terms of the SBITA, interest rate, impairment of the underlying IT assets, or other factors that may impact the expected future subscription payments. SBITA amendments and other modifications could necessitate remeasuring the subscription liability.

Availability Payment Arrangement (APA) liabilities represent the State's obligation to make APA payments arising from an APA agreement where the operator provides the design, construction, or financing of a nonfinancial asset whose ownership transfers to the State at the end of the agreement. APA liabilities are recognized by the State when the APA asset is placed into service and are based on the present value of future APA payments expected to be made during the APA term. The present value of APA payments is discounted based on a borrowing rate explicitly stated in the APA agreement, the incremental borrowing rate published on the State Controller's Office website, or other determined incremental borrowing rates. APA agreements are reported as a financed purchase by the State.

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 (OPEB) 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 University of California, a discretely presented component unit of the State, has entered into service concession arrangements with third parties for park facility services, student housing, and certain other services. The facilities are reported as capital assets when placed in service, and a corresponding deferred inflow of resources is reported.
- *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

Four 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.

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

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, 2023, the government-wide financial statements show restricted net position for the primary government of \$76.5 billion, of which \$19.2 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 (a) interfund loans, (b) specified debts to local governments, and (c) 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 (a) a natural disaster or other event that creates a condition of extreme peril to the safety of persons or property, or (b) 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 no budget emergency occurred in the prior fiscal year, then no more than one-half of the Budget Stabilization Account balance may be withdrawn; however, the entire remaining balance may 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, 2023, the Budget Stabilization Account had a restricted fund balance of \$22.3 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, 2023, the SFEU represented \$3.3 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, 2023, the PSSSA represented \$9.5 billion of cash reported in the General Fund, \$8.4 billion of which was due to other governments. Accordingly, the PSSSA reported no fund balance as of June 30, 2023.

N. Restatement of Beginning Fund Balances and Net Position

1. Fund Financial Statements

The beginning fund balance of *governmental funds* increased by \$8.3 billion. The increase is comprised of the following items:

- Increases to the Federal Fund beginning balance of \$9.2 billion for a prior period correction of ineligible unemployment claims, and \$8 million for restatement of pandemic program activity.
- Decreases to the General Fund beginning balance of \$912 million for a prior period correction of grant accruals, \$8 million for restatement of pandemic program activity, and \$14 million due to unemployment benefit overpayments.
- A \$69 million increase to the beginning balance of the Environmental and Natural Resources Fund due to the shift in activity described below for the *Custodial Fund*.
- A \$29 million decrease to the beginning balance of the Health Care Related Programs Fund to recognize prior year pass through expenditures.
- A \$3 thousand increase to nonmajor governmental funds due to unreported prior year activity.

The beginning net position of *enterprise funds* decreased by \$207 million. The decrease is comprised of \$130 million in net adjustments to prior period unemployment benefit payments in the Unemployment Programs Fund, and a \$77 million restatement to nonmajor enterprise funds to correct the beginning balances of accounts receivable. The beginning balance of cash and pooled investments in the California State University Fund was restated by \$333 million to comply with GASB Statement No. 84, which resulted in the reallocation of cash aggregated for centralized state payroll. There was no impact to the fund's net position.

The beginning net position of *discretely presented component units* increased by \$2 million. The restatement is comprised of a \$10 million increase for the University of California due to the implementation of GASB Statement No. 96 and an \$8 million decrease in the beginning net position of a nonmajor discretely presented component unit to reflect the implementation of new accounting standards and corrections of accounting errors. 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.

The beginning net position of the *Custodial Fund* decreased by \$69 million due to a shift in activity between custodial funds and governmental funds to comply with GASB Statement No. 84.

2. Government-wide Financial Statements

The beginning net position of *governmental activities* increased by \$9.1 billion. In addition to the \$8.3 billion increase described in the previous section for governmental funds, the restatement also includes a \$594 million increase due to the recognition of availability payment arrangements from the implementation of GASB Statement No. 94; a \$218 million increase due to understatement of prior period capital assets; a \$42 million increase due to the implementation of GASB Statement No. 96; and a \$30 million decrease due to understatement of prior period pollution remediation obligations.

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.

O. 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, 2023, increased the 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 or visit [State Government Annual Financial Reports](#).

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, 2023, these discretely presented component units and related organizations account for approximately 1.91% 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, 2023, totaling approximately \$6.6 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, 2023, the State Treasurer's Office had on deposit with a fiscal agent amounts totaling \$19 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 \$2.3 billion in interest revenue received by the General Fund from the pooled investment program in the fiscal year 2022-23 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, 2023

(amounts in thousands)

	June 30, 2023	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	\$ 110,538,034	\$ 110,538,034	\$ —
U.S. Agency bonds and discount notes	28,951,028	28,951,028	—
Supranational debentures and discount notes	9,574,054	9,574,054	—
Small Business Administration loans	303,681	303,681	—
Mortgage-backed securities	2,796	2,796	—
Certificates of deposit	13,189,092	—	13,189,092
Bank notes	199,864	—	199,864
Commercial paper	7,803,585	—	7,803,585
Corporate bonds	438,965	—	438,965
Total pooled investments at fair value	171,001,099	\$ 149,369,593	\$ 21,631,506
Other primary government investments			
U.S. Treasuries and agencies	4,030,860	\$ 1,636,544	\$ 2,394,316
Commercial paper	315,482	—	315,482
Corporate debt securities	1,633,335	—	1,633,335
Other	3,128,660	124,527	3,004,133
Total other primary government investments at fair value	9,108,337	\$ 1,761,071	\$ 7,347,266
Investments measured at the net asset value (NAV)			
Money market funds/2a-7 money market funds	917,089		
Short Term Investments	46,901		
Total investments measured at the NAV	963,990		
Other investment instruments			
State and Local Government Series securities ¹	2,180,673		
Total other investment instruments	2,180,673		
Funds outside primary government included in pooled investments			
Less: investment trust funds	25,665,081		
Less: other trust and custodial funds	2,071,014		
Less: discretely presented component units and related organizations	3,367,651		
Total primary government investments	\$ 152,150,353		

¹ Reported at carrying value

As of June 30, 2023, the weighted average maturity of the securities in the pooled investment program administered by the State Treasurer's Office was approximately 263 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, 2023, 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 (a) realized investment gains and losses calculated on an amortized cost basis, (b) interest income based on stated rates (both paid and accrued), (c) amortization of discounts and premiums on a straight-line basis, and (d) 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, 2023, structured notes and medium-term asset-backed securities comprised approximately 1.52% of the pooled investments. A portion of the structured notes was callable agency securities, which represented 1.35% of the pooled investments. The asset-backed securities consist of mortgage-backed securities, Small Business Administration (SBA) pools, and asset-backed commercial paper. The mortgage-backed securities, called real estate mortgage investment conduits (REMICs), are securities backed by pools of mortgages. The REMICs in the State's portfolio have a fixed principal payment schedule. A portion of the asset-backed securities consisted of floating-rate SBA notes. For floating-rate SBA notes held in the portfolio during the fiscal year, the interest received by the State Treasurer's pooled investment program rose or fell as the underlying index rate rose or fell. The structure of the floating-rate SBA notes in the State Treasurer's pooled investment program portfolio provided a hedge against the risk of increasing interest rates. A portion of the asset-backed portfolio

holdings were short-term, asset-backed commercial paper (ABCP), which represented 1.39% 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-2/P-2/F-2
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 \$5.1 billion of time deposits and \$359 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, 2023, only \$3 million, or less than 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, 2023

(amounts in thousands)

	Fair Value at Year End	Weighted Average Maturity (in years)
Pooled investments		
U.S. Treasury bills and notes	\$ 110,538,034	0.85
U.S. Agency bonds and discount notes	28,951,028	0.60
Supranational debentures and discount notes	9,574,054	0.62
Small Business Administration loans	303,681	0.25
Mortgage-backed securities	2,796	0.94
Certificates of deposit	13,189,092	0.23
Bank notes	199,864	0.13
Commercial paper	7,803,585	0.22
Corporate bonds	438,965	2.16
Total pooled investments	171,001,099	
Other primary government investments		
U.S. Treasuries and agencies	4,030,860	2.18
Commercial paper	315,482	0.03
State and Local Government Series securities ¹	2,180,673	—
Corporate debt securities	1,633,335	2.44
Other	4,092,650	2.01
Total other primary government investments	12,253,000	
Funds outside primary government included in pooled investments		
Less: investment trust funds	25,665,081	
Less: other trust and custodial funds	2,071,014	
Less: discretely presented component units and related organizations	3,367,651	
Total primary government investments	\$ 152,150,353	

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, 2023

(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	\$ 32,588,311
A-1/P-1/F-1	AA/Aa/AA	27,145,626
A-2/P-2/F-2	A/A/A	425,447
Not rated		—
Not applicable.....		110,841,715
Total pooled investments		\$ 171,001,099
Other primary government investments		
A-1+/P-1/F-1+	AAA/Aaa/AAA	\$ 1,765,308
A-1/P-1/F-1	AA/Aa/AA	3,167,384
A-2/P-2/F-2	A/A/A	1,670,258
A-3/P-3/F-3	BBB/Baa/BBB	9,662
B/NP/B	BB/Ba/BB	71,079
B/NP/B	B2/B	214,266
Not rated		5,355,043
Total other primary government investments		\$ 12,253,000

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, 2023, 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, 2023, the State had investments in the Federal Home Loan Bank totaling 8.9% 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 96.07% 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 92.71% 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, leases, and other charges.

The University of California, a discretely presented component unit of the State, reported current and noncurrent lease receivables of \$42 million and \$676 million, respectively. The State’s nonmajor component units reported current and noncurrent lease receivables of \$27 million and \$475 million, respectively. Additional disclosures for the University of California are included in the University’s separately issued financial statements, which may be found on its website at www.ucop.edu.

Table 5

Schedule of Accounts Receivable

June 30, 2023

(amounts in thousands)

	Taxes	Licenses, Permits, and Fees	Lottery Retailers
Current governmental activities			
General Fund	\$ 44,236,614	\$ 99	\$ —
Federal Fund	—	—	—
Transportation Fund	936,487	388,108	—
Environmental and Natural Resources Fund	30,017	484,956	—
Health Care Related Programs Fund	2,050,768	4,983,145	—
Nonmajor governmental funds	767,990	463,113	—
Internal service funds	—	—	—
Adjustment:			
Unavailable revenue ¹	(2,118,205)	(10,462)	—
Leases receivable	—	—	—
Total current governmental activities	\$ 45,903,671	\$ 6,308,959	\$ —
Amounts not scheduled for collection during the subsequent year (unavailable revenue)	\$ 2,118,205	\$ 10,462	\$ —
Current business-type activities			
Water Resources Fund	—	—	—
State Lottery Fund	—	—	777,976
Unemployment Programs Fund	—	—	—
California State University	—	—	—
Nonmajor enterprise funds	—	—	—
Total current business-type activities	\$ —	\$ —	\$ 777,976
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.

Unemployment Programs	California State University	Other	Total
\$ 678,855	\$ —	\$ 1,706,206	\$ 46,621,774
—	—	2,076,598	2,076,598
—	—	139,956	1,464,551
—	—	157,279	672,252
—	—	136,006	7,169,919
—	—	431,216	1,662,319
—	—	114,000	114,000
(250,238)	—	(226,212)	(2,605,117)
—	—	(144,852)	(144,852)
<u>\$ 428,617</u>	<u>\$ —</u>	<u>\$ 4,390,197</u>	<u>\$ 57,031,444</u>
<u>\$ 250,238</u>	<u>\$ —</u>	<u>\$ 371,066</u>	<u>\$ 2,749,971</u>
—	—	192,770	192,770
—	—	—	777,976
1,312,602	—	—	1,312,602
—	353,423	—	353,423
—	—	144,183	144,183
<u>\$ 1,312,602</u>	<u>\$ 353,423</u>	<u>\$ 336,953</u>	<u>\$ 2,780,954</u>
<u>\$ 1,040,204</u>	<u>\$ 644,525</u>	<u>\$ —</u>	<u>\$ 1,684,729</u>

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, 2023

(amounts in thousands)

	Cash and Pooled Investments	Investments	Due From Other Governments	Loans Receivable	Total
Primary government					
Debt service	\$ 1,048,383	\$ 50,709	\$ 209,306	\$ 5,259,875	\$ 6,568,273
Construction	1,246,311	—	—	—	1,246,311
Operations	60,805	—	—	—	60,805
Other	1,290	—	—	—	1,290
Total primary government	2,356,789	50,709	209,306	5,259,875	7,876,679
Discretely presented component units					
Debt service	637,676	361,488	—	—	999,164
Other	157,473	—	—	—	157,473
Total discretely presented component units	795,149	361,488	—	—	1,156,637
Total restricted assets	\$ 3,151,938	\$ 412,197	\$ 209,306	\$ 5,259,875	\$ 9,033,316

NOTE 6: CAPITAL ASSETS

Table 7 summarizes the capital assets activity for the primary government.

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

June 30, 2023

(amounts in thousands)

	Beginning Balance	Additions	Deductions	Ending Balance
Governmental activities				
Capital assets not being depreciated/amortized				
Land	\$ 21,634,395 *	\$ 202,287	\$ 12,179	\$ 21,824,503
State highway infrastructure	82,760,028 *	943,397	9,684	83,693,741
Collections	22,682	—	854	21,828
Construction/development in progress	20,697,645 *	4,720,349	2,676,909	22,741,085
Intangible assets	1,114,779 *	138,978	—	1,253,757
Total capital assets not being depreciated/amortized	126,229,529	6,005,011	2,699,626	129,534,914
Capital assets being depreciated/amortized				
Buildings and improvements	30,424,261 *	459,775	323,468	30,560,568
Infrastructure	752,834 *	3,119	22	755,931
Equipment and other depreciable assets	6,189,107 *	493,863	205,302	6,477,668
Other intangible assets	3,127,869 *	649,141	25,139	3,751,871
Total capital assets being depreciated/amortized	40,494,071	1,605,898	553,931	41,546,038
Less accumulated depreciation/amortization for:				
Buildings and improvements	11,266,969 *	739,510	190,875	11,815,604
Infrastructure	467,818	14,767	—	482,585
Equipment and other depreciable assets	5,092,667 *	416,502	199,440	5,309,729
Other intangible assets	1,570,337 *	298,663	24,402	1,844,598
Total accumulated depreciation/amortization	18,397,791	1,469,442	414,717	19,452,516
Total capital assets being depreciated/amortized, net ...	22,096,280	136,456	139,214	22,093,522
Right to use assets being amortized				
Right to use leased land	39,014 *	3,737	363	42,388
Right to use leased buildings	3,943,117 *	333,174	989,321	3,286,970
Right to use leased equipment	6,566	17,090	5,953	17,703
Right to use subscription-based information technology arrangements	208,074 *	83,328	—	291,402
Total right to use assets being amortized	4,196,771	437,329	995,637	3,638,463
Less accumulated amortization for:				
Right to use leased land	2,800 *	4,627	318	7,109
Right to use leased buildings	474,596 *	483,301	85,094	872,803
Right to use leased equipment	3,099	5,111	5,953	2,257
Right to use subscription-based information technology arrangements	—	106,528	—	106,528
Total accumulated amortization	480,495	599,567	91,365	988,697
Total right to use assets being amortized, net	3,716,276	(162,238)	904,272	2,649,766
Governmental activities, capital assets, net	\$ 152,042,085	\$ 5,979,229	\$ 3,743,112	\$ 154,278,202

*Restated

(continued)

Table 7 (continued)

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

June 30, 2023

(amounts in thousands)

	Beginning Balance	Additions	Deductions	Ending Balance
Business-type activities				
Capital assets not being depreciated/amortized				
Land	\$ 448,053	\$ 18,018	\$ —	\$ 466,071
Collections	35,492	1,820	—	37,312
Construction/development in progress	3,210,423	1,094,943	1,707,159	2,598,207
Intangible assets	125,527	12,234	865	136,896
Total capital assets not being depreciated/amortized	3,819,495	1,127,015	1,708,024	3,238,486
Capital assets being depreciated/amortized				
Buildings and improvements	18,356,706	1,543,399	6,383	19,893,722
Infrastructure	624,041	164,911	8,833	780,119
Equipment and other assets	1,133,469 *	93,787	18,612	1,208,644
Other intangible assets	496,750	15,724	37,695	474,779
Total capital assets being depreciated/amortized	20,610,966	1,817,821	71,523	22,357,264
Less accumulated depreciation/amortization for:				
Buildings and improvements	6,839,703	533,656	2,831	7,370,528
Infrastructure	183,170	26,422	8,238	201,354
Equipment and other assets	836,211	85,143	16,998	904,356
Other intangible assets	267,981	15,200	7,465	275,716
Total accumulated depreciation/amortization	8,127,065	660,421	35,532	8,751,954
Total capital assets being depreciated/amortized, net....	12,483,901	1,157,400	35,991	13,605,310
Right to use assets being amortized				
Right to use leased land	6,959	122	—	7,081
Right to use leased buildings	370,317 *	62,578	2,245	430,650
Right to use leased equipment	8,862	5,004	2,304	11,562
Right to use subscription-based information technology arrangements	110,024 *	27,944	346	137,622
Total right to use assets being amortized	496,162	95,648	4,895	586,915
Less accumulated amortization for:				
Right to use leased land	472	524	—	996
Right to use leased buildings	40,618	41,526	2,422	79,722
Right to use leased equipment	2,377	2,815	609	4,583
Right to use subscription-based information technology arrangements	—	43,057	—	43,057
Total accumulated amortization	43,467	87,922	3,031	128,358
Total right to use assets being amortized, net	452,695	7,726	1,864	458,557
Business-type activities, capital assets, net	\$ 16,756,091	\$ 2,292,141	\$ 1,745,879	\$ 17,302,353
* Restated				(concluded)

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

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

June 30, 2023

(amounts in thousands)

	Amount
Governmental activities	
General government	\$ 522,879
Education	135,499
Health and human services	319,078
Natural resources and environmental protection	211,340
Business, consumer services, and housing	50,218
Transportation	338,021
Corrections and rehabilitation	367,564
Internal service funds (charged to the activities that utilize the fund)	124,410
Total governmental activities	2,069,009
Business-type activities	748,340
Total primary government	\$ 2,817,349

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

Table 9

Schedule of Changes in Capital Assets – Discretely Presented Component Units

June 30, 2023

(amounts in thousands)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Capital assets not being depreciated/amortized				
Land	\$ 1,725,990 *	\$ 189,179	\$ 15,345	\$ 1,899,824
Collections	630,251	31,638	1,638	660,251
Construction/development in progress	4,876,598 *	1,885,977	90,261	6,672,314
Intangible assets	5,214	8	2,802	2,420
Total capital assets not being depreciated/amortized	7,238,053	2,106,802	110,046	9,234,809
Capital assets being depreciated/amortized				
Buildings and improvements	51,463,351 *	1,521,298	154,110	52,830,539
Infrastructure	1,051,048 *	97,230	—	1,148,278
Equipment and other depreciable assets	13,252,599	939,104	364,000	13,827,703
Other intangible assets	1,840,039 *	54,461	56,493	1,838,007
Total capital assets being depreciated/amortized	67,607,037	2,612,093	574,603	69,644,527
Less accumulated depreciation/amortization for:				
Buildings and improvements	22,684,948 *	1,593,348	130,612	24,147,684
Infrastructure	548,609 *	36,172	176	584,605
Equipment and other depreciable assets	9,615,051	719,510	320,261	10,014,300
Other intangible assets	1,258,378	174,691	37,190	1,395,879
Total accumulated depreciation/amortization	34,106,986	2,523,721	488,239	36,142,468
Total capital assets being depreciated/amortized, net	33,500,051	88,372	86,364	33,502,059
Right to use assets being amortized				
Right to use leased land	106,991	3,325	21,410	88,906
Right to use leased buildings	3,011,429	632,716	287,979	3,356,166
Right to use leased equipment	171,416	53,924	23,888	201,452
Right to use subscription-based information technology arrangements	327,905 *	87,560	9,155	406,310
Total right to use assets being amortized	3,617,741	777,525	342,432	4,052,834
Less accumulated amortization for:				
Right to use leased land	9,420	4,397	1,704	12,113
Right to use leased buildings	696,453	327,872	78,063	946,262
Right to use leased equipment	77,386	41,267	19,646	99,007
Right to use subscription-based information technology arrangements	68,263 *	99,839	9,155	158,947
Total accumulated amortization	851,522	473,375	108,568	1,216,329
Total right to use assets being amortized, net	2,766,219	304,150	233,864	2,836,505
Capital assets, net	\$ 43,504,323	\$ 2,499,324	\$ 430,274	\$ 45,573,373

* Restated

NOTE 7: DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

In the fund financial statements, governmental funds reported deferred inflows of resources of \$3.4 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, 2023

(amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Deferred outflows of resources:				
Loss on refunding of debt	\$ 855,550	\$ 181,363	\$ 1,036,913	\$ 188,194
Decrease in fair value of hedging derivative instruments	—	—	—	22,747
Net pension liability	29,370,857	3,330,514	32,701,371	3,080,176
Net other postemployment benefits liability	12,178,109	2,723,785	14,901,894	4,510,118
Deferred asset retirement obligation	—	—	—	82,467
Other deferred outflows	—	—	—	908
Total deferred outflows of resources	\$ 42,404,516	\$ 6,235,662	\$ 48,640,178	\$ 7,884,610
Deferred inflows of resources:				
Gain on refunding of debt	\$ 890,643	\$ 3,666	\$ 894,309	\$ 47,162
Service concession arrangements	—	—	—	227,323
Irrevocable split-interest agreements	—	—	—	307,509
Net pension liability	6,597,283	724,078	7,321,361	131,759
Net other postemployment benefits liability	22,826,346	5,681,578	28,507,924	8,131,493
Other deferred inflows	794,047	2,211,876	3,005,923	1,439,100
Total deferred inflows of resources	\$ 31,108,319	\$ 8,621,198	\$ 39,729,517	\$ 10,284,346

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, 2023

(amounts in thousands)

	General Government	Education	Health and Human Services
Governmental activities			
General Fund	\$ 1,985,915	\$ 850,707	\$ 10,469,907
Federal Fund	334,669	223,475	23,645,179
Transportation Fund	12,229	6,793	396
Environmental and Natural Resources Fund	2,862	3,420	56
Health Care Related Programs Fund	—	867	4,274,804
Nonmajor governmental funds	450,813	22,705	127,417
Internal service funds	260,243	149	190,002
Adjustment:			
Fiduciary funds	1,081,633	—	—
Total governmental activities	\$ 4,128,364	\$ 1,108,116	\$ 38,707,761
Business-type activities			
Water Resources Fund	\$ —	\$ —	\$ —
State Lottery Fund	56,270	—	—
Unemployment Programs Fund	—	—	309,566
California State University	—	397,546	—
Nonmajor enterprise funds	189	807	270
Adjustment:			
Fiduciary funds	—	—	—
Total business-type activities	\$ 56,459	\$ 398,353	\$ 309,836

Natural Resources and Environmental Protection				Transportation	Other	Total	
\$	417,795	\$	8,950	\$	689,503	\$	14,422,777
	85,057		139,601		71,219		24,499,200
	5,960		1,662,068		2,396		1,689,842
	517,257		89,379		12,557		625,531
	—		—		—		4,275,671
	23,773		310		145,922		770,940
	30,556		—		13,072		494,022
	—		50,923		1,578		1,134,134
\$	1,080,398	\$	1,951,231	\$	936,247	\$	47,912,117
\$	150,961	\$	—	\$	—	\$	150,961
	—		—		—		56,270
	—		—		—		309,566
	—		—		—		397,546
	14,257		—		2,526		18,049
	—		—		68		68
\$	165,218	\$	—	\$	2,594	\$	932,460

NOTE 9: LONG-TERM OBLIGATIONS

As of June 30, 2023, the primary government had long-term obligations totaling \$306.9 billion. Of that amount, \$8.3 billion is due within one year. Governmental activities had a net increase in long-term obligations of \$23.1 billion, primarily due to an increase of \$32.2 billion in net pension liability offset by a decrease of \$10.0 billion in net other postemployment benefits (OPEB) liability. Other significant increases included general obligation bonds payable of \$1.3 billion. Increases to governmental activities also included a \$161 million restatement to the beginning balance of subscription liability due to the implementation of GASB Statement No. 96, and a \$1.0 billion restatement to the beginning balance of other long-term obligations due to the implementation of GASB Statement No. 94.

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, 2023, pollution remediation obligations increased by \$121 million from the prior fiscal year-end, to \$1.8 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, 2023, the State estimates that remediation costs at Stringfellow will total \$577 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, 2023, the State estimates that the oil field abandonment liability is \$1.0 billion, 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 Water Resources Revolving Fund notes payable of \$26 million, availability payment arrangements of \$1.0 billion, lessee-type financed

purchases of \$23 million, Technology Services Revolving Fund notes payable of \$28 million and a Transportation Fund performance obligation of \$512 million. The net pension liability, net OPEB liability, compensated absences, and availability payment arrangements 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 increase in long-term obligations of \$1.4 billion. Significant increases included \$3.4 billion in net pension liability offset by a decrease of \$2.5 billion in net OPEB liability. Increases to business-type activities included a \$95 million restatement to the beginning subscription liability due to the implementation of GASB Statement No. 96.

Table 12 summarizes the changes in long-term obligations during the fiscal year ended June 30, 2023.

Table 12

Schedule of Changes in Long-term Obligations

(amounts in thousands)

	Balance July 1, 2022	Additions
Governmental activities		
Loans payable adjustment for fiduciary funds	\$ 40,323	\$ —
Compensated absences payable	5,245,333	1,802,081
Workers' compensation benefits payable	5,457,692	1,244,814
Commercial paper and other borrowings	1,448,725	1,715,635
Lease liability	2,659,291 *	353,977
Subscription liability	160,866 *	78,144
General obligation bonds outstanding	69,215,805	8,590,580
Premiums	8,130,325	671,556
Total general obligation bonds payable	<u>77,346,130</u>	<u>9,262,136</u>
Revenue bonds outstanding	15,616,571	979,615
Accreted interest	739,587	25,913
Premiums	802,019	132,831
Discounts	(786)	—
Total revenue bonds payable	<u>17,157,391</u>	<u>1,138,359</u>
Mandated cost claims payable	1,976,349	195,509
Net other postemployment benefits liability	77,369,354	10,368,411
Net pension liability	47,920,644	49,721,423
Other long-term obligations:		
Lessee-type financed purchases and availability payment arrangements	1,055,776 *	—
Oil field abandonment liability	939,660	106,660
Pollution remediation obligations	1,709,747 *	274,411
Other	535,643 *	180,809
Total other long-term obligations	<u>4,240,826</u>	<u>561,880</u>
Total governmental activities	<u>\$ 241,022,924</u>	<u>\$ 76,442,369</u>
Business-type activities		
Lottery prizes and annuities	\$ 1,587,437	\$ 6,942,799
Compensated absences payable	456,058	156,683
Workers' compensation benefits payable	14,535	—
Commercial paper and other borrowings	323,313	253,353
Lease liability	332,851 *	66,350
Subscription liability	95,145 *	23,599
General obligation bonds outstanding	525,695	167,130
Premiums	11,237	2,867
Discounts	(580)	—
Total general obligation bonds payable	<u>536,352</u>	<u>169,997</u>
Revenue bonds outstanding	13,248,995	881,955
Premiums	1,172,848	101,913
Discounts	(342)	—
Total revenue bonds payable	<u>14,421,501</u>	<u>983,868</u>
Net other postemployment benefits liability	16,913,829	2,268,972
Net pension liability	6,248,484	5,863,365
Other long-term obligations	405,773	121,783
Total business-type activities	<u>\$ 41,335,278</u>	<u>\$ 16,850,769</u>

* Restated

Deductions	Balance June 30, 2023	Due Within One Year	Noncurrent Liabilities
\$ 9,282	\$ 31,041	\$ —	\$ 31,041
1,720,461	5,326,953	15,544	5,311,409
678,374	6,024,132	634,357	5,389,775
1,837,250	1,327,110	—	1,327,110
499,393	2,513,875	451,739	2,062,136
102,547	136,463	83,327	53,136
7,140,310	70,666,075	3,453,370	67,212,705
774,859	8,027,022	526,259	7,500,763
7,915,169	78,693,097	3,979,629	74,713,468
2,032,357	14,563,829	702,726	13,861,103
—	765,500	—	765,500
165,541	769,309	117,417	651,892
(60)	(726)	(94)	(632)
2,197,838	16,097,912	820,049	15,277,863
212,625	1,959,233	149,354	1,809,879
20,377,958	67,359,807	—	67,359,807
17,496,203	80,145,864	—	80,145,864
29,053	1,026,723	30,008	996,715
—	1,046,320	—	1,046,320
152,979	1,831,179	65,981	1,765,198
150,524	565,928	191,206	374,722
332,556	4,470,150	287,195	4,182,955
\$ 53,379,656	\$ 264,085,637	\$ 6,421,194	\$ 257,664,443
\$ 6,966,815	\$ 1,563,421	\$ 940,489	\$ 622,932
138,138	474,603	178,306	296,297
1,820	12,715	—	12,715
174,862	401,804	20,528	381,276
40,753	358,448	39,058	319,390
51,940	66,804	35,711	31,093
30,040	662,785	4,010	658,775
1,017	13,087	—	13,087
(70)	(510)	—	(510)
30,987	675,362	4,010	671,352
699,840	13,431,110	576,360	12,854,750
100,052	1,174,709	21,660	1,153,049
(36)	(306)	—	(306)
799,856	14,605,513	598,020	14,007,493
4,728,821	14,453,980	—	14,453,980
2,425,712	9,686,137	—	9,686,137
54,720	472,836	24,825	448,011
\$ 15,414,424	\$ 42,771,623	\$ 1,840,947	\$ 40,930,676

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, 2022, included the primary government and certain discretely presented component units; 1,335 school employers, including charter schools; and 1,601 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, 2021 Actuarial Valuation Report, which may be found on the CalPERS website at www.CalPERS.ca.gov. 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, 2022 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, 2022

	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol	Total PERF Plans
Inactive employees or beneficiaries currently receiving benefits	209,673	17,356	30,202	47,598	9,951	314,780
Inactive employees entitled to but not yet receiving benefits	75,327	4,386	10,300	8,785	604	99,402
Active employees	205,505	19,187	32,976	46,882	6,893	311,443
Total	490,505	40,929	73,478	103,265	17,448	725,625

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, 2022.

Table 14**Contribution Rates – PERF Plans**

June 30, 2022

	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol
Average active employee rate.....	7.17 %	8.19 %	10.65 %	11.69 %	12.50 %
Employer rate of annual payroll.....	29.20	17.34	19.45	32.84	62.73
Total.....	36.37 %	25.53 %	30.10 %	44.53 %	75.23 %

Actuarial Methods and Assumptions: The total pension liability for PERF plans was measured as of June 30, 2022 (measurement date), by rolling forward the total pension liability determined by the June 30, 2021 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, 2021
Actuarial cost method:	Entry age normal in accordance with the requirements of GASB 68
Actuarial assumptions:	
Discount rate	6.9%
Inflation	2.30%
Salary increases	Varies by entry age and service
Investment rate of return	6.90% net of pension plan investment expense but without reduction for administrative expenses; includes inflation
Mortality	Mortality rates are based on the 2021 CalPERS Experience Study adopted by the CalPERS Board, and incorporate full generational mortality improvement using 80% of Scale MP-2020, published by the Society of Actuaries
Post-retirement benefit adjustments (COLAs)	The lesser of Contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies; 2.30% thereafter

Discount Rate: The discount rate used to measure the total pension liability was 6.90% 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

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-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 basis points.

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	Assumed Asset Allocation	Real Return ^{1,2}
Global Equity - Cap-weighted	30.0 %	4.54 %
Global Equity - Non-Cap-weighted	12.0	3.84
Private Equity	13.0	7.28
Treasury	5.0	0.27
Mortgage-backed Securities	5.0	0.50
Investment Grade Corporates	10.0	1.56
High Yield	5.0	2.27
Emerging Market Debt	5.0	2.48
Private Debt	5.0	3.57
Real Assets	15.0	3.21
Leverage	(5.0)	(0.59)
Total	100.0 %	

¹ An expected inflation rate of 2.30% used for this period.

² Figures are based on the 2021 Asset Liability Management study.

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

Table 17

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

	State Miscellaneous			State Industrial		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2021	\$ 126,608,681	\$ 104,318,731 *	\$ 22,289,950	\$ 5,392,740	\$ 4,950,152 *	\$ 442,588
Changes recognized for the measurement period:						
Service cost	2,438,345	—	2,438,345	145,767	—	145,767
Interest on total pension liability	8,752,910	—	8,752,910	374,401	—	374,401
Changes of assumptions	3,728,965	—	3,728,965	153,761	—	153,761
Difference between expected and actual experience	(1,115,641)	—	(1,115,641)	(65,431)	—	(65,431)
Plan to plan resource movement	—	(2,559)	2,559	—	281	(281)
Employer contributions	—	5,110,275	(5,110,275)	—	187,746	(187,746)
Employee contributions	—	1,081,816	(1,081,816)	—	67,664	(67,664)
Net investment income	—	(7,836,089)	7,836,089	—	(374,909)	374,909
Benefit payments, including refunds of employee contributions	(7,174,817)	(7,174,817)	—	(255,704)	(255,704)	—
Administrative expense	—	(64,984)	64,984	—	(3,084)	3,084
Net changes	6,629,762	(8,886,358)	15,516,120	352,794	(378,006)	730,800
Balance at June 30, 2022 (Measurement Date)	\$ 133,238,443	\$ 95,432,373	\$ 37,806,070	\$ 5,745,534	\$ 4,572,146	\$ 1,173,388

*Restated

State Safety			State Peace Officers and Firefighters		
Total	Plan	Net	Total	Plan	Net
Pension	Fiduciary	Pension	Pension	Fiduciary	Pension
Liability	Net Position	Liability	Liability	Net Position	Liability
\$ 15,981,838	\$ 14,951,368	* \$ 1,030,470	\$ 55,399,417	\$ 46,175,077	* \$ 9,224,340
574,216	—	574,216	1,167,715	—	1,167,715
1,110,294	—	1,110,294	3,864,043	—	3,864,043
455,219	—	455,219	2,190,080	—	2,190,080
(238,531)	—	(238,531)	(805,030)	—	(805,030)
—	950	(950)	—	1,076	(1,076)
—	561,227	(561,227)	—	2,171,675	(2,171,675)
—	244,938	(244,938)	—	477,347	(477,347)
—	(1,131,785)	1,131,785	—	(3,524,277)	3,524,277
(788,819)	(788,819)	—	(2,735,400)	(2,735,400)	—
—	(9,314)	9,314	—	(28,764)	28,764
1,112,379	(1,122,803)	2,235,182	3,681,408	(3,638,343)	7,319,751
\$ 17,094,217	\$ 13,828,565	\$ 3,265,652	\$ 59,080,825	\$ 42,536,734	\$ 16,544,091

(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, 2021	\$ 15,103,300	\$ 11,924,803 *	\$ 3,178,497	\$ 218,485,976	\$ 182,320,131	\$ 36,165,845
Changes recognized for the measurement period:						
Service cost	292,213	—	292,213	4,618,256	—	4,618,256
Interest on total pension liability	1,062,411	—	1,062,411	15,164,059	—	15,164,059
Changes of assumptions	695,673	—	695,673	7,223,698	—	7,223,698
Difference between expected and actual experience	(178,097)	—	(178,097)	(2,402,730)	—	(2,402,730)
Plan to plan resource movement	—	252	(252)	—	—	—
Employer contributions	—	628,308	(628,308)	—	8,659,231	(8,659,231)
Employee contributions	—	109,080	(109,080)	—	1,980,845	(1,980,845)
Net investment income	—	(901,987)	901,987	—	(13,769,047)	13,769,047
Benefit payments, including refunds of employee contributions	(739,443)	(739,443)	—	(11,694,183)	(11,694,183)	—
Administrative expense	—	(7,428)	7,428	—	(113,574)	113,574
Net changes	1,132,757	(911,218)	2,043,975	12,909,100	(14,936,728)	27,845,828
Balance at June 30, 2022 (Measurement Date)	\$ 16,236,057	\$ 11,013,585	\$ 5,222,472	\$ 231,395,076	\$ 167,383,403	\$ 64,011,673

Reported in governmental activities	\$ 52,090,647
Reported in business-type activities	9,686,137
Reported by discretely presented component units	136,797
Not reported in government-wide Statement of Net Position ¹	2,098,092
Total net pension liability – PERF plans	\$ 64,011,673

(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, 2022; and minor differences related to amounts reported in separately issued financial statements of proprietary funds and discretely presented component units.

*Restated

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 6.90%, 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 (5.90%) or one percentage point higher (7.90%) than the current rate.

Table 18

Net Pension Liability Sensitivity – PERF Plans

June 30, 2023

(amounts in thousands)

	Current Rate -1%	Current Rate 6.9%	Current Rate +1%
State Miscellaneous	\$ 54,400,244	\$ 37,806,070	\$ 23,952,435
State Industrial	1,975,108	1,173,388	515,577
State Safety	5,568,108	3,265,652	1,368,007
State Peace Officers and Firefighters	24,810,999	16,544,091	9,789,064
California Highway Patrol	7,521,782	5,222,472	3,346,606
Total PERF plans	\$ 94,276,241	\$ 64,011,673	\$ 38,971,689

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, 2023, the State recognized pension expense of \$9.0 billion. At June 30, 2023, 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, 2022, but prior to the fiscal year ended June 30, 2023. 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, 2023

(amounts in thousands)

	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol	Total PERF Plans
Pension Expense	\$ 5,075,081	\$ 201,294	\$ 606,432	\$ 2,419,869	\$ 719,150	\$ 9,021,826
Deferred Outflows of Resources:						
Employer contributions	6,271,650	256,852	771,612	3,371,914	674,103	11,346,131
Changes of assumptions	2,861,764	108,537	346,833	1,724,106	542,388	5,583,628
Difference between expected and actual experience	597,799	11,893	35,110	544,080	156,228	1,345,110
Net difference between projected and actual earnings on pension plan investments	4,926,703	237,178	712,610	2,170,151	561,045	8,607,687
Deferred Inflows of Resources:						
Difference between expected and actual experience	856,190	46,187	200,336	633,747	138,520	1,874,980

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
2024	\$ 1,810,556	\$ 75,210	\$ 196,174	\$ 936,010	\$ 287,600	\$ 3,305,550
2025	1,520,068	63,941	151,497	756,730	249,672	2,741,908
2026	1,019,304	29,127	103,621	564,951	181,566	1,898,569
2027	3,180,148	143,143	442,925	1,546,899	402,303	5,715,418

Payable to the Pension Plans: At June 30, 2023, the State reported a payable of \$1.1 billion for the outstanding amount of contributions to the PERF pension plans required for the fiscal year ended June 30, 2023.

2. Single-employer Plans

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

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

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

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

Benefits Provided: All employees in a covered class of employment who work on a half-time basis or more are eligible to participate. The benefits for the defined benefit plans are based on a member's years of service, age, final compensation, and 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, to the extent funded, 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, 2022 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, 2022

	<u>Judges’</u>	<u>Judges’ II</u>	<u>Legislators’</u>	<u>Total</u>
Inactive employees or beneficiaries currently receiving benefits	1,647	444	189	2,280
Inactive employees entitled to but not yet receiving benefits	2	3	3	8
Active employees	99	1,625	2	1,726
Total	<u>1,748</u>	<u>2,072</u>	<u>194</u>	<u>4,014</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, 2022 actuarial valuation as 32.1%. 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, 2022.

Table 22

Contribution Rates – Single-employer Plans
June 30, 2022

	<u>Judges’</u>	<u>Judges’ II</u>	<u>Legislators’</u>
Average active employee rate.....	“Pay-	9.62 %	8.00 %
Employer rate of annual payroll.....	as-you-	24.24	29.38
Total	go”	<u>33.86 %</u>	<u>37.38 %</u>

Actuarial Methods and Assumptions: The total pension liability for single-employer plans was measured as of June 30, 2022 (measurement date), by rolling forward the total pension liability determined by the June 30, 2021 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, 2021
Actuarial cost method:	Entry age normal in accordance with the requirements of GASB 68
Actuarial assumptions:	
Discount rate	Judges’ 3.69%, Judges’ II 6.15%, Legislators’ 4.85%
Inflation	All single-employer plans – 2.30%
Salary increases	All single-employer plans – 2.80%
Investment rate of return	Judges’ 3.69%, Judges’ II 6.15%, Legislators’ 4.85%, net of pension plan investment without reduction of administrative expense
Mortality	Mortality rates are based on the 2021 CalPERS Experience Study adopted by the CalPERS Board, and incorporate full generational mortality improvement using 80% of Scale MP-2020, published by the Society of Actuaries
Post-retirement benefit adjustments (COLAs)	Judges’ – 2.80% Judges’ II – 2.30% Legislators’ – 2.30%

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’ – 3.69%, reflecting the short-term nature of the assets. As the plan is insufficiently funded, CalPERS uses a discount rate of 3.69%, 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 – 6.15%

Legislators’ – 4.85%

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 Assumed Asset Allocation	Legislators' Assumed Asset Allocation	Real Return ^{1,2}
Public equity	51.0 %	18.0 %	4.50 %
Global fixed income	21.0	45.0	1.40
Inflation sensitive	5.0	20.0	0.50
Commodities	3.0	3.0	1.10
Real estate	20.0	14.0	3.70
Total	100.0 %	100.0 %	

¹ An expected inflation rate of 2.30% used for this period.

² Figures are based on the 2021 Asset Liability Management study.

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

Table 25

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

	Judges'			Judges' II		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2021 (Valuation Date).....	\$ 3,326,289	\$ 61,640	\$ 3,264,649	\$ 2,063,342	\$ 2,398,029	\$ (334,687)
Changes recognized for the measurement period:						
Service cost	10,345	—	10,345	115,808	—	115,808
Interest on total pension liability	93,559	—	93,559	120,585	—	120,585
Difference between expected and actual experience	(92,633)	—	(92,633)	(67,751)	—	(67,751)
Changes of assumptions	(598,096)	—	(598,096)	(59,394)	—	(59,394)
Employer contributions	—	194,960	(194,960)	—	92,773	(92,773)
Employee contributions	—	1,956	(1,956)	—	36,529	(36,529)
Net investment income	—	194	(194)	—	(324,365)	324,365
Benefit payments, including refunds of employee contributions....	(210,491)	(210,491)	—	(66,739)	(66,739)	—
Administrative expense	—	(1,677)	1,677	—	(1,842)	1,842
Other miscellaneous income	—	2,305	(2,305)	—	4	(4)
Net changes	(797,316)	(12,753)	(784,563)	42,509	(263,640)	306,149
Balance at June 30, 2022 (Measurement Date).....	\$ 2,528,973	\$ 48,887	\$ 2,480,086	\$ 2,105,851	\$ 2,134,389	\$ (28,538)

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)
\$ 91,867	\$ 122,048	\$ (30,181)	\$ 5,481,498	\$ 2,581,717	\$ 2,899,781
108	—	108	126,261	—	126,261
4,299	—	4,299	218,443	—	218,443
(992)	—	(992)	(161,376)	—	(161,376)
1,024	—	1,024	(656,466)	—	(656,466)
—	85	(85)	—	287,818	(287,818)
—	23	(23)	—	38,508	(38,508)
—	(12,450)	12,450	—	(336,621)	336,621
(6,647)	(6,647)	—	(283,877)	(283,877)	—
—	(436)	436	—	(3,955)	3,955
—	1	(1)	—	2,310	(2,310)
<u>(2,208)</u>	<u>(19,424)</u>	<u>17,216</u>	<u>(757,015)</u>	<u>(295,817)</u>	<u>(461,198)</u>
<u>\$ 89,659</u>	<u>\$ 102,624</u>	<u>\$ (12,965)</u>	<u>\$ 4,724,483</u>	<u>\$ 2,285,900</u>	<u>\$ 2,438,583</u>
Reported in governmental activities					<u>\$ 2,438,583</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: Judges’ net pension liability was calculated using a discount rate of 3.69%; Judges’ II used 6.15%; and Legislators’ used 4.85%. 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, 2023

(amounts in thousands)

	Current Rate -1%	Current Rate	Current Rate +1%
Judges’ (3.69%)	\$ 2,719,270	\$ 2,480,086	\$ 2,273,420
Judges’ II (6.15%)	215,687	(28,538)	(231,408)
Legislators’ (4.85%)	(1,953)	(12,965)	(21,833)
Total Single-employer Plans	\$ 2,933,004	\$ 2,438,583	\$ 2,020,179

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, 2022, the State recognized pension income of \$540 million. At June 30, 2023, 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, 2022, but prior to June 30, 2023, 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, 2023

(amounts in thousands)

	Judges'	Judges' II	Legislators'	Total
Pension Expense	\$ (592,085)	\$ 51,754	\$ 312	\$ (540,019)
Deferred Outflows of Resources:				
Employer contributions subsequent to the measurement date	207,835	73,614	44	281,493
Changes of assumptions	—	17,308	—	17,308
Difference between expected and actual experience	—	13,226	—	13,226
Net difference between projected and actual earnings on pension plan investments	1,807	191,087	8,088	200,982
Deferred Inflows of Resources:				
Difference between expected and actual experience	—	86,970	—	86,970
Changes of assumptions	—	68,721	—	68,721

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)

Year Ending June 30	Judges'	Judges' II	Legislators'	Total
2024	\$ 410	\$ 13,668	\$ 1,126	\$ 15,204
2025	491	16,968	1,541	19,000
2026	538	4,450	1,781	6,769
2027	368	75,565	3,640	79,573
2028	—	(17,954)	—	(17,954)
Thereafter	—	(26,767)	—	(26,767)

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, 458,000 active and 235,000 inactive program members, and 329,000 benefit recipients as of June 30, 2023. The payroll for employees covered by the DB Program for the fiscal year ended June 30, 2022, was approximately \$40.1 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 16.92% of creditable compensation, respectively. The General Fund contributed an additional 6.311% of total creditable compensation of the fiscal year ending in the prior calendar year. Contributions will remain at 6.311% in the next year and may increase until the fiscal year 2045-46. Accordingly, the State contributed \$3.7 billion for the fiscal year 2022-23. CalSTRS' June 30, 2021 Defined Benefit Actuarial Valuation Report may be found on CalSTRS' website at www.CalSTRS.com.

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, 2022, the CBB Program had 29 contributing school districts and 41,419 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, 2022, 316 individuals were receiving benefits from the RB program.

Actuarial Methods and Assumptions: The total pension liability in the June 30, 2021 actuarial valuation (valuation date) was determined using the actuarial methods and assumptions shown in Table 29, applied to the measurement period ended June 30, 2022.

Table 29

Actuarial Methods and Assumptions – CalSTRS

Valuation date	June 30, 2021
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, 2022 (measurement date), by applying update procedures and rolling forward the total pension liability determined by the actuarial valuation as of June 30, 2021 (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, 2022, the State’s proportionate share of the CalSTRS’ net pension liability was 33.37%, or \$23.2 billion; this amount is reported in the governmental activities column of the government-wide Statement of Net Position as of June 30, 2023.

As a result of its requirement to contribute to CalSTRS, the State recognized expense of \$2.4 billion for the fiscal year ended June 30, 2023, 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, 2023

(amounts in thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 1,149,896	\$ —
Net difference between projected and actual earnings on pension plan investments	—	1,133,879
Difference between expected and actual experiences	19,020	1,738,524
Proportionate share change	97,168	1,595,223
State contributions subsequent to the measurement date	3,719,874	—
Total	\$ 4,985,958	\$ 4,467,626

The \$3.7 billion reported as deferred outflows of resources resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2024.

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
2024	\$ (544,822)
2025	(1,684,437)
2026	(2,045,610)
2027	1,485,733
2028	(320,686)
Thereafter	(91,720)

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, 2023

(amounts in thousands)

	Current Rate -1%	Current Rate 7.10%	Current Rate +1%
State’s proportionate share of net pension liability	\$ 39,379,758	\$ 23,186,783	\$ 9,741,746

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 52 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 30 of the CalPERS agent multiple-employer defined benefit plans, the net pension liability was measured as of June 30, 2022, and valued as of June 30, 2021. For 16 of the cost-sharing multiple-employer defined benefit plans, the net pension liability was measured as of June 30, 2022. Of these plans, five had a valuation date of June 30, 2022, and 11 had a valuation date of June 30, 2021. For six of the cost-sharing multiple-employer plans, the net pension liability was measured as of December 31, 2022. Of these plans, three had an actuarial valuation date of December 31, 2021, two had a valuation date of January 1, 2022, and one had a valuation date of December 31, 2022. Two agent multiple-employer

defined benefit plans and four cost-sharing multiple employer defined benefit plans did not provide an actuarial valuation for this reporting period.

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:	30	22
Valuation date(s):	June 30, 2021	Eleven plans as of June 30, 2021. Three plans as of December 31, 2021. Two plans as of January 1, 2022. Five plans as of June 30, 2022. One plan as of December 31, 2022.
Actuarial assumptions:		
Discount rate	6.90%	Rates ranging from 6.42% to 7.25%

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 6.90%. 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 7.25% as of the respective measurement date.

Pension Accounting Elements: For the trial court pension plans, the State reported total pension liability of \$11.9 billion and fiduciary net position of \$9.5 billion, which resulted in a net pension liability of \$2.4 billion as of June 30, 2023. For the fiscal year ended June 30, 2023, the State recognized pension expense of \$285 million. At June 30, 2023, the State reported deferred outflows of resources of \$1.2 billion and deferred inflows of resources of \$365 million. The reported deferred outflows of resources included \$360 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, 2024.

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, 2023 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, 2022* (June 30, 2022 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, 2022

OPEB Plan	Inactive employees or beneficiaries currently receiving benefits	Active Employees	Total
Service Employees International Union (SEIU) Plan	76,368	115,564	191,932
Bargaining Unit 5 Plan	7,545	6,959	14,504
Bargaining Unit 6 Plan	28,239	29,456	57,695
Bargaining Unit 9 Plan	8,605	13,629	22,234
Bargaining Unit 12 Plan	10,476	12,885	23,361
Other Funded Plans	32,520	48,752	81,272
Unfunded Plan	43,300	54,053	97,353
Total	207,053	281,298	488,351

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 2022 monthly State contribution was \$816 for one-party coverage, \$1,548 for two-party coverage, and \$1,983 for family coverage. For the year ended June 30, 2022, the State contributed \$4.0 billion toward annuitants’ health and dental benefits.

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

For the measurement period ended June 30, 2022 (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, 2022
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 6.00% when assets are available to pay benefits, otherwise 20-year Municipal G.O. Bond AA Index rate of 3.69%
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 2023, increasing to 7.00% in 2024, grading down to 4.50% from 2029 to 2037, and 4.25% for 2038 and later years Post-Medicare coverage: Actual rates for 2023, increasing to rates ranging from 7.00% to 8.06% in 2024, grading down to 4.50% from 2031 to 2037, and 4.25% for 2038 and later years Dental coverage: 0.03% for 2023, 2.00% for 2024, 3.00% for 2025, 4.00% for 2026, and 4.25% for 2027 and later years
Mortality	Derived using CalPERS' membership data for all members

Other demographic assumptions used in the June 30, 2022 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 five years) and the long-term (six-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, 2022 total OPEB liability consist of the 20-year Municipal G.O. Bond AA Index rate of 3.69% as of June 30, 2022, 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, 2022 includes the impact of the temporary suspensions of employee contributions under the Personal Leave Program that was in effect during the years ended June 30, 2021 and June 30, 2022. The prefunding agreements are subject to collective bargaining and legislative approval. Detailed information on the blended discount rates by valuation group is available in the *State of California Retiree Health Benefits Program GASB Nos. 74 and 75 Actuarial Valuation Report as of June 30, 2022*, on the State Controller’s Office website, at www.sco.ca.gov.

Blended rates for the June 30, 2023 valuation will be determined using the Fidelity Index 20-year Municipal G.O. Bond AA Index rate of 3.86% when prefunding assets are not available to pay benefits.

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

Table 38

Changes in Net OPEB Liability

(amounts in thousands)

	SEIU		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2021	\$ 32,759,998	\$ 914,261	\$ 31,845,737
Changes recognized for the measurement period:			
Service cost	1,297,725	—	1,297,725
Interest on total OPEB liability	908,980	—	908,980
Difference between expected and actual experiences	831,414	—	831,414
Changes of assumptions	(6,216,338)	—	(6,216,338)
Employer contributions	—	1,576,970	(1,576,970)
Employee contributions	—	286,986	(286,986)
Net investment income	—	(228,601)	228,601
Benefit payments	(1,038,983)	(1,038,983)	—
Administrative expense	—	(333)	333
Net changes	(4,217,202)	596,039	(4,813,241)
Balance at June 30, 2022 (Measurement Date)	\$ 28,542,796	\$ 1,510,300	\$ 27,032,496

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
\$ 5,994,057	\$ 631,538	\$ 5,362,519	\$ 18,187,008	\$ 1,218,428	\$ 16,968,580
209,691	—	209,691	655,259	—	655,259
181,784	—	181,784	531,126	—	531,126
(92,802)	—	(92,802)	916,117	—	916,117
(1,359,809)	—	(1,359,809)	(3,595,519)	—	(3,595,519)
—	212,763	(212,763)	—	623,643	(623,643)
—	8,452	(8,452)	—	119,564	(119,564)
—	(102,287)	102,287	—	(209,053)	209,053
(92,183)	(92,183)	—	(389,079)	(389,079)	—
—	(177)	177	—	(353)	353
(1,153,319)	26,568	(1,179,887)	(1,882,096)	144,722	(2,026,818)
\$ 4,840,738	\$ 658,106	\$ 4,182,632	\$ 16,304,912	\$ 1,363,150	\$ 14,941,762

(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, 2021	\$ 4,646,254	\$ 225,215	\$ 4,421,039
Changes recognized for the measurement period:			
Service cost	173,027	—	173,027
Interest on total OPEB liability	129,982	—	129,982
Difference between expected and actual experiences	222,406	—	222,406
Changes of assumptions	(879,542)	—	(879,542)
Employer contributions	—	182,205	(182,205)
Employee contributions	—	33,871	(33,871)
Net investment income	—	(42,399)	42,399
Benefit payments	(120,334)	(120,334)	—
Administrative expense	—	(69)	69
Net changes	(474,461)	53,274	(527,735)
Balance at June 30, 2022 (Measurement Date)	\$ 4,171,793	\$ 278,489	\$ 3,893,304

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
\$ 4,212,096	\$ 186,671	\$ 4,025,425	\$ 16,061,952	\$ 841,359	\$ 15,220,593
145,385	—	145,385	674,238	—	674,238
118,610	—	118,610	464,427	—	464,427
227,285	—	227,285	1,023,794	—	1,023,794
(760,893)	—	(760,893)	(3,182,977)	—	(3,182,977)
—	203,008	(203,008)	—	698,670	(698,670)
—	31,356	(31,356)	—	137,487	(137,487)
—	(37,298)	37,298	—	(164,073)	164,073
(139,651)	(139,651)	—	(436,182)	(436,182)	—
—	(59)	59	—	(263)	263
(409,264)	57,356	(466,620)	(1,456,700)	235,639	(1,692,339)
\$ 3,802,832	\$ 244,027	\$ 3,558,805	\$ 14,605,252	\$ 1,076,998	\$ 13,528,254

(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, 2021	\$ 17,666,441	\$ —	\$ 17,666,441
Changes recognized for the measurement period:			
Service cost	828,893	—	828,893
Interest on total OPEB liability	350,040	—	350,040
Difference between expected and actual experiences	1,171,850	—	1,171,850
Changes of assumptions	(4,210,439)	—	(4,210,439)
Employer contributions	—	530,610	(530,610)
Employee contributions	—	—	—
Net investment income	—	—	—
Benefit payments	(530,610)	(530,610)	—
Administrative expense	—	—	—
Net changes	(2,390,266)	—	(2,390,266)
Balance at June 30, 2022 (Measurement Date)	\$ 15,276,175	\$ —	\$ 15,276,175

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, 2022, 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
\$ 99,527,806	\$ 4,017,472	\$ 95,510,334
3,984,218	—	3,984,218
2,684,949	—	2,684,949
4,300,064	—	4,300,064
(20,205,517)	—	(20,205,517)
—	4,027,869	(4,027,869)
—	617,716	(617,716)
—	(783,711)	783,711
(2,747,022)	(2,747,022)	—
—	(1,254)	1,254
(11,983,308)	1,113,598	(13,096,906)
<u>\$ 87,544,498</u>	<u>\$ 5,131,070</u>	<u>\$ 82,413,428</u>

Reported in governmental activities	\$ 65,766,546
Reported in business-type activities	14,453,980
Reported by discretely presented component units	105,186
Not reported in government-wide Statement of Net Position ¹	2,087,716
Total net OPEB liability	\$ 82,413,428
	(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 3.69% to 4.23%, 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, 2023

(amounts in thousands)

OPEB Plan	Blended Rate	Blended	Blended	Blended
		Discount Rates	Discount Rates	Discount Rates
		-1%		+1%
Service Employees International Union (SEIU) Plan	4.12%	\$ 31,608,238	\$ 27,032,496	\$ 23,312,853
Bargaining Unit 5 Plan	4.22%	5,103,992	4,182,632	3,463,835
Bargaining Unit 6 Plan	4.12%	17,836,869	14,941,762	12,657,749
Bargaining Unit 9 Plan	4.11%	4,556,134	3,893,304	3,353,802
Bargaining Unit 12 Plan	4.13%	4,140,605	3,558,805	3,085,046
Other Funded Plans	4.06% to 4.23%	15,966,711	13,528,254	11,569,846
Unfunded Plan	3.69%	17,610,446	15,276,175	13,371,931
Total		\$ 96,822,995	\$ 82,413,428	\$ 70,815,062

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, 2023

(amounts in thousands)

OPEB Plan	Healthcare Cost		Healthcare Cost	
	Trend Rates	Healthcare Cost	Trend Rates	Healthcare Cost
	-1%		+1%	
Service Employees International Union (SEIU) Plan	\$ 22,958,281	\$ 27,032,496	\$ 32,217,042	
Bargaining Unit 5 Plan	3,428,794	4,182,632	5,162,447	
Bargaining Unit 6 Plan	12,541,803	14,941,762	18,019,662	
Bargaining Unit 9 Plan	3,305,376	3,893,304	4,637,102	
Bargaining Unit 12 Plan	3,055,449	3,558,805	4,191,198	
Other Funded Plans	11,400,552	13,528,254	16,252,502	
Unfunded Plan	13,209,683	15,276,175	17,890,649	
Total	\$ 69,899,938	\$ 82,413,428	\$ 98,370,602	

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 \$737 million for the year ended June 30, 2023. 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, 2023, 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, 2023

(amounts in thousands)

Description	Service Employees International Union (SEIU) Plan	Bargaining Unit 5 Plan	Bargaining Unit 6 Plan	Bargaining Unit 9 Plan
OPEB Expense	\$ 27,955	\$ 91,047	\$ 275,599	\$ 2,101
Deferred Outflows of Resources:				
Employer contributions subsequent to the measurement date	1,369,690	143,430	513,110	164,497
Difference between expected and actual experiences	721,067	16,752	762,178	190,170
Changes of assumptions	1,756,233	729,062	1,661,882	222,658
Net difference between projected and actual earnings on OPEB plan investments	178,203	59,478	131,466	28,594
Deferred Inflows of Resources:				
Difference between expected and actual experiences	3,266,897	603,040	1,372,373	348,761
Changes of assumptions	6,106,933	1,229,114	3,170,562	793,282

The \$3.5 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 year ended June 30, 2024.

Bargaining Unit 12 Plan	Other Funded Plans	Unfunded Plan	Total
\$ (40,360)	\$ 209,215	\$ 171,094	\$ 736,651
175,199	593,704	527,794	3,487,424
193,301	900,772	998,272	3,782,512
180,637	1,022,814	1,016,876	6,590,162
26,013	112,951	—	536,705
419,696	1,547,101	1,527,926	9,085,794
677,937	3,089,601	3,954,528	19,021,957

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					
	2024	2025	2026	2027	2028	Thereafter
Service Employees International Union (SEIU) Plan	\$ (1,702,192)	\$ (1,320,976)	\$ (807,921)	\$ (829,263)	\$ (887,062)	\$ (1,170,913)
Bargaining Unit 5	(240,702)	(179,910)	(163,359)	(212,665)	(230,226)	—
Bargaining Unit 6	(601,059)	(344,699)	(294,166)	(320,774)	(426,711)	—
Bargaining Unit 9	(181,039)	(120,944)	(101,081)	(102,256)	(109,653)	(85,648)
Bargaining Unit 12	(200,962)	(126,257)	(121,322)	(104,322)	(89,921)	(54,898)
Other Funded Plans	(660,935)	(510,643)	(402,509)	(331,353)	(316,459)	(378,266)
Unfunded Plan	(921,501)	(681,068)	(445,918)	(413,849)	(447,663)	(557,307)
Total	\$ (4,508,390)	\$ (3,284,497)	\$ (2,336,276)	\$ (2,314,482)	\$ (2,507,695)	\$ (2,247,032)

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, 2022 (measurement date), and the remaining 52 valuations had a measurement date of June 30, 2022. 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 Plans	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 3.69%.	Blended and single rates ranging from 3.69% to 7.00%.	Single rates ranging from 6.50% to 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 2034 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, 2022 total OPEB liability consist of the 20-year Municipal G.O. Bond AA Index rate of 3.69% as of June 30, 2022, 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 3.69% 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 \$1.9 billion and fiduciary net position of \$289 million, which resulted in a net OPEB liability of \$1.6 billion as of June 30, 2023, reported in governmental activities. For the year ended June 30, 2023, the State recognized OPEB expense of \$43 million. At June 30, 2023, the State reported deferred outflows of resources of \$288 million and deferred inflows of resources of \$517 million. Deferred outflows of resources included \$92 million from OPEB contributions made subsequent to the measurement date, which will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024.

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, 2023, 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 \$2.5 billion. As of June 30, 2023, the general obligation commercial paper program had \$1.3 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, 2023, the enterprise fund commercial paper program had \$250 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, 2023, \$152 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 AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The State leases land, buildings, equipment, and other assets as a lessee under a variety of non-cancelable long-term lease agreements. The State also has noncancelable subscription-based information technology arrangements (SBITAs) for the right to use information technology software. As of June 30, 2023, the primary government had a lease liability of \$2.5 billion and a subscription liability of \$136 million for governmental activities. For business-type activities, the lease liability was \$358 million, and the subscription liability was \$67 million. The State is required to make principal and interest payments through maturity of the lease and SBITA agreements. For governmental activities, the required payments are discounted using either the rates explicit in the lease and SBITA agreements or the State’s incremental borrowing rates. The State’s incremental borrowing rates ranged from 2.40% to 3.22%, depending on the duration of the lease or subscription term at the inception of each lease or SBITA agreement during the 2022-23 fiscal year. Required payments for business-type activities are discounted using the rates explicit in the lease and SBITA 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 - Lease Liability
(amounts in thousands)

Year Ending June 30	Primary Government					
	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 451,739	\$ 30,426	\$ 39,058	\$ 8,742	\$ 490,797	\$ 39,168
2025	382,965	26,209	38,423	7,893	421,388	34,102
2026	328,483	22,549	30,321	7,119	358,804	29,668
2027	275,655	19,065	25,230	6,515	300,885	25,580
2028	242,969	16,031	20,908	5,965	263,877	21,996
2029-2033	573,189	43,836	85,701	22,832	658,890	66,668
2034-2038	208,716	10,226	62,012	13,038	270,728	23,264
2039-2043	39,818	1,904	36,076	5,953	75,894	7,857
2044-2048	4,751	627	17,218	2,197	21,969	2,824
2049-2053	3,430	282	3,300	81	6,730	363
Thereafter	2,160	270	201	888	2,361	1,158
Total	\$ 2,513,875	\$ 171,425	\$ 358,448	\$ 81,223	\$ 2,872,323	\$ 252,648
Less: current portion	451,739		39,058		490,797	
Lease liability, net of current portion	\$ 2,062,136		\$ 319,390		\$ 2,381,526	

Table 45 includes the principal and interest requirements to maturity for the subscription liability of the primary government.

Table 45

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

Year Ending June 30	Primary Government					
	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 83,327	\$ 2,227	\$ 35,711	\$ 2,943	\$ 119,038	\$ 5,170
2025	39,382	953	18,760	1,396	58,142	2,349
2026	11,447	216	7,599	468	19,046	684
2027	2,239	26	1,668	188	3,907	214
2028	68	—	1,137	122	1,205	122
2029-2033	—	—	1,929	114	1,929	114
Total	\$ 136,463	\$ 3,422	\$ 66,804	\$ 5,231	\$ 203,267	\$ 8,653
Less: current portion	83,327		35,711		119,038	
Subscription liability, net of current portion	\$ 53,136		\$ 31,093		\$ 84,229	

Certain lease and SBITA agreements require variable payments that are not included in the lease and subscription liabilities or related right-to-use lease and SBITA assets. The primary government recognized expenses of \$101 million from variable lease payments and \$5 million from subscription variable payments for the year ended June 30, 2023.

As of June 30, 2023, 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 and subscription liabilities for information technology software. Additional disclosures for the University of California’s lease and subscription liabilities 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, 2023, the primary government had commitments of \$8.9 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 \$7.8 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 \$10.6 billion for various education programs, \$3.5 billion for housing and community development programs, \$746 million for terrorism prevention and disaster-preparedness response projects, \$699 million for services provide under various public health programs, \$406 million for community service programs, \$194 million for health services related to

Medi-Cal to private individuals, \$41 million for planning and research program, and \$31 million for services provided under the child support program.

The primary government had other commitments, totaling \$29.4 billion, that are not included as a liability on the Balance Sheet or the Statement of Net Position. The \$29.4 billion in commitments includes grant agreements totaling approximately \$21.5 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 \$29.4 billion in commitments includes \$3.4 billion in undisbursed loan commitments to qualified agencies for clean water projects and \$1.7 billion in undisbursed loan commitments for various programs aimed at providing housing and emergency shelter to persons in need.

The \$29.4 billion in commitments also includes contracts of \$1.0 billion for the construction of water projects and the purchase and transmission of power that are not included as a liability on the Statement of Net Position of the Water Resources Fund. Included in this amount are certain power purchase, sale, and exchange contracts. The primary government had commitments of \$1.2 billion for CSU construction projects. In addition, CSU participates in forward-purchase contracts of electricity. As of June 30, 2023, CSU's obligation under these special purchase arrangements requires it to purchase at fixed prices an estimated total of \$25 million in electricity through December 2024. The California State Lottery Commission had commitments of \$610 million for gaming and telecommunication systems and services. The primary government also had commitments of \$36 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, 2023, the primary government encumbered expenditures of \$12.0 billion for the General Fund, \$5.0 billion for the Transportation Fund, \$2.5 billion for the Environmental and Natural Resources Fund, \$19 million for the Health Care Related Programs Fund, and \$2.0 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, 2023, 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, 2023, the State had \$70.7 billion in outstanding general obligation bonds related to governmental activities and \$663 million related to business-type activities. In addition, \$26.6 billion in long-term general obligation bonds had been authorized but not issued, of which \$25.8 billion is related to governmental activities and \$804 million is related to business-type activities. The total amount authorized but not issued (which may first be issued as commercial paper notes) includes \$9.1 billion authorized by the applicable finance committees for issuance in the form of commercial paper notes or bonds. In addition, the State had \$1.3 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, 2023.

A. Variable-rate General Obligation Bonds

The State issues both fixed and variable-rate general obligation bonds. As of June 30, 2023, the State had \$727 million in variable-rate general obligation bonds outstanding, consisting of \$219 million in daily-rate bonds with credit enhancement, and \$508 million in weekly-rate bonds with credit enhancement. The interest rates associated with the credit-enhanced bonds are determined by the remarketing agents, 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 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 bond documents. Upon a tender, the remarketing agent 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 2022-23 fiscal year.

The letters of credit for the Series 2003 variable-rate bonds have expiration dates of December 16, 2024; August 25, 2025; and May 10, 2028. 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 November 18, 2024; April 22, 2025; and May 8, 2026.

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 2022-23 fiscal year.

B. Build America Bonds

As of June 30, 2023, 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.

C. Debt Service Requirements

Table 46 shows the debt service requirements for all general obligation bonds as of June 30, 2023. The estimated debt service requirements for the \$727 million variable-rate general obligation bonds are calculated using the actual interest rates in effect on June 30, 2023. 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 46

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
2024	\$ 3,453,370	\$ 3,469,705	\$ 6,923,075	\$ 4,010	\$ 23,430	\$ 27,440
2025	3,477,330	3,320,487	6,797,817	10,225	23,296	33,521
2026	3,490,720	3,160,768	6,651,488	6,965	23,125	30,090
2027	3,609,420	2,993,510	6,602,930	26,585	22,686	49,271
2028	3,750,005	2,831,367	6,581,372	23,880	21,987	45,867
2029 - 2033	18,493,590	11,650,038	30,143,628	177,230	93,797	271,027
2034 - 2038	16,579,470	7,242,772	23,822,242	105,675	69,220	174,895
2039 - 2043	10,662,220	2,976,972	13,639,192	104,380	53,325	157,705
2044 - 2048	4,784,950	992,098	5,777,048	136,615	29,494	166,109
2049 - 2053	2,365,000	208,728	2,573,728	67,220	7,801	75,021
Total	\$ 70,666,075	\$ 38,846,445	\$ 109,512,520	\$ 662,785	\$ 368,161	\$ 1,030,946

D. General Obligation Bond Defeasances

1. Current Year Activity

On September 20, 2022, the primary government issued \$1.0 billion in general obligation bonds to current refund \$1.1 billion in outstanding fixed and variable-rate general obligation bonds with principal redemptions scheduled in the fiscal years ended June 30, 2024 to 2033, 2036 to 2037, and 2043. 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 \$115 million and resulted in an economic gain of \$79 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 3.56% per year over the life of the new bonds.

On November 3, 2022, the primary government issued \$1.2 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 2033, 2038, and 2043 to 2048. 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 \$137 million and resulted in an economic gain of \$93 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 3.77% per year over the life of the new bonds.

On November 17, 2022, the primary government issued \$37 million in general obligation bonds to advance refund \$37 million in outstanding fixed rate general obligation bonds with principal redemptions scheduled in the fiscal years ended June 30, 2027, 2033, 2036, and 2044. 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 \$27 million. The purpose of this refunding was to effect a favorable reorganization of the debt structure of the State.

On April 13, 2023, the primary government issued \$1.2 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, 2026 to 2028, 2030, 2032 to 2034, 2037, and 2043. 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 \$198 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 3.05% 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, 2023, there are \$37 million in 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 \$2.4 billion, payable through 2041. Interest paid in the current year totaled \$59 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 \$9.4 billion, payable through 2066. 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 \$700 million, while Tobacco Settlement Revenue and interest earned totaled \$476 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 \$10.9 billion, payable through 2048. 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, 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 the fiscal year 2022-23, 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. 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 the fiscal year 2022-23, which may be found on its website at www.CalHFA.ca.gov.

Table 47 shows outstanding revenue bonds of the primary government and the discretely presented component units.

Table 47

Schedule of Revenue Bonds Payable

June 30, 2023

(amounts in thousands)

Primary government**Governmental activities**

Transportation Fund	\$	426
Public Buildings Construction Fund		8,585,648
Nonmajor governmental funds:		
Golden State Tobacco Securitization Corporation Fund		5,770,403
No Place Like Home Program		1,741,435
Total governmental activities		16,097,912

Business-type activities

Water Resources Fund		3,392,570
California State University		9,107,077
Nonmajor enterprise funds		2,105,866
Total business-type activities		14,605,513
Total primary government		30,703,425

Discretely presented component units

University of California		31,893,528
California Housing Finance Agency		40,955
Nonmajor component units		920,404
Total discretely presented component units		32,854,887
Total revenue bonds payable	\$	63,558,312

Table 48 shows the debt service requirements for fixed-rate and variable-rate bonds. It excludes unamortized premiums and discounts that are included in Table 48.

Table 48

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 *
2024.....	\$ 702,726	\$ 584,369	\$ 576,360	\$ 504,852	\$ 714,278	\$ 1,322,695
2025.....	723,255	554,763	592,485	482,061	1,098,584	1,293,702
2026.....	748,020	525,468	601,745	459,598	1,168,208	1,253,503
2027.....	781,290	494,718	600,115	439,310	1,201,496	1,217,688
2028.....	818,300	466,794	626,530	418,710	789,546	1,180,772
2029-2033.....	3,899,440	1,956,086	3,004,850	1,735,238	5,972,615	5,274,441
2034-2038.....	3,698,295	1,273,839	2,456,100	1,158,325	4,555,639	4,071,921
2039-2043.....	1,926,124	831,086	1,850,495	758,127	4,591,311	2,947,981
2044-2048.....	973,595	587,672	1,873,320	390,504	4,232,158	1,914,562
2049-2053.....	1,004,120	86,702	1,141,470	98,629	3,676,002	1,060,030
2054-2058.....	—	—	107,640	14,212	339,408	592,183
2059 and thereafter..	54,164	—	—	—	2,590,544	4,379,579
Total.....	\$ 15,329,329	\$ 7,361,497	\$ 13,431,110	\$ 6,459,566	\$ 30,929,789	\$ 26,509,057

* Includes interest on variable-rate bonds based on rates in effect on June 30, 2023.

D. Revenue Bond Defeasances

1. Current Year – Governmental Activities

During the 2022-23 fiscal year, the GSTSC issued \$218 million in Enhanced Tobacco Settlement Asset-Backed refunding bonds. The bond proceeds were used to current refund \$361 million 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 \$316 million and resulted in an economic gain of \$88 million.

During the 2022-23 fiscal year, the SPWB issued \$711 million in lease revenue refunding bonds. The bond proceeds were used to refund \$868 million in outstanding lease revenue bonds. The net proceeds of the refunding bonds, along with additional resources, were deposited in an escrow account to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liabilities for those bonds have been removed from the financial statements. The refunding decreased debt service payments by \$177 million and resulted in an economic gain of \$142 million. The lease revenue bonds are reported in the Public Buildings Construction Fund, an internal service fund.

2. Current Year – Business-type Activities

In September 2022, the Department of Water Resources issued \$248 million in tax-exempt water system revenue bonds to refund \$149 million in outstanding water system 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 liability for those bonds has been removed from the financial statements. The refunding decreased debt service payments by \$4 million and resulted in an economic gain of \$1 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, 2023, the outstanding balance of defeased revenue bonds was \$599 million for business-type activities. Of this amount, the outstanding balance of bonds that were defeased using the State's own existing resources was \$5 million. All defeased revenue bonds for governmental activities were redeemed by June 30, 2023.

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 \$6.0 billion as of June 30, 2023. 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 \$8.4 billion is discounted to \$6.0 billion using a 3.5% interest rate. Of the total discounted liability, \$634 million is a current liability, of which \$470 million is included in the General Fund, \$160 million in the special revenue funds, and \$5 million in the internal service funds. The remaining \$5.4 billion is reported as other noncurrent liabilities in the government-wide Statement of Net Position.

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

Table 49 shows the changes in the self-insurance claims liability for the primary government.

Table 49

Schedule of Changes in Self-insurance Claims

Year Ended June 30
(amounts in thousands)

	<u>2023</u>	<u>2022</u>
Unpaid claims, beginning	\$ 5,472,227	\$ 4,953,720
Incurred claims	1,244,814	1,112,513
Claim payments	(680,194)	(594,006)
Unpaid claims, ending	<u>\$ 6,036,847</u>	<u>\$ 5,472,227</u>

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NOTE 18: INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

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

Table 50 shows the amounts due from and due to other funds.

Table 50

Schedule of Due From Other Funds and Due To Other Funds

June 30, 2023

(amounts in thousands)

Due From	Due To					
	General Fund	Federal Fund	Transportation Fund	Environmental and Natural Resources Fund	Health Care Related Programs Fund	Nonmajor Governmental Fund
Governmental funds						
General Fund	\$ —	\$ —	\$ 40,856	\$ —	\$ —	\$ 2,427,020
Federal Fund	2,996,607	—	653,237	87,527	—	91,769
Transportation Fund	—	—	—	49,415	—	206,721
Environmental and Natural Resources Fund	147,578	—	—	—	—	14,394
Health Care Related Programs Fund	3,701,292	152,800	—	38	—	4,568
Nonmajor governmental funds	66,526	—	4,442	18,941	46,453	21,076
Total governmental funds	6,912,003	152,800	698,535	155,921	46,453	2,765,548
Enterprise funds						
Water Resources Fund	—	15	—	315	—	—
State Lottery Fund	511	—	—	—	—	595,589
Nonmajor enterprise funds	985	—	6	21,286	—	556
Total enterprise funds	1,496	15	6	21,601	—	596,145
Internal service funds	20,304	12,416	102,443	147,516	12,350	95,982
Total due from other funds ...	\$ 6,933,803	\$ 165,231	\$ 800,984	\$ 325,038	\$ 58,803	\$ 3,457,675

Due To

		California					
State	Unemployment	State	Nonmajor	Internal	Fiduciary	Total	
Lottery	Programs	University	Enterprise	Service		Due To	
Fund	Fund	Fund	Funds	Funds	Funds	Other Funds	
\$ —	\$ 48,576	\$ 2,833	\$ 2,545	\$ 308,315	\$ 1,081,828	\$ 3,911,973	
—	379	—	25,094	10,769	151	3,865,533	
—	—	—	—	7,997	50,923	315,056	
—	—	—	2,000	39,294	—	203,266	
—	—	—	—	655	—	3,859,353	
—	—	—	—	85,369	4	242,811	
—	48,955	2,833	29,639	452,399	1,132,906	12,397,992	
—	—	—	—	132,983	—	133,313	
—	—	—	—	—	—	596,100	
—	—	—	—	209	68	23,110	
—	—	—	—	133,192	68	752,523	
7,391	31,002	—	10,142	251,244	1,229	692,019	
\$ 7,391	\$ 79,957	\$ 2,833	\$ 39,781	\$ 836,835	\$ 1,134,203	\$ 13,842,534	

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 \$2.0 billion of interfund loans. There is an additional \$68 million reported as loans receivable from entities outside of the State’s primary government.

Table 51 shows the primary government’s interfund receivables and payables.

Table 51

Schedule of Interfund Receivables and Payables

June 30, 2023

(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	\$ —	\$ 134,189	\$ 1,259,305	\$ 149,051
Transportation Fund	—	—	—	—
Environmental and Natural Resources Fund	516,389	10,000	—	—
Nonmajor governmental funds	8,752	31,448	—	—
Total governmental funds	525,141	175,637	1,259,305	149,051
Enterprise funds				
Water Resources Fund	—	603	7,590	1,090
State Lottery Fund	—	135	1,697	244
California State University Fund	—	1,429	18,004	2,587
Nonmajor enterprise funds	21,720	18	226	32
Total enterprise funds	21,720	2,185	27,517	3,953
Internal service funds	3,367,552	752	9,463	1,360
Total interfund receivables	\$ 3,914,413	\$ 178,574	\$ 1,296,285	\$ 154,364

Interfund Payables						
Nonmajor Governmental Funds	Water Resources Fund	Unemployment Programs Fund	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total Interfund Payables
\$ 865,231	\$ —	\$ 227,154	\$ 6,387	\$ 21,651	\$ 29,973	\$ 2,692,941
—	—	—	—	642	—	642
—	—	—	—	2,419	—	528,808
—	—	—	—	—	—	40,200
865,231	—	227,154	6,387	24,712	29,973	3,262,591
3,261	—	1,662	47	39	219	14,511
729	—	371	10	9	49	3,244
7,735	—	3,942	111	92	520	34,420
97	—	49	2	1	7	22,152
11,822	—	6,024	170	141	795	74,327
4,066	183,169	2,072	58	16,003	273	3,584,768
\$ 881,119	\$ 183,169	\$ 235,250	\$ 6,615	\$ 40,856	\$ 31,041	\$ 6,921,686

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

Table 52

Schedule of Due From Primary Government and Due To Component Units

June 30, 2023

(amounts in thousands)

Due From	Due To		
	Component Units		
	University of California	Nonmajor Component Units	Total
Governmental funds			
General Fund	\$ 264,995	\$ —	\$ 264,995
Transportation Fund	6,788	—	6,788
Environmental and Natural Resources Fund	3,420	128	3,548
Nonmajor governmental funds	37,089	—	37,089
Total governmental funds	312,292	128	312,420
Total due from primary government	\$ 312,292	\$ 128	\$ 312,420

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B. Interfund Transfers

Transfers move money collected by one fund to another fund, which then disburses it as required by law. The General Fund and certain other funds transfer money to support various programs accounted for in other funds. The largest transfer from the General Fund was \$6.0 billion to the California State University, an enterprise fund. The General Fund also transferred \$5.5 billion to nonmajor governmental funds, mainly for support of trial courts and mental health services. The Transportation Fund transferred \$1.4 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 \$700 million to the General Fund for administration of the Unemployment Insurance Program.

Table 53 shows interfund transfers of the primary government.

Table 53

Schedule of Interfund Transfers

June 30, 2023

(amounts in thousands)

Transferred From	Transferred To		
	General Fund	Transportation Fund	Environmental and Natural Resources Fund
Governmental funds			
General Fund	\$ —	\$ 10,805	\$ 63,825
Federal Fund	700,073	13,601	16,393
Transportation Fund	166	—	17,620
Environmental and Natural Resources Fund	92,371	728	—
Health Care Related Programs Fund	—	—	—
Nonmajor governmental funds	63,901	31	26,201
Total governmental funds	856,511	25,165	124,039
Internal service funds	32,825	—	—
Total transfers from other funds	\$ 889,336	\$ 25,165	\$ 124,039

Transferred To				
Health Care Related Programs Fund	Nonmajor Governmental Funds	California State University Fund	Internal Service Funds	Total Transfers To Other Funds
\$ 120,600	\$ 5,490,512	\$ 6,047,026	\$ 95,140	\$ 11,827,908
52	31,133	—	5,668	766,920
—	1,382,387	—	—	1,400,173
—	5,094	—	—	98,193
—	1,152	—	—	1,152
138,279	162,513	—	—	390,925
258,931	7,072,791	6,047,026	100,808	14,485,271
—	1,971	—	2,613	37,409
\$ 258,931	\$ 7,074,762	\$ 6,047,026	\$ 103,421	\$ 14,522,680

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

A. Fund Balances

Table 54 shows the composition of the governmental fund balances.

Table 54

Schedule of Fund Balances by Function

June 30, 2023

(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	\$ 3,914,412	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term loans receivable	36,507	—	—	—	—	—
Other	—	—	—	—	—	95,021
Total nonspendable	3,950,919	—	—	—	—	95,021
Restricted						
General government	153,220	590,099	—	13,059	24,730	6,890,276
Education	84,013	—	1,226	—	265,172	1,170,064
Health and human services	2,110,510	235,604	—	86,402	1,186,333	5,773,930
Natural resources and environmental protection	(133)	718	—	6,704,540	635	497,534
Business, consumer services, and housing	829	383,846	211,195	56,379	—	6,673,628
Transportation	—	—	10,514,609	—	—	117,242
Corrections and rehabilitation	229,593	—	—	—	—	240,142
Budget stabilization	22,252,422	—	—	—	—	—
Total restricted	24,830,454	1,210,267	10,727,030	6,860,380	1,476,870	21,362,816
Committed						
General government	2,201,593	—	—	14,200	—	631,555
Education	557,723	—	—	—	—	55,525
Health and human services	1,400,883	—	428	—	558,280	397,573
Natural resources and environmental protection	43,376	—	3	13,711,566	—	496,164
Business, consumer services, and housing	—	—	—	116,474	—	123,222
Transportation	—	—	49,261	—	—	3,386
Corrections and rehabilitation	7,316	—	—	—	—	1,047
Total committed	4,210,891	—	49,692	13,842,240	558,280	1,708,472
Assigned						
General government	6,592,376	—	—	—	—	77,937
Education	69,823	—	—	—	—	—
Health and human services	6,618,578	—	—	—	—	—
Natural resources and environmental protection	5,227,485	—	—	—	—	—
Business, consumer services, and housing	667,319	—	—	—	—	—
Transportation	616,898	—	—	—	—	—
Corrections and rehabilitation	921,804	—	—	—	—	—
Total assigned	20,714,283	—	—	—	—	77,937
Unassigned	10,297,141	(46,430,315)	—	—	—	(19)
Total fund balances	\$ 64,003,688	\$ (45,220,048)	\$ 10,776,722	\$ 20,702,620	\$ 2,035,150	\$ 23,244,227

B. Net Position Deficits

Table 55 shows the net position deficit balances.

Table 55

Schedule of Net Position Deficits

June 30, 2023

(amounts in thousands)

	Governmental Funds	Internal Service Funds	Enterprise Funds
Federal Fund	\$ 45,220,048	\$ —	\$ —
Architecture Revolving Fund	—	431	—
Service Revolving Fund	—	669,839	—
Technology Services Revolving Fund	—	349,112	—
Water Resources Revolving Fund	—	18,633	—
Other Internal Service Programs Fund	—	737,626	—
State Lottery Fund	—	—	279,071
Unemployment Programs Fund	—	—	12,091,948
California State University Fund	—	—	13,895,901
Total net position deficits	\$ 45,220,048	\$ 1,775,641	\$ 26,266,920

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, 2023, the value of restricted endowments and gifts totaled \$27.6 billion, and unrestricted endowments and gifts totaled \$11.0 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 \$3.6 billion at June 30, 2023. 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 \$1.9 billion and \$19 million, respectively.

NOTE 20: CONDUIT 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, 2023, CalHFA had \$5.5 billion of conduit debt obligations outstanding. CalHFA provides a limited commitment for such debt. Neither CalHFA, nor the State assumes the liabilities for the debt service of the debt issuances in the event of default. Revenues and other assets pledged and assigned under applicable indentures and agreements secure the debt.

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. As of June 30, 2023, the nonmajor component units had approximately \$4.7 billion of conduit debt obligations outstanding. The nonmajor component units provide a limited commitment for such debt. Neither the nonmajor component units, nor the State assume the liabilities for the debt service of the debt issuances in the event of default. Revenues and other assets pledged and assigned under applicable indentures and agreements secure the debt.

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, 2023; those in progress as of June 30, 2023, and settled or decided against the primary government as of December 5, 2024; and those having a high probability of resulting in a decision against the primary government as of December 5, 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:

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 (DWR) concerning its operation of the State Water Project, and to rescind DWR's environmental review of the same under the California Environmental Quality Act. The plaintiffs also 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 have augmented 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. 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 was 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 that 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 was argued on April 10, 2024. In July 2024, the appellate court vacated the district court's decision and dismissed the underlying proceedings as prudently unripe on the basis that the 2021 determination did not itself result in the denial of certification of any particular grant

application. This outcome effectively requires the parties to re-litigate their claims anew upon the denial of certification (or approval of same) for a specific grant application. There was no settlement or monetary judgment against the State for this case; however, there is a likelihood of follow-up litigation where similar claims would be litigated. There is a reasonable possibility that the outcome of those claims will be unfavorable to the State.

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. The State is pursuing cross claims against defendants and third parties. Plaintiff is seeking damages of \$799 million for the State's cancellation of a contract for delivery of PPE.

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, 2023, but prior to the date of the auditor's report.

A. Debt Issuances

In July 2023 and August 2024, the California State University (CSU) issued \$1.6 billion in revenue bonds to finance and refinance projects to acquire, construct, improve, and renovate certain CSU facilities, to refund certain outstanding system-wide revenue bonds, and to pay related issuance costs.

In August 2023, and January, March, and July 2024, the University of California, a major component unit, through its conduit, issued a total of \$4.9 billion in revenue bonds to finance or refinance certain capital projects of the University, refund certain prior bonds, purchase obligations of the United States and certain federal agencies and pay related issuance costs.

In September, October, and November 2023, and March, April, August, and October 2024, the primary government issued a total of \$12.5 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 for debt service savings.

In September and October 2023, and April, September, and October 2024, the State Public Works Board issued a total of \$3.0 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, fund capitalized interest on bonds, and pay related issuance costs.

In February 2024, the California Infrastructure and Economic Development Bank, a component unit, issued a total of \$273 million in revenue bonds to finance Clean Water State Revolving Fund project obligations, and pay related costs of issuance.

In July 2024, the California Earthquake Authority issued \$250 million in revenue bonds to enhance its claim-paying capacity.

In October 2024, the primary government issued a total of \$230 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 funding deferred payment assistant loans for the closing costs of the residential property.

B. Other

In recent years California has faced historically lengthy and severe wildfire seasons, with millions of acres burned annually. The 2023 fire season was less catastrophic by comparison, with just under 7,400 fires and 333,000 acres burned. The 2024 fire season saw approximately 7,900 fires and 1,049,000 acres burned. The 2024-25 Budget Act maintains \$2.6 billion in investments over seven years for the restoration of forest and wildland health, in an effort to reduce the risk of wildfires.

California continues to experience large swings between drought and flood conditions; these swings are becoming more severe due to climate change. The 2024-25 Budget Act maintains a total of \$6.7 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 a series of atmospheric river storms during December 2022 and continuing into January 2023, the federal government extended the 2022 tax payment and filing deadlines 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 2023-24 fiscal year.

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, 2023, the State had \$17.7 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 \$2.9 billion after the fiscal year to a balance of approximately \$20.5 billion as of November 15, 2024.

In August 2024, 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, 2023*, which will be used to measure the State's net Other Post-Employment Benefits (OPEB) liability as of June 30, 2024. Based on the Actuarial Valuation Report, the State will report a net OPEB liability as of June 30, 2024, of \$85.2 billion, an increase of \$2.8 billion from the net OPEB liability reported as of June 30, 2023. The report is available on the State Controller's Office website, at www.sco.ca.gov.

In the November 5, 2024, general election, California voters approved the following propositions:

- Proposition 2 authorizes the State to issue up to \$10.0 billion in bonds for repair, upgrade, and construction of K-12 public schools (including charter schools). The bonds will result in estimated increased state education costs of up to \$500 million annually.
- Proposition 4 authorizes the State to issue up to \$10.0 billion in bonds for various projects to reduce climate risks and impacts. The projects include increasing water resilience and available safe drinking water supplies; wildfire prevention and extreme heat mitigation; the protection of natural lands, parks, and wildlife; the protection of coastal lands, bays and oceans; clean energy infrastructure; and agriculture. The bonds will result in estimated increased costs of up to \$400 million annually.
- Proposition 35 makes permanent the existing Managed Care Organization Provider Tax ("health plan tax"), which was set to expire in 2026. This tax provides revenues to fund health care services including primary and specialty care, emergency care, family planning, mental health, and prescription drugs under Medi-Cal program. The proposition implements new rules that direct how the State must spend these tax revenues on Medi-Cal expenditures, which will result in estimated increased General Fund costs between \$1.0 billion and \$2.0 billion annually.

In December 2023, the U.S. Department of Labor (DOL) released Unemployment Insurance Program Letter 05-24 which provided guidance to states to apply their finality laws to Coronavirus Aid, Relief, and Economic Security (CARES) Act Unemployment Compensation (UC) claims. In February 2024, the Employment Development Department (EDD) responded to this letter in reference to federal compliance monitoring findings by requesting DOL's approval of its assertion that the California Unemployment Insurance Code's finality laws apply to the State's UC claims from federal pandemic programs, which are reported within \$46.3 billion of other liabilities in the Federal Fund as of June 30, 2023. In May 2024, DOL accepted EDD's assertion regarding the application of finality laws to its pandemic program UC claims. Due to the application of the guidance in Unemployment Insurance Program Letter 05-24, EDD should be able to recognize this event in the 2023-24 financial statements as a forgiveness of debt.

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios

For the Past Nine Fiscal Years¹

(amounts in thousands)

	<u>2014³</u>	<u>2015³</u>	<u>2016³</u>
PUBLIC EMPLOYEES' RETIREMENT FUND PLANS			
STATE MISCELLANEOUS²			
Total pension liability			
Service cost.....	\$ 1,477,762	\$ 1,576,695	\$ 1,668,682
Interest on total pension liability.....	6,670,928	6,970,837	7,220,961
Differences between expected and actual experience.....	—	693,639	(101,381)
Changes of assumptions.....	—	—	—
Benefit payments, including refunds of employee contributions.....	(4,844,631)	(5,098,222)	(5,346,864)
Net change in total pension liability.....	<u>3,304,059</u>	<u>4,142,949</u>	<u>3,441,398</u>
Total pension liability – beginning.....	<u>88,885,115</u>	<u>92,189,174</u>	<u>96,332,123</u>
Total pension liability – ending (a).....	<u>\$ 92,189,174</u>	<u>\$ 96,332,123</u>	<u>\$ 99,773,521</u>
Plan fiduciary net position			
Contributions – employer.....	\$ 2,156,312	\$ 2,608,785	\$ 2,818,406
Contributions – employee.....	766,896	771,046	801,023
Net investment income.....	10,370,838	1,505,042	339,588
Benefit payments, including refunds of employee contributions.....	(4,844,631)	(5,098,222)	(5,346,864)
Net plan to plan resource movement.....	—	(354)	(1,154)
Administrative expense.....	(86,473)	(76,678)	(41,497)
Other miscellaneous income/(expense)	—	—	—
Net change in plan fiduciary net position.....	<u>8,362,942</u>	<u>(290,381)</u>	<u>(1,430,498)</u>
Plan fiduciary net position – beginning.....	<u>60,017,620</u>	<u>68,380,562</u>	<u>68,090,181</u>
Plan fiduciary net position – ending (b).....	<u>\$ 68,380,562</u>	<u>\$ 68,090,181</u>	<u>\$ 66,659,683</u>
State's net pension liability – ending (a) – (b).....	<u>\$ 23,808,612</u>	<u>\$ 28,241,942</u>	<u>\$ 33,113,838</u>
Plan fiduciary net position as a percentage of the total pension liability.....	74.17 %	70.68 %	66.81 %
Covered payroll.....	\$ 10,019,739	\$ 10,640,884	\$ 11,189,932
State's net pension liability as a percentage of covered payroll.....	237.62 %	265.41 %	295.93 %

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.

*Restated

	2017 ³	2018 ³	2019 ³	2020 ³	2021 ³	2022 ³
\$	1,927,531	\$ 1,953,761	\$ 2,042,862	\$ 2,125,738	\$ 2,212,280	\$ 2,438,345
	7,381,049	7,571,997	7,970,572	8,288,391	8,603,225	8,752,910
	(387,041)	445,743	2,032,459	742,481	628,341	(1,115,641)
	5,667,561	(1,377,556)	—	—	—	3,728,965
	(5,572,707)	(5,865,849)	(6,190,738)	(6,513,916)	(6,851,024)	(7,174,817)
	9,016,393	2,728,096	5,855,155	4,642,694	4,592,822	6,629,762
	99,773,521	108,789,914	111,518,010	117,373,165	122,015,859	126,608,681
\$	108,789,914	\$ 111,518,010	\$ 117,373,165	\$ 122,015,859	\$ 126,608,681	\$ 133,238,443
\$	3,094,941	\$ 7,044,360	\$ 3,777,484	\$ 5,008,537	\$ 3,778,435	\$ 5,110,276
	843,772	870,402	942,980	1,005,830	928,152	1,081,816
	7,329,859	6,127,761	5,163,147	4,138,143	19,299,096	(7,836,089)
	(5,572,707)	(5,865,849)	(6,190,738)	(6,513,916)	(6,851,024)	(7,174,817)
	(2,737)	(1,340)	(1,344)	(4,213)	(2,558)	(2,559)
	(98,419)	(112,592)	(57,163)	(118,050)	(87,165)	(64,984)
	—	(213,815)	185	—	—	—
	5,594,709	7,848,927	3,634,551	3,516,331	17,064,936	(8,886,357)
	66,659,683	72,254,392	80,103,319	83,737,870	87,254,201	104,318,730
\$	72,254,392	\$ 80,103,319	\$ 83,737,870	\$ 87,254,201	\$ 104,319,137	\$ 95,432,373
\$	36,535,522	\$ 31,414,691	\$ 33,635,295	\$ 34,761,658	\$ 22,289,544	\$ 37,806,070
	66.42 %	71.83 %	71.34 %	71.51 %	82.39 %	71.63 %
\$	11,591,576	\$ 12,254,527	\$ 12,913,195	\$ 13,579,610	\$ 12,909,399	\$ 14,727,596
	315.19 %	256.35 %	260.47 %	255.98 %	172.66 %	256.70 %

(continued)

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

For the Past Nine Fiscal Years¹

(amounts in thousands)

	2014 ³	2015 ³	2016 ³
PUBLIC EMPLOYEES' RETIREMENT FUND PLANS			
STATE INDUSTRIAL²			
Total pension liability			
Service cost	\$ 92,324	\$ 100,006	\$ 107,868
Interest on total pension liability	241,278	257,527	273,308
Differences between expected and actual experience	—	26,976	7,009
Changes of assumptions	—	—	—
Benefit payments, including refunds of employee contributions	(146,977)	(157,029)	(167,359)
Net change in total pension liability	186,625	227,480	220,826
Total pension liability – beginning	3,181,282	3,367,907	3,595,387
Total pension liability – ending (a)	\$ 3,367,907	\$ 3,595,387	\$ 3,816,213
Plan fiduciary net position			
Contributions – employer	\$ 88,516	\$ 107,238	\$ 116,730
Contributions – employee	44,459	49,482	52,775
Net investment income	423,076	62,385	14,444
Benefit payments, including refunds of employee contributions	(146,977)	(157,029)	(167,359)
Net plan to plan resource movement	—	30	216
Administrative expense	(3,583)	(3,252)	(1,758)
Other miscellaneous income/(expense)	—	—	—
Net change in plan fiduciary net position	405,491	58,854	15,048
Plan fiduciary net position – beginning	2,420,958	2,826,449	2,885,303
Plan fiduciary net position – ending (b)	\$ 2,826,449	\$ 2,885,303	\$ 2,900,351
State's net pension liability – ending (a) – (b)	\$ 541,458	\$ 710,084	\$ 915,862
Plan fiduciary net position as a percentage of the total pension liability	83.92 %	80.25 %	76.00 %
Covered payroll	\$ 532,490	\$ 577,711	\$ 625,220
State's net pension liability as a percentage of covered payroll	101.68 %	122.91 %	146.49 %

	2017 ³	2018 ³	2019 ³	2020 ³	2021 ³	2022 ³
\$	124,792	\$ 119,521	\$ 127,006	\$ 131,508	\$ 136,918	\$ 145,767
	290,058	301,134	324,909	343,896	363,230	374,401
	21,516	(19,063)	106,233	24,610	21,852	(65,431)
	245,450	(54,062)	—	—	—	153,761
	(177,654)	(190,683)	(205,544)	(220,912)	(238,188)	(255,704)
	504,162	156,847	352,604	279,102	283,812	352,794
	3,816,213	4,320,375	4,477,222	4,829,826	5,108,928	5,392,740
\$	4,320,375	4,477,222	4,829,826	5,108,928	5,392,740	5,745,534
\$	123,163	\$ 241,062	\$ 148,494	\$ 244,773	\$ 128,161	\$ 187,745
	54,114	58,404	61,338	65,268	58,867	67,664
	322,150	272,379	233,027	191,982	911,996	(374,909)
	(177,654)	(190,683)	(205,544)	(220,912)	(238,188)	(255,704)
	(141)	268	(754)	(1,037)	(663)	281
	(4,282)	(5,014)	(2,558)	(5,383)	(4,090)	(3,084)
	—	(9,522)	8	—	—	—
	317,350	366,894	234,011	274,691	856,083	(378,007)
	2,900,351	3,217,701	3,584,595	3,818,606	4,093,297	4,950,153 *
\$	3,217,701	3,584,595	3,818,606	4,093,297	4,949,380	4,572,146
\$	1,102,674	892,627	1,011,220	1,015,631	443,360	1,173,388
	74.48 %	80.06 %	79.06 %	80.12 %	91.78 %	79.58 %
\$	643,295	\$ 695,014	\$ 728,609	\$ 765,840	\$ 706,128	\$ 802,709
	171.41 %	128.43 %	138.79 %	132.62 %	62.79 %	146.18 %

(continued)

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

For the Past Nine Fiscal Years¹

(amounts in thousands)

	2014 ³	2015 ³	2016 ³
PUBLIC EMPLOYEES' RETIREMENT FUND PLANS			
STATE SAFETY²			
Total pension liability			
Service cost	\$ 402,902	\$ 422,634	\$ 438,147
Interest on total pension liability	663,219	734,333	786,096
Differences between expected and actual experience	—	(4,150)	(2,235)
Changes of assumptions	—	—	—
Benefit payments, including refunds of employee contributions ..	(429,353)	(469,275)	(502,427)
Net change in total pension liability	636,768	683,542	719,581
Total pension liability – beginning	8,682,750	9,626,597	10,310,139
Total pension liability – ending (a)	\$ 9,319,518	\$ 10,310,139	\$ 11,029,720
Plan fiduciary net position			
Contributions – employer	\$ 339,232	\$ 393,925	\$ 401,108
Contributions – employee	196,148	215,482	221,615
Net investment income	1,162,050	175,677	42,258
Benefit payments, including refunds of employee contributions ...	(429,353)	(469,275)	(502,427)
Net plan to plan resource movement	—	499	548
Administrative expense	(9,945)	(9,200)	(4,966)
Other miscellaneous income/(expense)	—	—	—
Net change in plan fiduciary net position	1,258,132	307,108	158,136
Plan fiduciary net position – beginning	6,583,260	7,841,392	8,148,500
Plan fiduciary net position – ending (b)	\$ 7,841,392	\$ 8,148,500	\$ 8,306,636
State's net pension liability – ending (a) – (b)	\$ 1,478,126	\$ 2,161,639	\$ 2,723,084
Plan fiduciary net position as a percentage of the total pension liability	84.14 %	79.03 %	75.31 %
Covered payroll	\$ 1,901,235	\$ 2,003,777	\$ 2,100,295
State's net pension liability as a percentage of covered payroll	77.75 %	107.88 %	129.65 %

	2017 ³	2018 ³	2019 ³	2020 ³	2021 ³	2022 ³
\$	497,129	\$ 504,383	\$ 536,173	\$ 553,316	\$ 564,198	\$ 574,216
	827,412	877,944	951,075	1,012,593	1,072,105	1,110,294
	(109,901)	(21,592)	227,078	16,473	(33,477)	(238,531)
	673,183	(41,225)	—	—	—	455,219
	(538,735)	(578,504)	(626,451)	(677,362)	(733,697)	(788,819)
	1,349,088	741,006	1,087,875	905,020	869,129	1,112,379
	11,029,720	12,378,808	13,119,814	14,207,689	15,112,709	15,981,838
\$	12,378,808	13,119,814	14,207,689	15,112,709	15,981,838	17,094,217
\$	433,232	\$ 774,759	\$ 523,076	\$ 747,441	\$ 429,347	\$ 561,229
	231,364	245,021	257,071	267,822	223,408	244,938
	926,106	797,214	691,911	575,732	2,758,504	(1,131,785)
	(538,735)	(578,504)	(626,451)	(677,362)	(733,697)	(788,819)
	295	532	1,482	3,907	1,513	950
	(12,264)	(14,565)	(7,524)	(16,047)	(12,272)	(9,314)
	—	(27,658)	24	—	—	—
	1,039,998	1,196,799	839,589	901,493	2,666,803	(1,122,801)
	8,306,636	9,346,634	10,543,433	11,383,022	12,284,515	14,951,366 *
\$	9,346,634	10,543,433	11,383,022	12,284,515	14,951,318	13,828,565
\$	3,032,174	2,576,381	2,824,667	2,828,194	1,030,520	3,265,652
	75.51 %	80.36 %	80.12 %	81.29 %	93.55 %	80.90 %
\$	2,167,429	\$ 2,339,642	\$ 2,468,018	\$ 2,566,403	\$ 2,367,960	\$ 2,633,568
	139.90 %	110.12 %	114.45 %	110.20 %	43.52 %	124.00 %

(continued)

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

For the Past Nine Fiscal Years¹

(amounts in thousands)

	2014 ³	2015 ³	2016 ³
PUBLIC EMPLOYEES' RETIREMENT FUND PLANS			
STATE PEACE OFFICERS AND FIREFIGHTERS²			
Total pension liability			
Service cost	\$ 816,836	\$ 838,628	\$ 861,694
Interest on total pension liability	2,622,406	2,759,982	2,902,900
Differences between expected and actual experience	—	288,526	18,316
Changes of assumptions	—	—	—
Benefit payments, including refunds of employee contributions ...	(1,568,738)	(1,697,676)	(1,822,841)
Net change in total pension liability	1,870,504	2,189,460	1,960,069
Total pension liability – beginning	34,655,771	36,219,196	38,408,656
Total pension liability – ending (a)	\$ 36,526,275	\$ 38,408,656	\$ 40,368,725
Plan fiduciary net position			
Contributions – employer	\$ 959,741	\$ 1,146,192	\$ 1,265,145
Contributions – employee	331,956	366,419	381,185
Net investment income	3,964,754	584,142	137,927
Benefit payments, including refunds of employee contributions ...	(1,568,738)	(1,697,676)	(1,822,841)
Net plan to plan resource movement	—	194	114
Administrative expense	(33,334)	(30,069)	(16,295)
Other miscellaneous income/(expense)	—	—	—
Net change in plan fiduciary net position	3,654,379	369,202	(54,765)
Plan fiduciary net position – beginning	22,713,610	26,367,989	26,737,191
Plan fiduciary net position – ending (b)	\$ 26,367,989	\$ 26,737,191	\$ 26,682,426
State's net pension liability – ending (a) – (b)	\$ 10,158,286	\$ 11,671,465	\$ 13,686,299
Plan fiduciary net position as a percentage of the total pension liability	72.19 %	69.61 %	66.10 %
Covered payroll	\$ 3,241,895	\$ 3,115,287	\$ 3,241,895
State's net pension liability as a percentage of covered payroll	313.34 %	374.65 %	422.17 %

	2017 ³	2018 ³	2019 ³	2020 ³	2021 ³	2022 ³
\$	980,897	\$ 1,011,482	\$ 1,044,955	\$ 1,062,486	\$ 1,111,888	\$ 1,167,715
	3,018,186	3,185,628	3,381,608	3,547,687	3,745,062	3,864,043
	(286,527)	354,089	664,430	172,204	585,665	(805,030)
	2,608,752	(25,104)	—	—	—	2,190,080
	(1,938,027)	(2,065,007)	(2,209,557)	(2,359,940)	(2,560,165)	(2,735,400)
	4,383,281	2,461,088	2,881,436	2,422,437	2,882,450	3,681,408
	40,368,725	44,752,006	47,213,094	50,094,530	52,516,967	55,399,417
\$	44,752,006	47,213,094	50,094,530	52,516,967	55,399,417	59,080,825
\$	1,427,240	\$ 3,068,270	\$ 1,665,872	\$ 3,220,740	\$ 1,310,946	\$ 2,171,675
	399,946	421,662	437,937	462,370	423,995	477,347
	2,954,170	2,522,044	2,175,528	1,812,785	8,602,827	(3,524,276)
	(1,938,027)	(2,065,007)	(2,209,557)	(2,359,941)	(2,560,165)	(2,735,400)
	1,628	(104)	350	735	(66)	1,076
	(39,395)	(45,950)	(23,765)	(49,832)	(38,396)	(28,764)
	—	(87,261)	77	—	—	—
	2,805,562	3,813,654	2,046,442	3,086,857	7,739,141	(3,638,342)
	26,682,426	29,487,988	33,301,642	35,348,084	38,434,941	46,175,076 *
\$	29,487,988	33,301,642	35,348,084	38,434,941	46,174,082	42,536,734
\$	15,264,018	13,911,452	14,746,446	14,082,026	9,225,335	16,544,091
	65.89 %	70.53 %	70.56 %	73.19 %	83.35 %	72.00 %
\$	3,416,627	\$ 3,557,011	\$ 3,676,854	\$ 3,904,615	\$ 3,629,097	\$ 4,035,339
	446.76 %	391.10 %	401.06 %	360.65 %	254.20 %	409.98 %

(continued)

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

For the Past Nine Fiscal Years¹

(amounts in thousands)

	2014 ³	2015 ³	2016 ³
PUBLIC EMPLOYEES' RETIREMENT FUND PLANS			
CALIFORNIA HIGHWAY PATROL			
Total pension liability			
Service cost	\$ 191,730	\$ 198,665	\$ 210,619
Interest on total pension liability	724,474	764,348	809,691
Differences between expected and actual experience	—	75,593	125,614
Changes of assumptions	—	—	—
Benefit payments, including refunds of employee contributions	(460,991)	(487,061)	(516,723)
Net change in total pension liability	455,213	551,545	629,201
Total pension liability – beginning	9,604,872	10,060,085	10,611,630
Total pension liability – ending (a)	\$ 10,060,085	\$ 10,611,630	\$ 11,240,831
Plan fiduciary net position			
Contributions – employer	\$ 277,702	\$ 351,197	\$ 375,928
Contributions – employee	83,161	85,791	86,111
Net investment income	1,005,007	146,782	33,918
Benefit payments, including refunds of employee contributions	(460,991)	(487,061)	(516,723)
Net plan to plan resource movement	—	(214)	292
Administrative expense	(8,417)	(7,600)	(4,111)
Other miscellaneous income/(expense)	—	—	—
Net change in plan fiduciary net position	896,462	88,895	(24,585)
Plan fiduciary net position – beginning	5,759,985	6,656,447	6,745,342
Plan fiduciary net position – ending (b)	\$ 6,656,447	\$ 6,745,342	\$ 6,720,757
State's net pension liability – ending (a) – (b)	\$ 3,403,638	\$ 3,866,288	\$ 4,520,074
Plan fiduciary net position as a percentage of the total pension liability	66.17 %	63.57 %	59.79 %
Covered payroll	\$ 765,283	\$ 809,610	\$ 808,032
State's net pension liability as a percentage of covered payroll	444.76 %	477.55 %	559.39 %

2017 ³	2018 ³	2019 ³	2020 ³	2021 ³	2022 ³
\$ 237,064	\$ 248,531	\$ 257,384	\$ 266,192	\$ 268,009	\$ 292,213
833,062	878,113	926,056	974,410	1,022,074	1,062,411
(158,392)	103,283	135,148	120,496	98,575	(178,097)
721,972	12,213	—	—	—	695,673
(543,456)	(579,080)	(612,298)	(651,832)	(695,055)	(739,443)
1,090,250	663,060	706,290	709,266	693,603	1,132,757
11,240,831	12,331,081	12,994,141	13,700,431	14,409,697	15,103,300
\$ 12,331,081	\$ 12,994,141	\$ 13,700,431	\$ 14,409,697	\$ 15,103,300	\$ 16,236,057
\$ 426,603	\$ 978,060	\$ 507,055	\$ 559,585	\$ 802,064	\$ 628,308
91,116	95,482	100,080	103,159	95,784	109,080
747,272	639,591	556,379	450,669	2,200,671	(901,987)
(543,456)	(579,080)	(612,298)	(651,832)	(695,055)	(739,443)
1,050	330	265	638	1,773	252
(9,923)	(11,583)	(6,090)	(12,800)	(9,519)	(7,428)
—	(21,997)	20	—	—	—
712,662	1,100,803	545,411	449,419	2,395,718	(911,218)
6,720,757	7,433,419	8,534,222	9,079,633	9,529,052	11,924,803 *
\$ 7,433,419	\$ 8,534,222	\$ 9,079,633	\$ 9,529,052	\$ 11,924,770	\$ 11,013,585
\$ 4,897,662	\$ 4,459,919	\$ 4,620,798	\$ 4,880,645	\$ 3,178,530	\$ 5,222,472
60.28 %	65.68 %	66.27 %	66.13 %	78.95 %	67.83 %
\$ 851,427	\$ 884,197	\$ 933,689	\$ 948,000	\$ 882,119	\$ 936,496
575.23 %	504.40 %	494.90 %	514.84 %	360.33 %	557.66 %

(continued)

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

For the Past Nine Fiscal Years¹

(amounts in thousands)

	2014 ³	2015 ³	2016 ³
SINGLE-EMPLOYER PLANS			
JUDGES'			
Total pension liability			
Service cost	\$ 27,581	\$ 27,841	\$ 29,314
Interest on total pension liability	140,256	133,181	107,514
Differences between expected and actual experience	—	57,568	(59,421)
Changes of assumptions	—	158,646	384,306
Benefit payments, including refunds of employee contributions ...	(193,935)	(201,868)	(199,349)
Net change in total pension liability	(26,098)	175,368	262,364
Total pension liability – beginning	3,383,310	3,357,212	3,532,580
Total pension liability – ending (a)	\$ 3,357,212	\$ 3,532,580	\$ 3,794,944
Plan fiduciary net position			
Contributions – employer	\$ 191,148	\$ 180,910	\$ 192,287
Contributions – employee	7,248	3,877	3,559
Net investment income	59	88	193
Benefit payments, including refunds of employee contributions ...	(193,935)	(201,867)	(199,349)
Administrative expense	(1,141)	(1,227)	(642)
Other miscellaneous income/(expense)	—	2,198	2,568
Net change in plan fiduciary net position	3,379	(16,021)	(1,384)
Plan fiduciary net position – beginning	53,820	57,199	41,178
Plan fiduciary net position – ending (b)	\$ 57,199	\$ 41,178	\$ 39,794
State's net pension liability – ending (a) – (b)	\$ 3,300,013	\$ 3,491,402	\$ 3,755,150
Plan fiduciary net position as a percentage of the total pension liability	1.70 %	1.17 %	1.05 %
Covered payroll	\$ 163,574	\$ 28,770	\$ 23,537
State's net pension liability as a percentage of covered payroll	2017.44 %	12135.56 %	15954.24 %

	2017 ³	2018 ³	2019 ³	2020 ³	2021 ³	2022 ³
\$	22,733	\$ 19,131	\$ 20,073	\$ 17,026	\$ 17,861	\$ 10,345
	115,067	109,395	99,427	79,720	64,481	93,559
	(366,200)	(121,259)	86,873	(41,794)	40,006	(92,633)
	(107,670)	(20,879)	153,651	218,684	179,421	(598,096)
	(200,440)	(207,823)	(221,954)	(213,234)	(210,951)	(210,491)
	(536,510)	(221,435)	138,070	60,402	90,818	(797,316)
	3,794,944	3,258,434	3,036,999	3,175,069	3,235,471	3,326,289
\$	3,258,434	\$ 3,036,999	\$ 3,175,069	\$ 3,235,471	\$ 3,326,289	\$ 2,528,973
\$	204,475	\$ 199,241	\$ 195,903	\$ 243,132	\$ 225,824	\$ 194,960
	3,398	3,061	2,679	2,843	2,146	1,956
	424	846	1,166	885	163	194
	(200,440)	(207,823)	(221,954)	(213,234)	(210,951)	(210,491)
	(1,771)	(2,106)	(10,032)	(2,270)	(1,731)	(1,677)
	2,395	(1,863)	2,776	2,202	2,462	2,305
	8,481	(8,644)	(29,462)	33,558	17,913	(12,753)
	39,794	48,275	39,631	10,169	43,727	61,640
\$	48,275	\$ 39,631	\$ 10,169	\$ 43,727	\$ 61,640	\$ 48,887
\$	3,210,159	\$ 2,997,368	\$ 3,164,900	\$ 3,191,744	\$ 3,264,649	\$ 2,480,086
	1.48 %	1.30 %	0.32 %	1.35 %	1.85 %	1.93 %
\$	26,102	\$ 24,007	\$ 22,117	\$ 16,017	\$ 13,444	\$ 14,061
	12298.52 %	12485.39 %	14309.81 %	19927.23 %	24283.32 %	17638.05 %

(continued)

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

For the Past Nine Fiscal Years¹

(amounts in thousands)

	2014 ³	2015 ³	2016 ³
SINGLE-EMPLOYER PLANS			
JUDGES' II			
Total pension liability			
Service cost.....	\$ 78,670	\$ 79,641	\$ 86,635
Interest on total pension liability.....	61,044	69,128	78,412
Differences between expected and actual experience.....	—	(17,319)	(4,546)
Changes of assumptions.....	—	(16,619)	—
Benefit payments, including refunds of employee contributions.....	(8,950)	(14,041)	(21,704)
Net change in total pension liability.....	<u>130,764</u>	<u>100,790</u>	<u>138,797</u>
Total pension liability – beginning.....	837,198	967,962	1,068,752
Total pension liability – ending (a).....	<u>\$ 967,962</u>	<u>\$ 1,068,752</u>	<u>\$ 1,207,549</u>
Plan fiduciary net position			
Contributions – employer.....	\$ 57,027	\$ 65,629	\$ 65,839
Contributions – employee.....	20,413	22,242	24,598
Net investment income.....	150,168	(2,402)	20,810
Benefit payments, including refunds of employee contributions.....	(8,950)	(14,041)	(21,704)
Administrative expense.....	(785)	(1,127)	(732)
Other miscellaneous income/(expense).....	—	—	—
Net change in plan fiduciary net position.....	<u>217,873</u>	<u>70,301</u>	<u>88,811</u>
Plan fiduciary net position – beginning.....	795,967	1,013,840	1,084,141
Plan fiduciary net position – ending (b).....	<u>\$ 1,013,840</u>	<u>\$ 1,084,141</u>	<u>\$ 1,172,952</u>
State's net pension liability/(asset) – ending (a) – (b).....	<u>\$ (45,878)</u>	<u>\$ (15,389)</u>	<u>\$ 34,597</u>
Plan fiduciary net position as a percentage of the total pension liability.....	104.74 %	101.44 %	97.13 %
Covered payroll.....	\$ 40,476	\$ 180,230	\$ 192,739
State's net pension liability as a percentage of covered payroll.....	-113.35 %	-8.54 %	17.95 %

	2017 ³	2018 ³	2019	2020 ³	2021 ³	2022 ³
\$	97,679	\$ 95,843	\$ 103,791	\$ 114,486	\$ 116,782	\$ 115,808
	85,654	91,418	103,889	115,517	126,949	120,585
	(26,382)	(26,875)	30,292	(2,797)	(10,976)	(67,751)
	69,233	(41,763)	—	—	—	(59,394)
	(22,406)	(31,795)	(36,204)	(34,547)	(61,994)	(66,739)
	203,778	86,828	201,768	192,659	170,761	42,509
	1,207,549	1,411,327	1,498,154	1,699,922	1,892,581	2,063,342
\$	1,411,327	1,498,155	1,699,922	1,892,581	2,063,342	2,105,851
\$	67,102	\$ 79,699	\$ 84,099	\$ 91,147	\$ 84,147	\$ 92,773
	25,076	27,514	31,375	35,796	34,094	36,529
	115,057	101,820	106,781	80,074	463,478	(324,365)
	(22,406)	(31,795)	(36,204)	(34,547)	(61,994)	(66,739)
	(1,682)	(2,370)	(1,477)	(2,552)	(1,703)	(1,842)
	—	(5,451)	—	—	—	4
	183,147	169,417	184,574	169,918	518,022	(263,640)
	1,172,952	1,356,099	1,525,515	1,710,089	1,880,007	2,398,029
\$	1,356,099	1,525,516	1,710,089	1,880,007	2,398,029	2,134,389
\$	55,228	(27,361)	(10,167)	12,574	(334,687)	(28,538)
	96.09 %	101.83 %	100.60 %	99.34 %	116.22 %	101.36 %
\$	192,786	\$ 202,433	\$ 220,742	\$ 246,968	\$ 233,316	\$ 242,525
	28.65 %	-13.52 %	-4.61 %	5.09 %	-143.45 %	-11.77 %

(continued)

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

For the Past Nine Fiscal Years¹

(amounts in thousands)

	<u>2014³</u>	<u>2015³</u>	<u>2016³</u>
SINGLE-EMPLOYER PLANS			
LEGISLATORS'			
Total pension liability			
Service cost	\$ 732	\$ 769	\$ 608
Interest on total pension liability	6,465	6,268	5,978
Differences between expected and actual experience	—	(4,246)	(3,530)
Changes of assumptions	—	(2,654)	—
Benefit payments, including refunds of employee contributions ..	(7,482)	(9,087)	(7,407)
Net change in total pension liability	<u>(285)</u>	<u>(8,950)</u>	<u>(4,351)</u>
Total pension liability – beginning	<u>115,806</u>	<u>115,521</u>	<u>106,571</u>
Total pension liability – ending (a)	<u>\$ 115,521</u>	<u>\$ 106,571</u>	<u>\$ 102,220</u>
Plan fiduciary net position			
Contributions – employer	\$ 565	\$ 590	\$ 549
Contributions – employee	113	105	96
Net investment income	15,372	(94)	4,545
Benefit payments, including refunds of employee contributions ..	(7,482)	(9,087)	(7,407)
Administrative expense	(362)	(399)	(202)
Other miscellaneous income/(expense)	—	—	—
Net change in plan fiduciary net position	<u>8,206</u>	<u>(8,885)</u>	<u>(2,419)</u>
Plan fiduciary net position – beginning	<u>122,148</u>	<u>130,354</u>	<u>121,469</u>
Plan fiduciary net position – ending (b)	<u>\$ 130,354</u>	<u>\$ 121,469</u>	<u>\$ 119,050</u>
State's net pension liability/(asset) – ending (a) – (b)	<u>\$ (14,833)</u>	<u>\$ (14,898)</u>	<u>\$ (16,830)</u>
Plan fiduciary net position as a percentage of the total pension liability	112.84 %	113.98 %	116.46 %
Covered payroll	\$ 1,471	\$ 1,397	\$ 1,298
State's net pension liability as a percentage of covered payroll	-1008.36 %	-1066.43 %	-1296.61 %

2017 ³	2018 ³	2019 ³	2020 ³	2021 ³	2022 ³
\$ 639	\$ 542	\$ 268	\$ 100	\$ 101	\$ 108
5,291	4,987	4,873	4,885	4,749	4,299
(5,998)	(2,061)	(427)	2,320	(732)	(992)
7,857	(2,529)	—	—	—	1,024
(7,249)	(6,918)	(7,350)	(6,939)	(6,761)	(6,647)
540	(5,979)	(2,636)	366	(2,643)	(2,208)
102,220	102,760	96,780	94,144	94,510	91,867
\$ 102,760	\$ 96,781	\$ 94,144	\$ 94,510	\$ 91,867	\$ 89,659
\$ 517	\$ 467	\$ 250	\$ 98	\$ 78	\$ 85
94	82	92	22	21	23
5,047	5,486	7,860	7,011	15,099	(12,450)
(7,249)	(6,918)	(7,350)	(6,939)	(6,761)	(6,647)
(575)	(670)	(324)	(550)	(450)	(436)
—	(1,454)	—	2	13	1
(2,166)	(3,007)	528	(356)	8,000	(19,424)
119,050	116,884	113,876	114,404	114,048	122,048
\$ 116,884	\$ 113,877	\$ 114,404	\$ 114,048	\$ 122,048	\$ 102,624
\$ (14,124)	\$ (17,096)	\$ (20,260)	\$ (19,538)	\$ (30,181)	\$ (12,965)
113.74 %	117.66 %	121.52 %	120.67 %	132.85 %	114.46 %
\$ 1,270	\$ 1,121	\$ 684	\$ 284	\$ 267	\$ 290
-1112.13 %	-1525.07 %	-2961.99 %	-6879.58 %	-11303.75 %	-4470.69 % (concluded)

Schedule of State Pension Contributions

For the Past Nine Fiscal Years¹

(amounts in thousands)

	<u>2015</u>	<u>2016</u>	<u>2017</u>
PUBLIC EMPLOYEES' RETIREMENT FUND PLANS			
STATE MISCELLANEOUS²			
Actuarially determined contribution	\$ 2,421,157	\$ 2,718,895	\$ 3,078,232
Contributions in relation to the actuarially determined contribution	(2,583,400)	(2,814,126)	(3,098,305)
Contribution deficiency (excess)	<u>\$ (162,243)</u>	<u>\$ (95,231)</u>	<u>\$ (20,073)</u>
Covered payroll	\$ 10,655,117	\$ 11,197,607	\$ 11,591,576
Contributions as a percentage of covered payroll	24.25 %	25.13 %	26.73 %
STATE INDUSTRIAL²			
Actuarially determined contribution	\$ 92,024	\$ 103,293	\$ 116,880
Contributions in relation to the actuarially determined contribution	(104,769)	(116,594)	(123,789)
Contribution deficiency (excess)	<u>\$ (12,745)</u>	<u>\$ (13,301)</u>	<u>\$ (6,909)</u>
Covered payroll	\$ 577,713	\$ 625,220	\$ 643,295
Contributions as a percentage of covered payroll	18.14 %	18.65 %	19.24 %
STATE SAFETY²			
Actuarially determined contribution	\$ 341,509	\$ 368,444	\$ 400,379
Contributions in relation to the actuarially determined contribution	(387,508)	(404,595)	(431,991)
Contribution deficiency (excess)	<u>\$ (45,999)</u>	<u>\$ (36,151)</u>	<u>\$ (31,612)</u>
Covered payroll	\$ 2,003,716	\$ 2,100,289	\$ 2,167,429
Contributions as a percentage of covered payroll	19.34 %	19.26 %	19.93 %
STATE PEACE OFFICERS AND FIREFIGHTERS²			
Actuarially determined contribution	\$ 1,086,102	\$ 1,197,160	\$ 1,343,177
Contributions in relation to the actuarially determined contribution	(1,148,597)	(1,263,436)	(1,431,851)
Contribution deficiency (excess)	<u>\$ (62,495)</u>	<u>\$ (66,276)</u>	<u>\$ (88,674)</u>
Covered payroll	\$ 3,115,364	\$ 3,241,763	\$ 3,416,627
Contributions as a percentage of covered payroll	36.87 %	38.97 %	41.91 %

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 Updated based on more current information.

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 3,397,736	\$ 3,631,721	\$ 4,006,672	\$ 4,324,789	\$ 4,160,143	\$ 4,452,668
(3,482,291)	(3,794,379)	(5,032,209)	(3,791,620)	(4,281,402)	(4,918,505)
<u>\$ (84,555)</u>	<u>\$ (162,658)</u>	<u>\$ (1,025,537)</u>	<u>\$ 533,169</u>	<u>\$ (121,259)</u>	<u>\$ (465,837)</u>
\$ 12,254,527	\$ 12,913,195	\$ 13,579,610	\$ 12,909,399	\$ 14,727,596	\$ 15,486,977
28.42 %	29.38 %	37.06 %	29.37 %	29.07 %	31.76 %
\$ 131,131	\$ 134,969	\$ 153,724	\$ 166,535	\$ 132,980	\$ 157,441
(141,832)	(148,790)	(245,757)	(128,407)	(138,688)	(174,595)
<u>\$ (10,701)</u>	<u>\$ (13,821)</u>	<u>\$ (92,033)</u>	<u>\$ 38,128</u>	<u>\$ (5,708)</u>	<u>\$ (17,154)</u>
\$ 695,014	\$ 728,609	\$ 765,840	\$ 706,128	\$ 802,709	\$ 837,312
20.41 %	20.42 %	32.09 %	18.18 %	17.28 %	20.85 %
\$ 435,662	\$ 466,765	\$ 526,375	\$ 553,298	\$ 476,457	\$ 537,135
(481,479)	(531,360)	(759,505)	(473,147)	(499,621)	(579,316)
<u>\$ (45,817)</u>	<u>\$ (64,595)</u>	<u>\$ (233,130)</u>	<u>\$ 80,151</u>	<u>\$ (23,164)</u>	<u>\$ (42,181)</u>
\$ 2,339,642	\$ 2,468,018	\$ 2,566,403	\$ 2,367,960	\$ 2,633,568	\$ 2,637,846
20.58 %	21.53 %	29.59 %	19.98 %	18.97 %	21.96 %
\$ 1,462,630	\$ 1,581,049	\$ 1,755,306	\$ 1,871,841	\$ 1,262,871	\$ 1,850,940
(1,573,299)	(1,667,839)	(3,234,348)	(1,312,046)	(1,325,451)	(2,071,961)
<u>\$ (110,669)</u>	<u>\$ (86,790)</u>	<u>\$ (1,479,042)</u>	<u>\$ 559,795</u>	<u>\$ (62,580)</u>	<u>\$ (221,021)</u>
\$ 3,557,011	\$ 3,676,854	\$ 3,904,615	\$ 3,629,097	\$ 4,035,339	\$ 4,148,789
44.23 %	45.36 %	82.83 %	36.15 %	32.85 %	49.94 %

(continued)

Schedule of State Pension Contributions (continued)

For the Past Nine Fiscal Years¹

(amounts in thousands)

	2015	2016	2017
PUBLIC EMPLOYEES' RETIREMENT FUND PLANS			
CALIFORNIA HIGHWAY PATROL			
Actuarially determined contribution	\$ 323,393	\$ 363,634	\$ 414,975
Contributions in relation to the actuarially determined contribution	(352,139)	(377,534)	(426,014)
Contribution deficiency (excess)	\$ (28,746)	\$ (13,900)	\$ (11,039)
Covered payroll	\$ 809,610	\$ 808,032	\$ 851,427
Contributions as a percentage of covered payroll	43.49 %	46.72 %	50.04 %
SINGLE-EMPLOYER PLANS			
JUDGES'			
Actuarially determined contribution	\$ 1,884,555	\$ 463,073	\$ 448,636
Contributions in relation to the actuarially determined contribution	(3,598)	(3,252)	(202,368)
Contribution deficiency (excess)	\$ 1,880,957	\$ 459,821	\$ 246,268
Covered payroll	\$ 167,542	\$ 29,771	\$ 23,822
Contributions as a percentage of covered payroll	2.15 %	10.92 %	849.50 %
JUDGES' II			
Actuarially determined contribution	\$ 63,193	\$ 58,362	\$ 66,951
Contributions in relation to the actuarially determined contribution	(59,982)	(60,476)	(55,965)
Contribution deficiency (excess)	\$ 3,211	\$ (2,114)	\$ 10,986
Covered payroll	\$ 41,458	\$ 186,505	\$ 195,066
Contributions as a percentage of covered payroll	144.68 %	32.43 %	28.69 %
LEGISLATORS'			
Actuarially determined contribution	\$ 260	\$ 141	\$ —
Contributions in relation to the actuarially determined contribution	(544)	(549)	(516)
Contribution deficiency (excess)	\$ (284)	\$ (408)	\$ (516)
Covered payroll	\$ 1,397	\$ 1,298	\$ 1,270
Contributions as a percentage of covered payroll	38.94 %	42.30 %	40.63 %

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 447,376	\$ 484,056	\$ 532,159	\$ 574,509	\$ 600,841	\$ 599,039
(478,354)	(514,683)	(560,538)	(530,587)	(590,087)	(660,340)
\$ (30,978)	\$ (30,627)	\$ (28,379)	\$ 43,922	\$ 10,754	\$ (61,301)
\$ 884,197	\$ 933,689	\$ 948,000	\$ 882,119	\$ 936,496	\$ 977,794
54.10 %	55.12 %	59.13 %	60.15 %	63.01 %	67.53 %
\$ 438,156	\$ 415,110	\$ 414,849	\$ 366,446	\$ 352,881	\$ 313,118
(197,017)	(194,189)	(241,993)	(224,928)	(193,763)	(207,835)
\$ 241,139	\$ 220,921	\$ 172,856	\$ 141,518	\$ 159,118	\$ 105,283
\$ 27,003	\$ 25,748	\$ 16,017	\$ 13,444	\$ 14,061	\$ 20,083
729.61 %	754.19 %	1,510.85 %	1,673.07 %	1,378.02 %	1,034.89 %
\$ 79,181	\$ 75,862	\$ 81,782	\$ 88,439	\$ 89,938	\$ 86,154
(73,916)	(76,155)	(83,872)	(78,784)	(81,960)	(73,614)
\$ 5,265	\$ (293)	\$ (2,090)	\$ 9,655	\$ 7,978	\$ 12,540
\$ 199,438	\$ 217,112	\$ 246,968	\$ 233,316	\$ 242,525	\$ 378,328
37.06 %	35.08 %	33.96 %	33.77 %	33.79 %	19.46 %
\$ 20	\$ —	\$ 101	\$ 84	\$ 88	\$ 48
(467)	(261)	(100)	(79)	(85)	(44)
\$ (447)	\$ (261)	\$ 1	\$ 5	\$ 3	\$ 4
\$ 1,121	\$ 684	\$ 284	\$ 267	\$ 290	\$ 138
41.66 %	38.16 %	35.21 %	29.59 %	29.31 %	31.80 %

(continued)

Schedule of State Pension Contributions (continued)

For the Past Nine 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, 2021.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal
Amortization method	See each plan's June 30, 2020 Funding Valuation Report.
Asset valuation method	PERF – Fair Value of assets; for details see plan's June 30, 2020 Funding Valuation Report. Judges' – Fair Value of Assets Judges' II – Fair Value of Assets Legislators' – Fair 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' – 3.00% Judges' II – 6.50% Legislators' – 5.00%
Retirement age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	Mortality rates are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015 adopted by the CalPERS Board and post-retirement mortality rates include 15 years of projected mortality improvements using 90% of Scale MP-2016 published by the Society of Actuaries.

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

For the Past Nine Fiscal Years¹
(amounts in thousands)

	2014 ²	2015 ²	2016 ²
State's proportion of CalSTRS' net pension liability.....	37.65 %	34.59 %	36.28 %
State's proportionate share of CalSTRS' net pension liability	\$ 22,001,531	\$ 23,289,391	\$ 29,343,626
Plan fiduciary net position as a percentage of the total pension liability	76.52 %	74.02 %	70.04 %

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 Nine Fiscal Years¹
(amounts in thousands)

	2015	2016	2017
Statutorily required contribution	\$ 1,486,004	\$ 1,935,288	\$ 2,472,993
Contributions in relation to the statutorily required contribution.....	1,486,004	1,935,288	2,472,993
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.

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/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

<u>2017²</u>	<u>2018²</u>	<u>2019²</u>	<u>2020²</u>	<u>2021²</u>	<u>2022²</u>
37.17 %	36.41 %	35.30 %	34.02 %	33.47 %	33.37 %
\$ 34,374,816	\$ 33,462,419	\$ 31,880,645	\$ 32,963,596	\$ 15,233,348	\$ 23,186,783
69.46 %	70.99 %	72.56 %	71.82 %	87.21 %	81.25 %

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 2,790,444	\$ 3,082,316	\$ 4,446,836	\$ 3,730,902	\$ 4,279,964	\$ 3,719,874
2,790,444	3,082,316	4,446,836	3,730,902	4,279,964	3,719,874
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

Schedule of Changes in Net OPEB Liability and Related Ratios

For the Past Four 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, 2022*, 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.

* Restated

<u>2021²</u>	<u>2022²</u>
\$ 1,190,049	\$ 1,297,725
1,028,924	908,980
(2,498,623)	831,414
1,275,481	(6,216,338)
(962,640)	(1,038,983)
33,191	(4,217,202)
32,726,807	32,759,998
\$ 32,759,998	\$ 28,542,796

\$ 962,640	\$ 1,038,983
241,973	537,987
—	286,986
162,795	(228,601)
(962,640)	(1,038,983)
(229)	(333)
—	—
404,539	596,039
509,722	914,261
\$ 914,261	\$ 1,510,300

\$ 31,845,737	\$ 27,032,496
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2.79 %	5.29 %
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\$ 7,477,126	\$ 8,705,771
425.91 %	310.51 % (continued)

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

For the Past Six 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 %

<u>2019²</u>	<u>2020²</u>	<u>2021²</u>	<u>2022²</u>
\$ 140,545	\$ 159,410	\$ 183,703	\$ 209,691
199,637	204,078	202,901	181,784
41,288	(64,174)	(699,133)	(92,802)
318,292	466,272	531,615	(1,359,809)
(78,501)	(84,544)	(87,872)	(92,183)
621,261	681,042	131,214	(1,153,319)
4,560,540	5,181,801	5,862,843	5,994,057
\$ 5,181,801	\$ 5,862,843	\$ 5,994,057	\$ 4,840,738
\$ 78,501	\$ 84,544	\$ 87,872	\$ 92,183
57,567	59,296	1	120,580
3,943	4,061	—	8,452
23,834	16,069	136,197	(102,287)
(78,501)	(84,544)	(87,872)	(92,183)
(77)	(217)	(188)	(177)
—	—	—	—
85,267	79,209	136,010	26,568
331,052	416,319	495,528	631,538
\$ 416,319	\$ 495,528	\$ 631,538	\$ 658,106
\$ 4,765,482	\$ 5,367,315	\$ 5,362,519	\$ 4,182,632
8.03 %	8.45 %	10.54 %	13.60 %
\$ 942,765	\$ 958,694	\$ 890,777	\$ 950,596
505.48 %	559.86 %	602.00 %	440.00 %

(continued)

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

For the Past Six 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 %

<u>2019²</u>	<u>2020²</u>	<u>2021²</u>	<u>2022²</u>
\$ 503,829	\$ 535,696	\$ 578,629	\$ 655,259
622,325	608,903	562,522	531,126
(460,414)	(354,942)	(1,113,335)	916,117
912,754	675,803	1,438,841	(3,595,519)
(294,213)	(357,726)	(370,922)	(389,079)
1,284,281	1,107,734	1,095,735	(1,882,096)
14,699,258	15,983,539	17,091,273	18,187,008
\$ 15,983,539	\$ 17,091,273	\$ 18,187,008	\$ 16,304,912
\$ 294,213	\$ 357,726	\$ 370,922	\$ 389,079
106,592	129,540	109,211	234,564
106,592	129,540	—	119,564
33,447	24,249	247,525	(209,053)
(294,213)	(357,726)	(370,922)	(389,079)
(94)	(342)	(343)	(353)
—	—	—	—
246,537	282,987	356,393	144,722
332,511 *	579,048	862,035	1,218,428
\$ 579,048	\$ 862,035	\$ 1,218,428	\$ 1,363,150
\$ 15,404,491	\$ 16,229,238	\$ 16,968,580	\$ 14,941,762
3.62 %	5.04 %	6.70 %	8.36 %
\$ 2,819,233	\$ 2,989,457	\$ 2,709,765	\$ 2,983,435
546.41 %	542.88 %	626.20 %	500.82 %

(continued)

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

For the Past Six 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 %

<u>2019²</u>	<u>2020²</u>	<u>2021²</u>	<u>2022²</u>
\$ 127,060	\$ 136,522	\$ 155,301	\$ 173,027
165,399	159,587	144,901	129,982
(88,806)	(55,316)	(308,759)	222,406
145,634	93,540	166,566	(879,542)
(84,522)	(100,777)	(109,002)	(120,334)
264,765	233,556	49,007	(474,461)
4,098,926	4,363,691	4,597,247	4,646,254
\$ 4,363,691	\$ 4,597,247	\$ 4,646,254	\$ 4,171,793
\$ 84,522	\$ 100,777	\$ 109,002	\$ 120,334
13,311	31,649	28,942	61,871
13,311	31,649	—	33,871
4,789	3,793	44,511	(42,399)
(84,522)	(100,777)	(109,002)	(120,334)
(14)	(55)	(62)	(69)
—	—	—	—
31,397	67,036	73,391	53,274
53,391 *	84,788	151,824	225,215
\$ 84,788	\$ 151,824	\$ 225,215	\$ 278,489
\$ 4,278,903	\$ 4,445,423	\$ 4,421,039	\$ 3,893,304
1.94 %	3.30 %	4.85 %	6.68 %
\$ 1,502,529	\$ 1,596,949	\$ 1,498,878	\$ 1,770,060
284.78 %	278.37 %	294.96 %	219.95 %

(continued)

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

For the Past Six 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 %

	<u>2019²</u>	<u>2020²</u>	<u>2021²</u>	<u>2022²</u>
\$	129,311	\$ 134,649	\$ 137,010	\$ 145,385
	162,948	154,691	135,412	118,610
	(97,510)	(149,086)	(348,753)	227,285
	152,849	21,353	165,715	(760,893)
	(120,833)	(127,671)	(132,052)	(139,651)
	<u>226,765</u>	<u>33,936</u>	<u>(42,668)</u>	<u>(409,264)</u>
	3,994,063	4,220,828	4,254,764	4,212,096
	<u>\$ 4,220,828</u>	<u>\$ 4,254,764</u>	<u>\$ 4,212,096</u>	<u>\$ 3,802,832</u>
\$	120,833	\$ 127,671	\$ 132,052	\$ 139,651
	16,268	26,329	31,233	63,357
	16,268	26,329	—	31,356
	3,552	2,974	36,034	(37,298)
	(120,833)	(127,671)	(132,052)	(139,651)
	(9)	(43)	(52)	(59)
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>36,079</u>	<u>55,589</u>	<u>67,215</u>	<u>57,356</u>
	27,788 *	63,867	119,456	186,671
	<u>\$ 63,867</u>	<u>\$ 119,456</u>	<u>\$ 186,671</u>	<u>\$ 244,027</u>
	<u>\$ 4,156,961</u>	<u>\$ 4,135,308</u>	<u>\$ 4,025,425</u>	<u>\$ 3,558,805</u>
	1.51 %	2.81 %	4.43 %	6.42 %
\$	723,964	\$ 748,801	\$ 673,098	\$ 805,625
	574.19 %	552.26 %	598.04 %	441.74 %

(continued)

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

For the Past Six 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 %

<u>2019^{2,4}</u>	<u>2020²</u>	<u>2021²</u>	<u>2022²</u>
\$ 528,502	\$ 546,766	\$ 597,140	\$ 674,238
581,170	570,727	508,583	464,427
(221,816)	(517,882)	(1,092,126)	1,023,794
506,543	305,572	811,046	(3,182,977)
(364,207)	(371,323)	(401,508)	(436,182)
1,030,192	533,860	423,135	(1,456,700)
14,074,765	15,104,957	15,638,817	16,061,952
\$ 15,104,957	\$ 15,638,817	\$ 16,061,952	\$ 14,605,252
\$ 364,207	\$ 371,323	\$ 401,508	\$ 436,182
71,376	124,916	127,043	262,488
71,376	124,916	—	137,487
16,116	13,386	163,783	(164,073)
(364,207)	(371,323)	(401,508)	(436,182)
(43)	(194)	(230)	(263)
—	—	—	—
158,825	263,024	290,596	235,639
128,914 *	287,739	550,763	841,359
\$ 287,739	\$ 550,763	\$ 841,359	\$ 1,076,998
\$ 14,817,218	\$ 15,088,054	\$ 15,220,593	\$ 13,528,254
1.90 %	3.52 %	5.24 %	7.37 %
\$ 4,162,765	\$ 4,363,200	\$ 3,875,766	\$ 4,500,952
355.95 %	345.80 %	392.71 %	300.56 %

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

For the Past Six Fiscal Years¹

(amounts in thousands)

	2017 ²	2018 ^{2,4}
RETIREE HEALTH BENEFITS PROGRAM		
UNFUNDED PLAN³		
Total OPEB liability		
Service cost.....	\$ 2,805,040	\$ 2,008,794
Interest on total OPEB liability.....	2,112,139	1,959,522
Differences between expected and actual experiences ⁵	—	(4,164,211)
Changes in assumptions.....	(6,610,919)	(1,766,620)
Benefit payments.....	(1,457,705)	(1,352,652)
Net change in total OPEB liability.....	<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>	<u>2022²</u>
\$ 651,082	\$ 695,884	\$ 826,026	\$ 828,893
576,896	547,791	447,744	350,040
(41,161)	(665,066)	(1,270,439)	1,171,850
863,523	583,238	476,706	(4,210,439)
<u>(546,742)</u>	<u>(512,702)</u>	<u>(522,538)</u>	<u>(530,610)</u>
1,503,598	649,145	(42,501)	(2,390,266)
<u>15,556,199</u>	<u>17,059,797</u>	<u>17,708,942</u>	<u>17,666,441</u>
<u>\$ 17,059,797</u>	<u>\$ 17,708,942</u>	<u>\$ 17,666,441</u>	<u>\$ 15,276,175</u>
\$ 546,742	\$ 512,702	\$ 522,538	\$ 530,610
—	—	—	—
—	—	—	—
—	—	—	—
(546,742)	(512,702)	(522,538)	(530,610)
—	—	—	—
—	—	—	—
<u>—</u>	<u>—</u>	<u>—</u>	<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>	<u>\$ 15,276,175</u>
— %	— %	— %	— %
\$ 3,366,371	\$ 3,536,386	\$ 3,483,142	\$ 3,539,212
506.77 %	500.76 %	507.20 %	431.63 %

Schedule of OPEB Contributions

For the Past Six 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>2021</u>	<u>2022</u>	<u>2023</u>
\$ 1,543,231	\$ 1,584,331	\$ 1,336,683	\$ 1,453,078
(1,077,554)	(1,204,613)	(1,576,969)	(1,369,690)
<u>\$ 465,677</u>	<u>\$ 379,718</u>	<u>\$ (240,286)</u>	<u>\$ 83,388</u>
\$ 7,701,525	\$ 7,477,126	\$ 8,705,771	\$ 8,705,889
13.99 %	16.11 %	18.11 %	15.73 %
\$ 229,183	\$ 240,749	\$ 239,989	\$ 230,075
(139,230)	(87,872)	(212,763)	(143,430)
<u>\$ 89,953</u>	<u>\$ 152,877</u>	<u>\$ 27,226</u>	<u>\$ 86,645</u>
\$ 958,694	\$ 890,777	\$ 950,596	\$ 993,733
14.52 %	9.86 %	22.38 %	14.43 %
\$ 676,241	\$ 772,683	\$ 681,831	\$ 769,312
(477,342)	(480,133)	(623,643)	(513,110)
<u>\$ 198,899</u>	<u>\$ 292,550</u>	<u>\$ 58,188</u>	<u>\$ 256,202</u>
\$ 2,989,457	\$ 2,709,765	\$ 2,983,435	\$ 2,996,198
15.97 %	17.72 %	20.90 %	17.13 %
\$ 194,353	\$ 212,002	\$ 182,301	\$ 205,694
(131,031)	(137,944)	(182,205)	(164,497)
<u>\$ 63,322</u>	<u>\$ 74,058</u>	<u>\$ 96</u>	<u>\$ 41,197</u>
\$ 1,596,949	\$ 1,498,878	\$ 1,770,060	\$ 1,796,847
8.21 %	9.20 %	10.29 %	9.15 %

(continued)

Schedule of OPEB Contributions (continued)

For the Past Six 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>2021</u>	<u>2022</u>	<u>2023</u>
\$ 198,316	\$ 203,358	\$ 169,461	\$ 190,550
(153,368)	(160,882)	(203,007)	(175,199)
<u>\$ 44,948</u>	<u>\$ 42,476</u>	<u>\$ (33,546)</u>	<u>\$ 15,351</u>
\$ 748,801	\$ 673,098	\$ 805,625	\$ 824,956
20.48 %	23.90 %	25.20 %	21.24 %
\$ 707,352	\$ 756,965	\$ 645,590	\$ 738,895
(492,373)	(522,778)	(698,669)	(593,704)
<u>\$ 214,979</u>	<u>\$ 234,187</u>	<u>\$ (53,079)</u>	<u>\$ 145,191</u>
\$ 4,363,200	\$ 3,875,766	\$ 4,500,952	\$ 5,075,978
11.28 %	13.49 %	15.52 %	11.70 %
\$ 977,820	\$ 944,654	\$ 915,632	\$ 1,056,808
(512,702)	(504,813)	(530,610)	(527,794)
<u>\$ 465,118</u>	<u>\$ 439,841</u>	<u>\$ 385,022</u>	<u>\$ 529,014</u>
\$ 3,536,386	\$ 3,483,142	\$ 3,539,212	\$ 3,805,373
14.50 %	14.49 %	14.99 %	13.87 % (concluded)

Schedule of OPEB Contributions (continued)

For the Past Fiscal Year

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, 2022.
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, 2022 Actuarial Valuation Report
Inflation	2.30%
Healthcare cost trend rates	Pre-Medicare coverage: Actual rates for 2023, increasing to 7.00% in 2024, grading down to 4.50% in 2029 to 2037, and 4.25% for 2038 and later years. Post-Medicare coverage: Actual rates for 2023, increasing to rates ranging from 7.00% to 8.06% in 2024, grading down to 4.50% from 2031 to 2037, and 4.25% on and after 2038. Dental coverage: 0.03% in 2023, 2.00% for 2024, 3.00% for 2025, 4.00% for 2026, and 4.25% for 2027 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 ongoing mortality improvements using 80% of scale MP-2020 published by the Society of Actuaries.

(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, 2023, are in the following categories and amounts: state highway infrastructure, consisting of completed highway projects totaling \$83.0 billion; land purchased for highway projects totaling \$15.3 billion; infrastructure construction-in-progress (uncompleted highway projects) totaling \$10.0 billion; and high-speed rail system infrastructure, consisting of construction-in-progress (uncompleted rail construction projects) totaling \$6.5 billion.

Donation and Relinquishment: Donation and relinquishment activity affects the inventory of statewide lane miles, land, and/or bridges as adjustments to the infrastructure assets and/or land balance in the State's financial statements. For the fiscal year ending June 30, 2023, there were no donations of infrastructure land, and relinquishments were \$9 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*, the *Caltrans Bridge Element Inspection Manual*, *National Tunnel Inspection Standards*, *Specifications for the National Tunnel Inventory*, and the *Tunnel Operations Maintenance Inspection and Evaluation Manual*.

The State's established condition baseline for fiscal year 2022-23 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
2021	90.0% Fair or Better	95.7% Fair or Better
2022	90.0% Fair or Better	94.1% Fair or Better
2023	90.0% Fair or Better	93.7% Fair or Better

¹The actual statewide bridge conditions should not be lower than the baseline condition established by the State.

The following table provides details on the State’s actual bridge condition as of June 30, 2023:

Condition	Number of Bridges/Tunnels	Deck Area (sq. ft.)	Deck Area (%)
Good	6,401	116,723,528	45.36 %
Fair	5,643	124,507,704	48.38
Poor	560	16,116,249	6.26
Total	12,604	257,347,481	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
April 2022	18,000	6,872	13.6 %
July 2023	18,000	6,980	13.8
September 2024	18,000	7,453	14.7

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	32,788	—
Fair	10,365	—
Poor	7,453	7,453
Total	50,606	7,453

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
2019	\$ 298	\$ 292
2020	228	228
2021	257	248
2022	215	200
2023	254	164

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
2019	\$ 4,987	\$ 4,921
2020	5,063	4,820
2021	5,261	4,728
2022	5,119	4,094
2023	6,963	2,883

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

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Budgetary Comparison Schedule

General Fund and Major Special Revenue Funds

Year Ended June 30, 2023

(amounts in thousands)

	General			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Corporation tax	\$ 38,481,707	\$ 36,336,922	\$ 37,551,271	\$ 1,214,349
Intergovernmental	—	—	—	—
Cigarette and tobacco taxes	48,509	47,201	47,201	—
Insurance gross premiums tax	3,641,466	3,707,199	3,707,199	—
Vehicle license fees	769	939	939	—
Motor vehicle fuel tax	—	—	—	—
Personal income tax	128,905,038	100,450,582	102,561,393	2,110,811
Retail sales and use taxes	32,850,523	33,323,599	33,323,599	—
Other major taxes and licenses	436,024	420,539	420,539	—
Other revenues	6,381,703	4,940,470	4,803,812	(136,658)
Total revenues	210,745,739	179,227,451	182,415,953	3,188,502
EXPENDITURES				
Business, consumer services, and housing	3,131,938	3,310,327	2,997,506	(312,821)
Transportation	473,228	1,009,246	988,621	(20,625)
Natural resources and environmental protection	7,654,809	9,018,415	8,368,689	(649,726)
Health and human services	68,182,080	65,760,267	59,430,579	(6,329,688)
Corrections and rehabilitation	14,634,659	15,483,240	14,832,803	(650,437)
Education	92,157,271	101,837,523	101,402,091	(435,432)
General government:				
Tax relief	387,750	415,001	387,750	(27,251)
Debt service	6,342,917	4,907,848	4,890,740	(17,108)
Other general government	12,826,614	24,243,456	21,994,019	(2,249,437)
Total expenditures	205,791,266	225,985,323	215,292,798	(10,692,525)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	—	—	9,591,878	—
Transfers to other funds	—	—	(9,303,055)	—
Other additions (deductions)	—	—	(4,490,094)	—
Total other financing sources (uses)	—	—	(4,201,271)	—
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	—	—	(37,078,116)	—
Fund balances – beginning	—	—	69,181,771	—
Fund balances – ending	\$ —	\$ —	\$ 32,103,655	\$ —

Federal				Transportation			
Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
Original	Final	Amounts	Final Budget	Original	Final	Amounts	Final Budget
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
128,307,708	128,307,708	128,307,708	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	9,592,558	8,705,462	9,549,259	843,797
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	8,685,701	8,494,737	7,836,203	(658,534)
113,114	113,114	113,114	—	1,403,598	694,405	628,339	(66,066)
128,420,822	128,420,822	128,420,822	—	19,681,857	17,894,604	18,013,801	119,197
1,072,895	1,072,895	1,072,895	—	126,864	131,137	119,745	(11,392)
4,248,821	4,248,821	4,248,821	—	10,222,551	17,844,342	16,222,937	(1,621,405)
409,472	409,472	409,472	—	198,000	202,402	190,311	(12,091)
105,626,983	105,626,983	105,626,983	—	9,402	9,479	8,136	(1,343)
95,301	95,301	95,301	—	—	—	—	—
7,175,287	7,175,287	7,175,287	—	8,899	10,951	9,431	(1,520)
—	—	—	—	—	—	—	—
—	—	—	—	29,209	30,056	29,774	(282)
2,428,594	2,428,594	2,428,594	—	540,457	544,900	529,246	(15,654)
121,057,353	121,057,353	121,057,353	—	11,135,382	18,773,267	17,109,580	(1,663,687)
—	—	501,903	—	—	—	21,862,637	—
—	—	(7,865,357)	—	—	—	(23,373,813)	—
—	—	—	—	—	—	816,639	—
—	—	(7,363,454)	—	—	—	(694,537)	—
—	—	15	—	—	—	209,684	—
—	—	659	—	—	—	9,318,754	—
\$ —	\$ —	\$ 674	\$ —	\$ —	\$ —	\$ 9,528,438	\$ —

(continued)

Budgetary Comparison Schedule (continued)

General Fund and Major Special Revenue Funds

Year Ended June 30, 2023

(amounts in thousands)

	Environmental and Natural Resources			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Corporation tax	\$ —	\$ —	\$ —	\$ —
Intergovernmental	—	—	—	—
Cigarette and tobacco taxes	—	—	—	—
Insurance gross premiums tax	—	—	—	—
Vehicle license fees	—	—	—	—
Motor vehicle fuel tax	—	—	—	—
Personal income tax	—	—	—	—
Retail sales and use taxes	—	—	—	—
Other major taxes and licenses	173,523	173,523	173,523	—
Other revenues	8,790,055	8,790,055	8,790,055	—
Total revenues	8,963,578	8,963,578	8,963,578	—
EXPENDITURES				
Business, consumer services, and housing	298,110	302,271	253,362	(48,909)
Transportation	455,301	455,332	454,090	(1,242)
Natural resources and environmental protection	6,741,265	7,543,705	6,775,783	(767,922)
Health and human services	66,567	88,441	66,859	(21,582)
Corrections and rehabilitation	—	—	—	—
Education	2,908	2,909	2,908	(1)
General government:				
Tax relief	—	—	—	—
Debt service	5,072	5,072	5,072	—
Other general government	187,114	213,513	197,498	(16,015)
Total expenditures	7,756,337	8,611,243	7,755,572	(855,671)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	—	—	1,346,558	—
Transfers to other funds	—	—	(577,174)	—
Other additions (deductions)	—	—	1,564,709	—
Total other financing sources (uses)	—	—	2,334,093	—
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	—	—	3,542,099	—
Fund balances – beginning	—	—	16,977,499	—
Fund balances – ending	\$ —	\$ —	\$ 20,519,598	\$ —

* Restated

Health Care Related Programs			
Budgeted Amounts		Actual Amounts	Variance with Final Budget
Original	Final		
\$ —	\$ —	\$ —	\$ —
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
2,074,055	2,074,055	2,074,055	—
135,832,783	135,832,783	135,832,783	—
137,906,838	137,906,838	137,906,838	—
—	—	—	—
—	—	—	—
(788)	548	292	(256)
127,332,212	138,132,482	138,111,484	(20,998)
—	—	—	—
713,286	713,286	713,286	—
—	—	—	—
(7,987)	11,266	11,266	—
(511,445)	(515,564)	(515,564)	—
127,525,278	138,342,018	138,320,764	(21,254)
—	—	138,860	—
—	—	(2,089)	—
—	—	273,993	—
—	—	410,764	—
—	—	(3,162)	—
—	—	3,228,796 *	—
\$ —	\$ —	\$ 3,225,634	\$ —

(concluded)

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

June 30, 2023

(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 ...	\$ 32,103,655	\$ 674	\$ 9,528,438	\$ 20,519,598	\$ 3,225,634
Basis difference:					
Interfund receivables	3,796,413	—	93,258	221,823	—
Loans receivable	45,225	384,293	—	727,627	—
Interfund payables	(2,783,597)	—	(481,322)	(585,286)	(1,231)
Escheat property	(1,444,663)	—	—	—	—
Tax revenues	(1,064,781)	—	—	—	—
Fund classification changes	44,425,698	3,616,052	—	—	—
Other	(6,962,284)	(38,136,244)	2,053,296	(177,402)	(13,412)
Timing difference:					
Liabilities budgeted in subsequent years	(4,111,978)	(11,084,823)	(416,948)	(3,740)	(1,175,841)
GAAP fund balance – ending	\$ 64,003,688	\$ (45,220,048)	\$ 10,776,722	\$ 20,702,620	\$ 2,035,150

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 \$3.8 billion in the General Fund, \$93 million in the Transportation Fund, and \$222 million in the Environmental and Natural Resources Fund. The adjustments related to loans receivable caused increases of \$45 million in the General Fund, \$384 million in the Federal Fund, and \$728 million in the Environmental and Natural Resources 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 \$2.8 billion in the General Fund, \$481 million in the Transportation Fund, \$585 million in the Environmental and Natural Resources Fund, and \$1 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 \$1.4 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 \$1.1 billion in the General Fund.

Fund Classification Changes: The fund balance amounts for governmental funds have been reclassified in accordance with governmental accounting standards. These reclassifications caused increases of \$44.4 billion in the General Fund and \$3.6 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 \$7.0 billion in the General Fund, a decrease of \$38.1 billion in the Federal Fund, an increase of \$2.1 billion in the Transportation Fund, a decrease of \$177 million in the Environmental and Natural Resources Fund, and a decrease of \$13 million in the Health Care Related Programs 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 \$4.1 billion in the General Fund, \$11.1 billion in the Federal Fund, \$417 million in the Transportation Fund, \$4 million in the Environmental and Natural Resources Fund, and \$1.2 billion in the Health Care Related Programs Fund. The large decrease in the General Fund primarily consists of \$4.8 billion for medical assistance and \$470 million for workers' compensation claims. The large decrease in the Federal Fund consists of \$8.0 billion for unemployment programs, and \$3.4 billion for coronavirus relief. The decrease in the Health Care Related Programs Fund primarily consists of medical assistance.

Combining Financial Statements and Schedules – Nonmajor and Other Funds



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Nonmajor Governmental Funds

Nonmajor governmental funds account for the State's activities that do not meet the criteria of a major governmental fund. Following are brief descriptions of nonmajor governmental funds.

Special revenue funds account for the proceeds of specific revenue sources, other than debt service or capital projects, that are restricted, committed, or assigned to expenditures for specific purposes.

The **Business and Professions Regulatory and Licensing Fund** accounts for fees and other revenues charged for regulating and licensing specific industries, professions, and vocations.

The **Financing for Local Governments and the Public Fund** accounts for taxes, fees, bond proceeds, and other revenues used to finance the construction and maintenance of parks, jails, and other public and local government programs.

The **Cigarette, Tobacco, and Cannabis Tax Fund** accounts for a surtax on cigarette and tobacco products that is used for various health programs; and cannabis excise and cultivation taxes that are used for various health, youth education, and research programs.

The **Local Revenue and Public Safety Fund** accounts for vehicle license fees and a 1.5625% state sales tax dedicated to local governments for realigning costs from the State to local governments, and a 0.5% state sales tax dedicated to local governments to fund public safety programs.

The **Trial Courts Fund** accounts for the various fees collected by the courts, maintenance-of-effort payments from the counties, transfers in from the General Fund, and trial court operating costs.

The **Golden State Tobacco Securitization Corporation Fund** is a blended component unit that accounts for the receipt of Tobacco Revenue Settlements pledged for the payment of debt service.

Other special revenue programs funds account for all other proceeds of revenue sources, other than debt service or capital projects, that are restricted or committed to expenditures for specific purposes.

Debt service funds account for and report financial resources that are restricted, committed, or assigned for the payment of principal and interest on general long-term obligations.

The **No Place Like Home Fund** accounts for bond proceeds and other revenues used to implement and administer the No Place Like Home Program to reduce homelessness and provide affordable housing for individuals with mental illness.

The **Transportation Debt Service Fund** accounts for Transportation Fund transfers used for the payment of principal and interest related to various transportation-related general obligation bonds.

(continued)

(continued)

Capital projects funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The **Higher Education Construction Fund** accounts for bond proceeds used to construct state colleges and universities.

The **Hospital Construction Fund** accounts for bond proceeds used to construct hospitals.

The **Local Government Construction Fund** accounts for bond proceeds used to construct schools, libraries, and other major capital facilities for local governments.

Building authorities are blended component units created by joint-powers agreements between local governments and the State or other local governments for the purpose of financing the construction of state buildings. The funds account for bond proceeds used to finance and construct state buildings and parking facilities.

Other capital projects funds account for transactions related to resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2023

(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	\$ 2,364,797	\$ 2,984,675	\$ 2,841,565
Investments	—	829,133	—
Receivables (net)	176,613	194,744	580,362
Due from other funds	47,932	2,444,699	62,928
Due from other governments	8,867	3,565	38,254
Interfund receivables	187,387	64,994	23,220
Loans receivable	70,938	2,841,558	765
Other assets	—	—	—
Total assets	\$ 2,856,534	\$ 9,363,368	\$ 3,547,094
LIABILITIES			
Accounts payable	\$ 133,689	\$ 19,356	\$ 90,456
Due to other funds	38,653	5,842	21,365
Due to component units	—	—	29,481
Due to other governments	10,030	226,859	342,890
Interfund payables	25,129	—	—
Revenues received in advance	64,083	991	—
Deposits	—	—	26,281
Other liabilities	32,829	208	7
Total liabilities	304,413	253,256	510,480
DEFERRED INFLOWS OF RESOURCES	—	—	281,063
Total liabilities and deferred inflows of resources	304,413	253,256	791,543
FUND BALANCES			
Nonspendable	—	—	—
Restricted	1,824,613	8,884,139	2,755,551
Committed	727,508	225,973	—
Assigned	—	—	—
Unassigned	—	—	—
Total fund balances	2,552,121	9,110,112	2,755,551
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,856,534	\$ 9,363,368	\$ 3,547,094

Special Revenue				
Local Revenue and Public Safety	Trial Courts	Golden State Tobacco Securitization Corporation	Other Special Revenue Programs	Total Nonmajor Special Revenue
\$ 3,892,699	\$ 1,167,777	\$ 80,516	\$ 4,956,590	\$ 18,288,619
—	868,011	235,300	—	1,932,444
5,410	167,010	219,585	316,626	1,660,350
201,858	6,705	—	676,424	3,440,546
—	37,839	—	29,720	118,245
41,886	49,643	—	509,589	876,719
1,380	1,636	—	62,473	2,978,750
—	99,153	—	—	99,153
\$ 4,143,233	\$ 2,397,774	\$ 535,401	\$ 6,551,422	\$ 29,394,826
\$ 5,587	\$ 234,639	\$ 11	\$ 277,655	\$ 761,393
91,544	55,016	—	24,579	236,999
—	—	—	7,608	37,089
3,944,153	109,445	—	551,322	5,184,699
—	—	—	15,071	40,200
—	197,116	—	100,117	362,307
—	390,699	—	98,852	515,832
—	115,762	—	33,608	182,414
4,041,284	1,102,677	11	1,108,812	7,320,933
—	1,898	—	46,189	329,150
4,041,284	1,104,575	11	1,155,001	7,650,083
—	95,021	—	—	95,021
37,029	950,250	535,390	4,958,882	19,945,854
64,920	169,991	—	437,558	1,625,950
—	77,937	—	—	77,937
—	—	—	(19)	(19)
101,949	1,293,199	535,390	5,396,421	21,744,743
\$ 4,143,233	\$ 2,397,774	\$ 535,401	\$ 6,551,422	\$ 29,394,826

(continued)

Combining Balance Sheet (continued)

Nonmajor Governmental Funds

June 30, 2023

(amounts in thousands)

	Debt Service		
	No Place Like Home Debt Service	Transportation Debt Service	Total Nonmajor Debt Service
ASSETS			
Cash and pooled investments	\$ 84,828	\$ —	\$ 84,828
Investments	—	—	—
Receivables (net)	—	—	—
Due from other funds	1,108	—	1,108
Due from other governments	—	—	—
Interfund receivables	—	—	—
Loans receivable	—	—	—
Other assets	—	—	—
Total assets	\$ 85,936	\$ —	\$ 85,936
LIABILITIES			
Accounts payable	\$ 202	\$ —	\$ 202
Due to other funds	20	—	20
Due to component units	—	—	—
Due to other governments	—	—	—
Interfund payables	—	—	—
Revenues received in advance	—	—	—
Deposits	—	—	—
Other liabilities	—	—	—
Total liabilities	222	—	222
DEFERRED INFLOWS OF RESOURCES	—	—	—
Total liabilities and deferred inflows of resources	222	—	222
FUND BALANCES			
Nonspendable	—	—	—
Restricted	85,714	—	85,714
Committed	—	—	—
Assigned	—	—	—
Unassigned	—	—	—
Total fund balances	85,714	—	85,714
Total liabilities, deferred inflows of resources, and fund balances	\$ 85,936	\$ —	\$ 85,936

Capital Projects

Higher Education Construction	Hospital Construction	Local Government Construction	Building Authorities	Other Capital Projects	Total Nonmajor Capital Projects	Total Nonmajor Governmental
\$ 207,487	\$ 39,464	\$ 725,162	\$ —	\$ 208,065	\$ 1,180,178	\$ 19,553,625
—	—	—	—	—	—	1,932,444
76	—	—	—	1,893	1,969	1,662,319
1,707	368	5,584	—	8,362	16,021	3,457,675
—	—	1,480	—	29	1,509	119,754
—	—	—	—	4,400	4,400	881,119
—	—	—	—	228,347	228,347	3,207,097
—	—	—	—	—	—	99,153
\$ 209,270	\$ 39,832	\$ 732,226	\$ —	\$ 451,096	\$ 1,432,424	\$ 30,913,186
\$ —	\$ 449	\$ —	\$ —	\$ 8,896	\$ 9,345	\$ 770,940
—	—	2,918	—	2,874	5,792	242,811
—	—	—	—	—	—	37,089
—	—	—	—	68	68	5,184,767
—	—	—	—	—	—	40,200
—	—	—	—	—	—	362,307
—	—	—	—	—	—	515,832
—	—	—	—	—	—	182,414
—	449	2,918	—	11,838	15,205	7,336,360
—	—	—	—	3,449	3,449	332,599
—	449	2,918	—	15,287	18,654	7,668,959
—	—	—	—	—	—	95,021
209,270	39,383	729,308	—	353,287	1,331,248	21,362,816
—	—	—	—	82,522	82,522	1,708,472
—	—	—	—	—	—	77,937
—	—	—	—	—	—	(19)
209,270	39,383	729,308	—	435,809	1,413,770	23,244,227
\$ 209,270	\$ 39,832	\$ 732,226	\$ —	\$ 451,096	\$ 1,432,424	\$ 30,913,186

(concluded)

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

Nonmajor Governmental Funds

Year Ended June 30, 2023

(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.....	\$ —	\$ 1,702,918	\$ —
Sales and use taxes.....	—	—	—
Motor vehicle excise taxes.....	78,978	57,914	—
Other taxes.....	1,054	822,967	1,939,380
Intergovernmental.....	—	—	—
Licenses and permits.....	874,263	15,592	200
Charges for services.....	52,046	2,607	857
Fees.....	1,823,260	266,497	400
Penalties.....	14,510	268	—
Investment and interest.....	45,304	57,867	13,934
Escheat.....	3	—	—
Other.....	15,764	60,426	(4,376)
Total revenues	2,905,182	2,987,056	1,950,395
EXPENDITURES			
Current:			
General government.....	957,134	793,597	112,246
Education.....	25,818	255	141,914
Health and human services.....	606,280	2,085,658	1,761,796
Natural resources and environmental protection.....	40,204	76,259	72,750
Business, consumer services, and housing.....	827,912	1,106,894	19,117
Transportation.....	7,174	—	13,257
Corrections and rehabilitation.....	—	557	5,568
Capital outlay.....	34,128	—	718
Debt service:			
Bond, commercial paper, and lease principal retirement.....	49,994	167,091	722
Interest and fiscal charges.....	5,831	1,179	167
Total expenditures	2,554,475	4,231,490	2,128,255
Excess (deficiency) of revenues over (under) expenditures.....	350,707	(1,244,434)	(177,860)
OTHER FINANCING SOURCES (USES)			
General obligation bonds and commercial paper issued.....	—	424,845	—
Refunding debt issued.....	—	39,280	—
Payment to refund long-term debt.....	—	(37,408)	—
Premium on bonds issued.....	—	2,627	—
Proceeds from leases.....	32,565	—	718
Transfers in.....	102,245	2,880,766	11,808
Transfers out.....	(19,298)	(164,004)	(17,416)
Total other financing sources (uses)	115,512	3,146,106	(4,890)
Net change in fund balances.....	466,219	1,901,672	(182,750)
Fund balances – beginning	2,085,902	7,208,440	2,938,301
Fund balances – ending	\$ 2,552,121	\$ 9,110,112	\$ 2,755,551

Special Revenue				
Local Revenue and Public Safety	Trial Courts	Golden State Tobacco Securitization Corporation	Other Special Revenue Programs	Total Nonmajor Special Revenue
\$ —	\$ —	\$ —	\$ —	\$ 1,702,918
18,912,155	—	—	—	18,912,155
—	—	—	—	136,892
—	—	—	—	2,763,401
318	820,490	—	—	820,808
3,429,382	—	—	140,089	4,459,526
—	56,168	—	299,036	410,714
—	495,433	—	1,617,490	4,203,080
153	193,410	—	211,387	419,728
18,810	22,217	5,985	83,965	248,082
—	39,599	—	—	39,602
—	151,225	470,366	1,478,375	2,171,780
22,360,818	1,778,542	476,351	3,830,342	36,288,686
6,252,488	3,840,237	1,194	1,665,684	13,622,580
—	—	—	7,342	175,329
13,756,220	—	—	1,022,335	19,232,289
—	—	—	79,864	269,077
7,384	173	—	17,538	1,979,018
—	—	—	1,979	22,410
2,295,337	—	—	56	2,301,518
—	11,726	—	13,432	60,004
—	31,536	644,351	12,825	906,519
2	21,043	55,867	2,148	86,237
22,311,431	3,904,715	701,412	2,823,203	38,654,981
49,387	(2,126,173)	(225,061)	1,007,139	(2,366,295)
—	—	—	—	424,845
—	—	218,300	—	257,580
—	—	—	—	(37,408)
—	—	7,972	—	10,599
—	11,726	—	13,432	58,441
1	2,332,897	—	165,436	5,493,153
(45,017)	(2,264)	—	(139,803)	(387,802)
(45,016)	2,342,359	226,272	39,065	5,819,408
4,371	216,186	1,211	1,046,204	3,453,113
97,578	1,077,013	534,179	4,350,217	18,291,630
\$ 101,949	\$ 1,293,199	\$ 535,390	\$ 5,396,421	\$ 21,744,743

(continued)

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

Nonmajor Governmental Funds

Year Ended June 30, 2023

(amounts in thousands)

	Debt Service		Total Nonmajor Debt Service
	No Place Like Home Debt Service	Transportation Debt Service	
REVENUES			
Personal income taxes	\$ —	\$ —	\$ —
Sales and use taxes	—	—	—
Motor vehicle excise taxes	—	—	—
Other taxes	—	—	—
Intergovernmental	—	—	—
Licenses and permits	—	—	—
Charges for services	—	—	—
Fees	—	—	—
Penalties	—	—	—
Investment and interest	3,062	—	3,062
Escheat	—	—	—
Other	—	—	—
Total revenues	3,062	—	3,062
EXPENDITURES			
Current:			
General government	307	—	307
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	82,060	744,333	826,393
Interest and fiscal charges	58,604	639,255	697,859
Total expenditures	140,971	1,383,588	1,524,559
Excess (deficiency) of revenues over (under) expenditures	(137,909)	(1,383,588)	(1,521,497)
OTHER FINANCING SOURCES (USES)			
General obligation bonds and commercial paper issued	—	—	—
Refunding debt issued	—	—	—
Payment to refund long-term debt	—	—	—
Premium on bonds issued	—	—	—
Proceeds from leases	—	—	—
Transfers in	140,003	1,383,588	1,523,591
Transfers out	—	—	—
Total other financing sources (uses)	140,003	1,383,588	1,523,591
Net change in fund balances	2,094	—	2,094
Fund balances – beginning	83,620	—	83,620
Fund balances – ending	\$ 85,714	\$ —	\$ 85,714

* Restated

Capital Projects

Higher Education Construction	Hospital Construction	Local Government Construction	Building Authorities	Other Capital Projects	Total Nonmajor Capital Projects	Total Nonmajor Governmental
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,702,918
—	—	—	—	—	—	18,912,155
—	—	—	—	—	—	136,892
—	—	—	—	—	—	2,763,401
—	—	—	—	—	—	820,808
—	—	—	—	—	—	4,459,526
—	—	—	—	—	—	410,714
—	—	—	—	—	—	4,203,080
—	—	—	—	—	—	419,728
5,413	58	14,481	3	1,300	21,255	272,399
—	—	—	—	—	—	39,602
—	—	—	—	1,835	1,835	2,173,615
5,413	58	14,481	3	3,135	23,090	36,314,838
—	52,485	—	—	19,248	71,733	13,694,620
—	—	1,128,957	—	—	1,128,957	1,304,286
—	—	—	—	—	—	19,232,289
—	—	—	—	29,636	29,636	298,713
—	—	—	—	5,509	5,509	1,984,527
—	—	—	—	—	—	22,410
—	—	—	—	—	—	2,301,518
293,040	773	9,518	—	17,850	321,181	381,185
350,425	107,535	1,512,335	10,650	61,145	2,042,090	3,775,002
3,047	73	14,824	268	79	18,291	802,387
646,512	160,866	2,665,634	10,918	133,467	3,617,397	43,796,937
(641,099)	(160,808)	(2,651,153)	(10,915)	(130,332)	(3,594,307)	(7,482,099)
330,730	175,160	1,226,900	—	91,205	1,823,995	2,248,840
312,570	—	1,376,525	—	—	1,689,095	1,946,675
—	—	—	—	—	—	(37,408)
32,202	14,673	123,035	—	416	170,326	180,925
—	—	—	—	—	—	58,441
—	—	—	1,971	56,047	58,018	7,074,762
—	—	(937)	—	(2,186)	(3,123)	(390,925)
675,502	189,833	2,725,523	1,971	145,482	3,738,311	11,081,310
34,403	29,025	74,370	(8,944)	15,150	144,004	3,599,211
174,867	10,358	654,938	8,944	420,659	1,269,766	19,645,016
\$ 209,270	\$ 39,383	\$ 729,308	\$ —	\$ 435,809	\$ 1,413,770	\$ 23,244,227

(concluded)

Budgetary Comparison Schedule

Nonmajor Governmental Funds¹

Year Ended June 30, 2023

(amounts in thousands)

	Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Cigarette and tobacco taxes	\$ 344,317	\$ 344,317	\$ —
Vehicle license fees	2,593,123	2,593,123	—
Personal income tax	1,702,918	1,702,918	—
Retail sales and use taxes	18,931,646	18,931,646	—
Other major taxes and licenses	1,888	1,888	—
Other revenues	9,328,886	9,328,886	—
Total revenues	32,902,778	32,902,778	—
EXPENDITURES			
Business, consumer services, and housing	2,207,273	2,083,545	(123,728)
Transportation	1,411,793	1,410,944	(849)
Natural resources and environmental protection	384,531	321,439	(63,092)
Health and human services	23,455,812	22,727,333	(728,479)
Corrections and rehabilitation	2,586	2,544	(42)
Education	1,446,818	1,374,387	(72,431)
General government:			
Tax relief	5,661	5,661	—
Other general government	9,946,427	9,407,163	(539,264)
Total expenditures	38,860,901	37,333,016	(1,527,885)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	—	42,817,222	—
Transfers to other funds	—	(37,881,763)	—
Other additions	—	2,574,157	—
Total other financing sources (uses)	—	7,509,616	—
Excess of revenues and other sources over expenditures and other uses	—	3,079,378	—
Fund balances – beginning, restated	—	13,269,552	
Fund balances – ending	\$ —	\$ 16,348,930	\$ —

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, 2023

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
ASSETS		
Current assets:		
Cash and pooled investments	\$ —	\$ 1,590,041
Restricted assets:		
Cash and pooled investments	1,193,575	—
Contracts and installments receivable	564,176	—
Receivables (net)	—	1,611
Due from other funds	231,241	67,443
Due from other governments	—	—
Prepaid items	—	15,013
Inventories	—	—
Total current assets	<u>1,988,992</u>	<u>1,674,108</u>
Noncurrent assets:		
Restricted assets:		
Cash and pooled investments	106,788	—
Contracts and installments receivable	7,643,992	—
Receivables (net)	—	—
Interfund receivables	—	—
Loans receivable	—	—
Long-term prepaid charges	143	—
Capital assets:		
Land	—	—
Buildings and other depreciable property	—	211
Intangible assets – amortizable	—	—
Less: accumulated depreciation/amortization	—	(211)
Construction/development in progress	2,405,575	—
Total noncurrent assets	<u>10,156,498</u>	<u>—</u>
Total assets	<u>12,145,490</u>	<u>1,674,108</u>
DEFERRED OUTFLOWS OF RESOURCES		
Total assets and deferred outflows of resources	<u>\$ 12,240,282</u>	<u>\$ 1,674,108</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>
\$ 239,398	\$ 403,619	\$ 8,811	\$ 61,599	\$ 72,410	\$ 771,363	\$ 3,147,241
—	—	—	—	—	—	1,193,575
—	—	—	—	—	—	564,176
3,814	6,356	—	4,911	1,042	88,845	106,579
207,452	2,268	—	59,187	253,419	15,825	836,835
1,969	197	—	16,787	—	20,111	39,064
166,384	1,426	2,000	692	3,222	1,465	190,202
24,332	58,671	—	—	721	19,946	103,670
<u>643,349</u>	<u>472,537</u>	<u>10,811</u>	<u>143,176</u>	<u>330,814</u>	<u>917,555</u>	<u>6,181,342</u>
—	—	—	—	—	—	106,788
—	—	—	—	—	—	7,643,992
2,624	—	—	—	—	4,797	7,421
—	—	—	—	—	40,856	40,856
—	—	—	—	—	4,396	4,396
—	—	—	—	—	—	143
—	—	—	—	—	2,080	2,080
175,156	219,879	2,977	160,361	33,436	82,564	674,584
246,798	7,564	349,281	33,041	12,176	92,497	741,357
(177,707)	(166,557)	(33,852)	(142,098)	(38,107)	(107,177)	(665,709)
—	11,310	—	—	—	1,273	2,418,158
<u>246,871</u>	<u>72,196</u>	<u>318,406</u>	<u>51,304</u>	<u>7,505</u>	<u>121,286</u>	<u>10,974,066</u>
<u>890,220</u>	<u>544,733</u>	<u>329,217</u>	<u>194,480</u>	<u>338,319</u>	<u>1,038,841</u>	<u>17,155,408</u>
299,006	74,801	—	118,876	—	299,577	887,052
<u>\$ 1,189,226</u>	<u>\$ 619,534</u>	<u>\$ 329,217</u>	<u>\$ 313,356</u>	<u>\$ 338,319</u>	<u>\$ 1,338,418</u>	<u>\$ 18,042,460</u>

(continued)

Combining Statement of Net Position (continued)

Internal Service Funds

June 30, 2023

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 46,388	\$ 49
Due to other funds	44,967	158,791
Due to other governments	24,820	954
Revenues received in advance	—	1,511,436
Deposits	—	—
Contracts and notes payable	—	—
Interest payable	97,758	—
Current portion of long-term obligations	593,723	—
Other current liabilities	10,040	—
Total current liabilities	817,696	1,671,230
Noncurrent liabilities:		
Interfund payables	3,211,902	3,019
Compensated absences payable	—	—
Workers' compensation benefits payable	—	290
Lease liability	—	—
Subscription liability	—	—
Revenue bonds payable	7,991,925	—
Net other postemployment benefits liability	—	—
Net pension liability	—	—
Other noncurrent liabilities	—	—
Total noncurrent liabilities	11,203,827	3,309
Total liabilities	12,021,523	1,674,539
DEFERRED INFLOWS OF RESOURCES	41,562	—
Total liabilities and deferred inflows of resources	12,063,085	1,674,539
NET POSITION		
Net investment in capital assets	—	—
Restricted – expendable:		
Construction	177,197	—
Total expendable	177,197	—
Unrestricted	—	(431)
Total net position (deficit)	177,197	(431)
Total liabilities, deferred inflows of resources, and net position	\$ 12,240,282	\$ 1,674,108

<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>
\$ 95,252	\$ 13,071	\$ —	\$ 37,245	\$ 30,283	\$ 271,734	\$ 494,022
47,254	3,735	—	756	1,210	435,306	692,019
3,458	—	—	—	8	2,521	31,761
17,094	2,934	—	—	1,147	76,843	1,609,454
1,149	—	—	—	—	—	1,149
1,351	—	—	13,753	19,264	—	34,368
—	—	—	—	—	—	97,758
20,882	4,528	—	6,676	—	15,735	641,544
10,812	2,946	—	—	16	—	23,814
<u>197,252</u>	<u>27,214</u>	<u>—</u>	<u>58,430</u>	<u>51,928</u>	<u>802,139</u>	<u>3,625,889</u>
28,349	1,142	37,650	4,556	298,150	—	3,584,768
97,126	14,534	—	44,495	—	45,147	201,302
28,118	20,580	—	136	—	1,220	50,344
171,062	—	—	5,084	—	50,608	226,754
—	—	—	52	—	1,290	1,342
—	—	—	—	—	—	7,991,925
576,699	202,081	—	228,554	—	395,775	1,403,109
555,751	81,596	—	222,532	—	631,466	1,491,345
—	—	—	14,469	6,874	—	21,343
<u>1,457,105</u>	<u>319,933</u>	<u>37,650</u>	<u>519,878</u>	<u>305,024</u>	<u>1,125,506</u>	<u>14,972,232</u>
<u>1,654,357</u>	<u>347,147</u>	<u>37,650</u>	<u>578,308</u>	<u>356,952</u>	<u>1,927,645</u>	<u>18,598,121</u>
204,708	122,406	—	84,160	—	148,399	601,235
<u>1,859,065</u>	<u>469,553</u>	<u>37,650</u>	<u>662,468</u>	<u>356,952</u>	<u>2,076,044</u>	<u>19,199,356</u>
243,775	72,196	318,405	14,673	—	557	649,606
—	—	—	—	—	—	177,197
—	—	—	—	—	—	177,197
(913,614)	77,785	(26,838)	(363,785)	(18,633)	(738,183)	(1,983,699)
<u>(669,839)</u>	<u>149,981</u>	<u>291,567</u>	<u>(349,112)</u>	<u>(18,633)</u>	<u>(737,626)</u>	<u>(1,156,896)</u>
<u>\$ 1,189,226</u>	<u>\$ 619,534</u>	<u>\$ 329,217</u>	<u>\$ 313,356</u>	<u>\$ 338,319</u>	<u>\$ 1,338,418</u>	<u>\$ 18,042,460</u>

(concluded)

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

Internal Service Funds

Year Ended June 30, 2023

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
OPERATING REVENUES		
Services and sales	\$ —	\$ 1,418,603
Investment and interest	31,278	—
Rent	329,270	—
Total operating revenues	360,548	1,418,603
OPERATING EXPENSES		
Personal services	—	1,313
Supplies	—	—
Services and charges	3,936	1,418,920
Depreciation	—	—
Interest expense	307,543	—
Amortization of long-term prepaid charges	38	—
Total operating expenses	311,517	1,420,233
Operating income (loss)	49,031	(1,630)
NONOPERATING REVENUES (EXPENSES)		
Investment and interest income	—	—
Interest expense and fiscal charges	—	—
Other	6,327	—
Total nonoperating revenues (expenses)	6,327	—
Income (loss) before transfers	55,358	(1,630)
Gain on early extinguishment of debt	22,783	—
Transfers in	—	—
Transfers out	—	—
Change in net position	78,141	(1,630)
Total net position (deficit) – beginning	99,056	1,199
Total net position (deficit) – ending	\$ 177,197	\$ (431)

Service Revolving	Prison Industries	Financial Information Systems	Technology Services Revolving	Water Resources Revolving	Other Internal Service Programs	Total
\$ 793,961	\$ 374,083	\$ —	\$ 468,875	\$ 732,211	\$ 1,449,907	\$ 5,237,640
25	—	—	—	—	75	31,378
1,470	—	—	—	—	257	330,997
795,456	374,083	—	468,875	732,211	1,450,239	5,600,015
306,574	95,922	—	37,968	—	150,815	592,592
—	2,565	—	—	29,513	—	32,078
426,431	224,996	301	371,766	683,979	1,054,297	4,184,626
37,657	10,140	28,960	22,329	4,328	20,996	124,410
—	—	—	399	—	—	307,942
—	—	—	—	—	—	38
770,662	333,623	29,261	432,462	717,820	1,226,108	5,241,686
24,794	40,460	(29,261)	36,413	14,391	224,131	358,329
—	270	—	818	—	2,744	3,832
(3,787)	(96)	—	(500)	—	(8,041)	(12,424)
—	(748)	—	(1,453)	—	—	4,126
(3,787)	(574)	—	(1,135)	—	(5,297)	(4,466)
21,007	39,886	(29,261)	35,278	14,391	218,834	353,863
—	—	—	—	—	—	22,783
70,189	—	—	27,286	—	5,946	103,421
(4,584)	—	—	—	(765)	(32,060)	(37,409)
86,612	39,886	(29,261)	62,564	13,626	192,720	442,658
(756,451)	110,095	320,828	(411,676)	(32,259)	(930,346)	(1,599,554)
\$ (669,839)	\$ 149,981	\$ 291,567	\$ (349,112)	\$ (18,633)	\$ (737,626)	\$ (1,156,896)

Combining Statement of Cash Flows

Internal Service Funds

Year Ended June 30, 2023

(amounts in thousands)

	Public Buildings Construction	Architecture Revolving
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 17,771	\$ —
Receipts from interfund services provided	1,362,445	1,691,337
Payments to suppliers	(1,647)	(1,433,490)
Payments to employees	—	(1,358)
Payments for interfund services used	—	—
Other receipts (payments)	(375,057)	(74)
Net cash provided by (used in) operating activities	1,003,512	256,415
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Changes in interfund receivables	—	—
Changes in interfund payables and loans payable	692,498	(170)
Interest paid	—	—
Transfers in	901,083	—
Transfers out	(3,906)	—
Net cash provided by (used in) noncapital financing activities	1,589,675	(170)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(1,572,506)	—
Proceeds from sale of capital assets	—	—
Proceeds from long-term capital financing	—	—
Payment on long-term capital financing	—	—
Proceeds from revenue bonds	886,174	—
Retirement of revenue bonds	(1,294,870)	—
Interest paid	—	—
Net cash used in capital and related financing activities	(1,981,202)	—
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	611,985	256,245
Cash and pooled investments – beginning	688,378	1,333,796
Cash and pooled investments – ending	\$ 1,300,363	\$ 1,590,041

<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>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 17,771
838,684	381,788	—	476,879	673,581	1,818,857	7,243,571
(451,951)	(222,185)	—	(361,132)	(691,248)	(1,030,327)	(4,191,980)
(365,291)	(113,904)	—	(113,519)	—	(333,113)	(927,185)
—	(17,505)	(589)	—	—	—	(18,094)
(22,171)	(54)	—	5,241	(15,011)	9,764	(397,362)
(729)	28,140	(589)	7,469	(32,678)	465,181	1,726,721
—	—	—	577	—	(9,760)	(9,183)
(1,094)	(1,092)	—	(2,660)	72,243	(795)	758,930
—	(96)	—	—	—	(1)	(97)
70,189	—	—	27,286	—	446	999,004
(4,584)	—	—	—	(765)	(26,612)	(35,867)
64,511	(1,188)	—	25,203	71,478	(36,722)	1,712,787
(26,172)	(7,058)	(346,517)	(25,248)	(1,735)	(28,450)	(2,007,686)
1,077	15	346,517	2,535	—	614	350,758
1,691	—	—	—	—	8,515	10,206
(11,236)	—	—	(1,540)	—	(3,183)	(15,959)
—	—	—	—	—	—	886,174
—	—	—	—	—	—	(1,294,870)
(3,787)	—	—	(500)	—	(8,035)	(12,322)
(38,427)	(7,043)	—	(24,753)	(1,735)	(30,539)	(2,083,699)
—	—	—	—	—	(5)	(5)
—	182	—	818	—	2,744	3,744
—	182	—	818	—	2,739	3,739
25,355	20,091	(589)	8,737	37,065	400,659	1,359,548
214,043	383,528	9,400	52,862	35,345	370,704	3,088,056
\$ 239,398	\$ 403,619	\$ 8,811	\$ 61,599	\$ 72,410	\$ 771,363	\$ 4,447,604

(continued)

Combining Statement of Cash Flows (continued)

Internal Service Funds

Year Ended June 30, 2023

(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)	\$ 49,031	\$ (1,630)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	—	—
Amortization of premiums and discounts	(124,045)	—
Amortization of long-term prepaid charges	38	—
Other	9,115	—
Change in account balances:		
Receivables	—	2,048
Due from other funds	(30,595)	18,189
Due from other governments	—	—
Prepaid items	—	(6)
Inventories	—	—
Contracts and installments receivable	1,072,166	—
Leases receivable	—	—
Deferred outflow of resources	22,783	—
Accounts payable	(623)	(14,564)
Due to other funds	4,193	55,498
Due to other governments	—	(61)
Deposits	—	—
Contracts and notes payable	—	—
Interest payable	(762)	—
Revenues received in advance	(1,475)	196,999
Other current liabilities	3,686	(13)
Benefits payable	—	—
Compensated absences payable	—	(130)
Other noncurrent liabilities	—	85
Deferred inflow of resources	—	—
Total adjustments	<u>954,481</u>	<u>258,045</u>
Net cash provided by (used in) operating activities	<u>\$ 1,003,512</u>	<u>\$ 256,415</u>
Noncash investing, capital, and financing activities		
Transfers of construction work-in-progress to state departments	\$ 891,279	\$ —
Miscellaneous noncash activities transactions	—	—

<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>
\$ 24,794	\$ 40,460	\$ (29,261)	\$ 36,413	\$ 14,391	\$ 224,131	\$ 358,329
37,657	10,140	28,960	22,329	4,328	20,996	124,410
—	—	—	—	—	—	(124,045)
—	—	—	—	—	—	38
—	(54)	—	—	—	—	9,061
(856)	259	—	(1,107)	(254)	(67,186)	(67,096)
60,187	(703)	—	10,129	(56,451)	55,515	56,271
(379)	47	—	(2,356)	1,000	6,324	4,636
(12,488)	1,799	—	514	9,205	1,556	580
(18,330)	(891)	—	—	145	(2,815)	(21,891)
—	—	—	—	—	—	1,072,166
(2,624)	—	—	—	—	335	(2,289)
(140,290)	(26,064)	—	(48,976)	—	(137,908)	(330,455)
5,298	(3,046)	(155)	10,519	12,894	25,229	35,552
(15,573)	2,354	(133)	(1,018)	(2,896)	332,869	375,294
(19,796)	—	—	—	(8,960)	(213)	(29,030)
(1,216)	—	—	—	—	—	(1,216)
(1,489)	—	—	2,451	(1,062)	—	(100)
—	—	—	—	—	—	(762)
2,094	(243)	—	—	971	47,085	245,431
709	(2,003)	—	—	(20)	3,653	6,012
—	—	—	—	—	(2)	(2)
(586)	(922)	—	(1,949)	—	(3,329)	(6,916)
126,975	(27,720)	—	8,847	(5,969)	72,651	174,869
(44,816)	34,727	—	(28,327)	—	(113,710)	(152,126)
<u>(25,523)</u>	<u>(12,320)</u>	<u>28,672</u>	<u>(28,944)</u>	<u>(47,069)</u>	<u>241,050</u>	<u>1,368,392</u>
<u>\$ (729)</u>	<u>\$ 28,140</u>	<u>\$ (589)</u>	<u>\$ 7,469</u>	<u>\$ (32,678)</u>	<u>\$ 465,181</u>	<u>\$ 1,726,721</u>
						(concluded)
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 891,279
—	87	—	—	—	—	87

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Nonmajor Enterprise Funds

Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises, in which the costs of providing goods or services to the general public on a continuing basis are intended to be financed or recovered primarily through user charges. Following are brief descriptions of nonmajor enterprise funds.

The **State Water Pollution Control Revolving Fund** accounts for loans to finance the construction of publicly owned water pollution control facilities.

The **Safe Drinking Water State Revolving Fund** accounts for loans to finance the construction of publicly owned water systems for drinking water infrastructure projects.

The **Housing Loan Fund** accounts for financing and contracts for the sale of properties to eligible California veterans.

The **Electric Power Fund** accounts for assistance in mitigating the effects of a statewide energy supply emergency.

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, 2023

(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving
ASSETS		
Current assets:		
Cash and pooled investments	\$ 202,073	\$ 88,828
Restricted assets:		
Cash and pooled investments	750,719	64,369
Due from other governments	190,373	18,933
Receivables (net)	—	4,192
Due from other funds	12,175	21,179
Due from other governments	43,086	43,963
Prepaid items	—	—
Inventories	—	—
Total current assets	<u>1,198,426</u>	<u>241,464</u>
Noncurrent assets:		
Restricted assets:		
Loans receivable	4,532,783	727,092
Investments	—	—
Interfund receivables	2,933	—
Loans receivable	578,855	1,350,225
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>5,114,571</u>	<u>2,077,317</u>
Total assets	<u>6,312,997</u>	<u>2,318,781</u>
DEFERRED OUTFLOWS OF RESOURCES		
Total assets and deferred outflows of resources	<u>\$ 6,312,997</u>	<u>\$ 2,318,781</u>

Housing Loan	Electric Power	Other Enterprise Programs	Total
\$ 362,868	\$ 1,195	\$ 253,719	\$ 908,683
—	60,805	—	875,893
—	—	—	209,306
33,911	105,495	585	144,183
—	—	6,427	39,781
87	—	108	87,244
—	—	30	30
—	—	6,332	6,332
<u>396,866</u>	<u>167,495</u>	<u>267,201</u>	<u>2,271,452</u>
—	—	—	5,259,875
11,291	—	—	11,291
—	—	3,682	6,615
835,342	—	45,133	2,809,555
444	—	829	1,273
16,260	—	10,070	26,330
—	717	24,803	25,520
(16,260)	(191)	(12,103)	(28,554)
—	—	106	106
8,432	—	—	8,432
<u>855,509</u>	<u>526</u>	<u>72,520</u>	<u>8,120,443</u>
1,252,375	168,021	339,721	10,391,895
5,520	11,962	16,824	34,306
\$ 1,257,895	\$ 179,983	\$ 356,545	\$ 10,426,201

(continued)

Combining Statement of Net Position (continued)

Nonmajor Enterprise Funds

June 30, 2023

(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving
LIABILITIES		
Current liabilities:		
Accounts payable	\$ —	\$ —
Due to other funds	1,669	20,157
Due to other governments	—	—
Revenues received in advance	4	—
Interest payable	17,222	796
Current portion of long-term obligations	114,304	8,016
Total current liabilities	133,199	28,969
Noncurrent liabilities:		
Interfund payables	—	—
Compensated absences payable	—	—
Workers' compensation benefits payable	—	—
Lease liability	—	—
Subscription liability	—	—
General obligation bonds payable	—	—
Revenue bonds payable	1,493,758	64,273
Net other postemployment benefits liability	—	—
Net pension liability	—	—
Other noncurrent liabilities	—	—
Total noncurrent liabilities	1,493,758	64,273
Total liabilities	1,626,957	93,242
DEFERRED INFLOWS OF RESOURCES	—	—
Total liabilities and deferred inflows of resources	1,626,957	93,242
NET POSITION		
Net investment in capital assets	—	—
Restricted – expendable:		
Debt service	500,118	—
Security for revenue bonds	3,097,871	—
Other purposes	—	2,225,539
Total expendable	3,597,989	2,225,539
Unrestricted	1,088,051	—
Total net position	4,686,040	2,225,539
Total liabilities, deferred inflows of resources, and net position	\$ 6,312,997	\$ 2,318,781

Housing Loan	Electric Power	Other Enterprise Programs	Total
\$ 1	\$ 12,104	\$ 5,944	\$ 18,049
447	—	837	23,110
105	—	44	149
—	—	32	36
14,869	—	—	32,887
27,830	477	1,512	152,139
<u>43,252</u>	<u>12,581</u>	<u>8,369</u>	<u>226,370</u>
432	—	21,720	22,152
—	—	13,070	13,070
—	—	4,378	4,378
—	356	18,462	18,818
—	8	407	415
671,317	—	—	671,317
401,610	—	—	1,959,641
6,292	5,530	18,525	30,347
13,464	5,838	27,061	46,363
4,093	—	21,636	25,729
<u>1,097,208</u>	<u>11,732</u>	<u>125,259</u>	<u>2,792,230</u>
<u>1,140,460</u>	<u>24,313</u>	<u>133,628</u>	<u>3,018,600</u>
8,933	30,295	7,379	46,607
<u>1,149,393</u>	<u>54,608</u>	<u>141,007</u>	<u>3,065,207</u>
685	—	1,384	2,069
—	—	—	500,118
—	—	—	3,097,871
107,817	125,375	141,900	2,600,631
<u>107,817</u>	<u>125,375</u>	<u>141,900</u>	<u>6,198,620</u>
—	—	72,254	1,160,305
<u>108,502</u>	<u>125,375</u>	<u>215,538</u>	<u>7,360,994</u>
<u>\$ 1,257,895</u>	<u>\$ 179,983</u>	<u>\$ 356,545</u>	<u>\$ 10,426,201</u>

(concluded)

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

Nonmajor Enterprise Funds

Year Ended June 30, 2023

(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving
OPERATING REVENUES		
Services and sales	\$ 12,140	\$ —
Investment and interest	53,435	28,007
Other	—	—
Total operating revenues	65,575	28,007
OPERATING EXPENSES		
Personal services	1,178	18,713
Supplies	—	—
Services and charges	5,543	—
Depreciation	—	—
Interest expense	—	—
Other	1,087	7,799
Total operating expenses	7,808	26,512
Operating income (loss)	57,767	1,495
NONOPERATING REVENUES (EXPENSES)		
Donations and grants	37,996	113,877
Investment and interest income	18,079	2,883
Interest expense and fiscal charges	(39,140)	(1,540)
Other	—	—
Total nonoperating revenues (expenses)	16,935	115,220
Income (loss) before capital contributions and transfers	74,702	116,715
Transfers in	—	—
Transfers out	—	—
Change in net position	74,702	116,715
Total net position – beginning	4,611,338	2,108,824
Total net position – ending	\$ 4,686,040	\$ 2,225,539

* Restated

Housing Loan	Electric Power	Other Enterprise Programs	Total
\$ 1,384	\$ 1,195	\$ 113,912	\$ 128,631
49,255	—	1,775	132,472
2,744	—	284	3,028
53,383	1,195	115,971	264,131
1,131	—	17,296	38,318
—	—	61,795	61,795
17,227	5,355	63,720	91,845
—	190	3,146	3,336
32,082	—	—	32,082
—	—	—	8,886
50,440	5,545	145,957	236,262
2,943	(4,350)	(29,986)	27,869
—	—	—	151,873
—	3,383	14,079	38,424
—	(1,001)	(83)	(41,764)
(242)	2,008	—	1,766
(242)	4,390	13,996	150,299
2,701	40	(15,990)	178,168
—	—	—	—
—	—	—	—
2,701	40	(15,990)	178,168
105,801 *	125,335 *	231,528	7,182,826
\$ 108,502	\$ 125,375	\$ 215,538	\$ 7,360,994

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

Year Ended June 30, 2023

(amounts in thousands)

	State Water Pollution Control Revolving	Safe Drinking Water State Revolving
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers/employers	\$ 46,314	\$ 29,199
Receipts from interfund services provided	—	—
Payments to suppliers	(6,135)	(28,711)
Payments to employees	—	—
Payments for interfund services used	(256)	—
Claims paid to other than employees	—	(108,162)
Other payments	(350,722)	—
Net cash provided by (used in) operating activities	(310,799)	(107,674)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Changes in notes and leases receivable	—	—
Changes in interfund receivables and loans receivable	989	—
Changes in interfund payables and loans payable	—	—
Proceeds from general obligation bonds	—	—
Retirement of general obligation bonds	—	—
Proceeds from revenue bonds	602,511	—
Retirement of revenue bonds	(92,820)	(6,040)
Interest paid	(54,053)	(3,394)
Grants received	33,164	115,160
Other receipts (payments)	—	—
Net cash provided by (used in) noncapital financing activities	489,791	105,726
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	—	—
Proceeds from sale of capital assets	—	—
Proceeds from long-term capital financing	—	—
Payment on long-term capital financing	—	—
Interest paid	—	—
Net cash used in capital and related financing activities	—	—
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturity and sale of investments	—	—
Earnings on investments	12,294	2,193
Net cash provided by investing activities	12,294	2,193
Net increase (decrease) in cash and pooled investments	191,286	245
Cash and pooled investments – beginning	761,506	152,952
Cash and pooled investments – ending	\$ 952,792	\$ 153,197

Housing Loan	Electric Power	Other Enterprise Programs	Total
\$ 181,732	\$ —	\$ 25,636	\$ 282,881
—	1,195	106,717	107,912
(18,259)	(938)	(79,794)	(133,837)
(1,131)	(4,031)	(7,548)	(12,710)
(432)	—	(25,998)	(26,686)
—	—	—	(108,162)
(201,578)	—	(49,622)	(601,922)
(39,668)	(3,774)	(30,609)	(492,524)
—	—	(64)	(64)
—	—	1,927	2,916
432	—	64	496
169,568	—	—	169,568
(29,955)	—	—	(29,955)
89,959	—	—	692,470
(25,145)	—	—	(124,005)
—	—	(7)	(57,454)
—	—	—	148,324
—	(49,058)	—	(49,058)
204,859	(49,058)	1,920	753,238
—	—	(21,266)	(21,266)
—	—	11	11
—	—	19,233	19,233
—	(194)	—	(194)
—	—	(76)	(76)
—	(194)	(2,098)	(2,292)
8,271	—	—	8,271
—	1,967	14,079	30,533
8,271	1,967	14,079	38,804
173,462	(51,059)	(16,708)	297,226
189,406	113,059	270,427	1,487,350
\$ 362,868	\$ 62,000	\$ 253,719	\$ 1,784,576

(continued)

Combining Statement of Cash Flows (continued)

Nonmajor Enterprise Funds

Year Ended June 30, 2023

(amounts in thousands)

	<u>State Water Pollution Control Revolving</u>	<u>Safe Drinking Water State Revolving</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	\$ 57,767	\$ 1,495
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	—	—
Provisions and allowances	—	—
Amortization of premiums and discounts	—	—
Other	(16,671)	—
Change in account balances:		
Receivables	—	—
Due from other funds	(256)	—
Due from other governments	(2,235)	1,192
Prepaid items	—	—
Inventories	—	—
Other current assets	—	—
Loans receivable	(351,077)	(108,162)
Deferred outflow of resources	—	—
Accounts payable	—	—
Due to other funds	1,673	(2,199)
Due to other governments	—	—
Interest payable	—	—
Revenues received in advance	—	—
Other current liabilities	—	—
Compensated absences payable	—	—
Other noncurrent liabilities	—	—
Deferred inflows of resources	—	—
Total adjustments	<u>(368,566)</u>	<u>(109,169)</u>
Net cash provided by (used in) operating activities	<u>\$ (310,799)</u>	<u>\$ (107,674)</u>
Noncash investing, capital, and financing activities		
Miscellaneous noncash activities transactions	\$ —	\$ —

<u>Housing Loan</u>	<u>Electric Power</u>	<u>Other Enterprise Programs</u>	<u>Total</u>
\$ 2,943	\$ (4,350)	\$ (29,986)	\$ 27,869
—	190	3,146	3,336
1	—	—	1
(1,031)	—	—	(1,031)
(333)	—	—	(17,004)
(2,819)	—	40	(2,779)
—	—	(2,799)	(3,055)
—	—	178	(865)
—	—	(9)	(9)
—	—	(634)	(634)
1,021	—	—	1,021
(31,908)	—	18,947	(472,200)
(9,153)	(337)	(7,950)	(17,440)
543	(105)	(3,178)	(2,740)
(1,718)	—	(1,787)	(4,031)
—	—	(258)	(258)
728	—	—	728
—	—	(17)	(17)
421	—	(7,795)	(7,374)
—	—	(258)	(258)
5,063	672	9,783	15,518
(3,426)	156	(8,032)	(11,302)
(42,611)	576	(623)	(520,393)
\$ (39,668)	\$ (3,774)	\$ (30,609)	\$ (492,524)
			(concluded)
\$ 1,690	\$ —	\$ —	\$ 1,690

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

Pension and other employee benefit trust funds account for transactions, assets, liabilities, and net position available for pension and other employee benefits of the two public employees' retirement systems that are fiduciary component units, and for other primary government employee benefit programs. Following are brief descriptions of pension and other employee benefit trust funds.

Defined Benefit Pension Plans are pension plans that provide defined benefit pensions to employees after separation from service:

The **Public Employees' Retirement Fund** is administered by the California Public Employees' Retirement System (CalPERS) and accounts for the employee and employer contributions of the agent and cost-sharing multiple-employer retirement plans that provide pension benefits to employees of the State of California, non-teaching school employees, and employees of California public agencies.

The **State Teachers' Retirement Fund** is administered by the California State Teachers' Retirement System (CalSTRS) and accounts for the employee, employer, and primary government contributions of the cost-sharing multiple-employer retirement plan that provides pension benefits to teachers and certain other employees of the California public school system.

The **Judges' Retirement Fund** is administered by CalPERS and accounts for the employee and employer contributions of the single-employer retirement plan that provides pension benefits to judges of the California Supreme Court, courts of appeal, and superior courts who were appointed or elected prior to November 9, 1994.

The **Judges' Retirement Fund II** is administered by CalPERS and accounts for the employee and employer contributions of the single-employer retirement plan that provides pension benefits to judges of the California Supreme Court, courts of appeal, and superior courts who were appointed or elected on or subsequent to November 9, 1994.

The **Legislators' Retirement Fund** is administered by CalPERS and accounts for the employee and employer contributions of the single-employer retirement plan that provides pension benefits to members of the Legislature serving prior to November 7, 1990, constitutional officers, and legislative statutory officers who elect to participate in the plan.

(continued)

(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.

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Combining Statement of Fiduciary Net Position

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

June 30, 2023

(amounts in thousands)

	Defined Benefit		
	Public Employees' Retirement	State Teachers' Retirement	Judges' Retirement
ASSETS			
Cash and pooled investments	\$ 2,315,379	\$ 329,090	\$ 5,390
Investments, at fair value:			
Short-term	1,252,634	10,039,798	46,805
Equity securities	200,861,111	124,435,441	—
Debt securities	123,736,430	44,243,745	—
Real estate	68,759,263	46,560,615	—
Securities lending collateral	6,735,918	27,276,497	—
Other	71,065,455	92,862,467	—
Total investments	472,410,811	345,418,563	46,805
Receivables (net)	16,561,426	7,181,174	1,372
Due from other funds	1,068,243	860	121
Loans receivable	—	5,641,476	—
Other assets	216,058	732,114	—
Total assets	492,571,917	359,303,277	53,688
DEFERRED OUTFLOWS OF RESOURCES	218,708	174,427	1,003
Total assets and deferred outflows of resources	492,790,625	359,477,704	54,691
LIABILITIES			
Accounts payable	10,521	7,050,297	291
Due to other governments	—	12	—
Benefits payable	88,746	426,849	—
Securities lending obligations	13,357,902	27,384,547	—
Loans payable	—	5,669,435	—
Other liabilities	14,599,996	1,757,019	7,366
Total liabilities	28,057,165	42,288,159	7,657
DEFERRED INFLOWS OF RESOURCES	155,301	271,035	707
Total liabilities and deferred inflows of resources	28,212,466	42,559,194	8,364
NET POSITION			
Restricted:			
Pension benefits	464,578,159	316,918,510	46,327
Other postemployment benefits	—	—	—
Deferred compensation participants	—	—	—
Individuals, organizations, or other governments	—	—	—
Total net position	\$ 464,578,159	\$ 316,918,510	\$ 46,327

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			
\$ 5,516	\$ 1,454	\$ 11,387	\$ 17,838	\$ 14,260	\$	2,700,314
52	3	46,714	2,936,194	15,478		14,337,678
1,738,697	34,379	12,256,248	14,284,298	61,977		353,672,151
580,402	61,300	5,316,261	2,507,530	37,308		176,482,976
—	—	—	—	—		115,319,878
—	—	—	—	—		34,012,415
—	—	—	4,645,387	—		168,573,309
2,319,151	95,682	17,619,223	24,373,409	114,763		862,398,407
10,561	55	127,657	37,084	4,376		23,923,705
66	—	99	30	20		1,069,439
—	—	—	6,942	—		5,648,418
—	—	—	1	—		948,173
2,335,294	97,191	17,758,366	24,435,304	133,419		896,688,456
1,187	314	2,367	1,867	473		400,346
2,336,481	97,505	17,760,733	24,437,171	133,892		897,088,802
320	83	1,082	2,905	6,603		7,072,102
—	—	—	—	—		12
—	19	87,977	1,464	565		605,620
—	—	—	—	—		40,742,449
—	—	—	—	—		5,669,435
6,535	1,554	10,224	14,318	3,122		16,400,134
6,855	1,656	99,283	18,687	10,290		70,489,752
844	180	2,106	2,358	955		433,486
7,699	1,836	101,389	21,045	11,245		70,923,238
2,328,782	95,669	—	—	114,346		784,081,793
—	—	17,659,344	—	—		17,659,344
—	—	—	24,416,126	—		24,416,126
—	—	—	—	8,301		8,301
\$ 2,328,782	\$ 95,669	\$ 17,659,344	\$ 24,416,126	\$ 122,647	\$	826,165,564

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, 2023

(amounts in thousands)

	Defined Benefit		
	Public Employees' Retirement	State Teachers' Retirement	Judges' Retirement
ADDITIONS			
Contributions:			
Employer	\$ 24,227,246	\$ 7,746,196	\$ 208,785
Plan member	5,672,430	4,304,648	1,697
Non-employer	—	3,719,874	—
Total contributions	29,899,676	15,770,718	210,482
Investment income:			
Net appreciation (depreciation) in fair value of investments	20,776,650	13,564,262	—
Interest, dividends, and other investment income	8,152,283	7,572,558	2,242
Less: investment expense	(1,821,087)	(1,461,919)	(9)
Net investment income (loss)	27,107,846	19,674,901	2,233
Other	9,981	303,053	3,028
Total additions	57,017,503	35,748,672	215,743
DEDUCTIONS			
Distributions to beneficiaries	31,084,243	18,244,899	216,271
Refunds of contributions	391,113	138,940	—
Administrative expense	323,014	229,857	2,031
Interest expense	—	272,751	—
Payments to and for depositors	—	—	—
Total deductions	31,798,370	18,886,447	218,302
Change in net position	25,219,133	16,862,225	(2,559)
Net position – beginning	439,359,026	300,056,285	48,886
Net position – ending	\$ 464,578,159	\$ 316,918,510	\$ 46,327

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			
\$ 89,970	\$ 44	\$ 5,220,760	\$ 2,889	\$ 25,812	\$	37,521,702
38,669	11	—	1,036,948	44,828		11,099,231
—	—	—	—	—		3,719,874
<u>128,639</u>	<u>55</u>	<u>5,220,760</u>	<u>1,039,837</u>	<u>70,640</u>		<u>52,340,807</u>
152,253	667	947,792	2,428,391	8,375		37,878,390
437	15	3,561	42,717	367		15,774,180
(945)	(81)	(6,838)	(802)	(56)		(3,291,737)
<u>151,745</u>	<u>601</u>	<u>944,515</u>	<u>2,470,306</u>	<u>8,686</u>		<u>50,360,833</u>
4	2	13,723	25,110	77		354,978
<u>280,388</u>	<u>658</u>	<u>6,178,998</u>	<u>3,535,253</u>	<u>79,403</u>		<u>103,056,618</u>
83,573	7,088	3,617,896	115,258	69,482		53,438,710
295	—	—	4,126	—		534,474
2,126	525	4,608	26,716	803		589,680
—	—	—	4	1		272,756
—	—	229,444	593,490	5,765		828,699
<u>85,994</u>	<u>7,613</u>	<u>3,851,948</u>	<u>739,594</u>	<u>76,051</u>		<u>55,664,319</u>
194,394	(6,955)	2,327,050	2,795,659	3,352		47,392,299
<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>
<u>\$ 2,328,782</u>	<u>\$ 95,669</u>	<u>\$ 17,659,344</u>	<u>\$ 24,416,126</u>	<u>\$ 122,647</u>	<u>\$</u>	<u>\$ 826,165,564</u>

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Private Purpose Trust Funds

Private purpose trust funds account for all trust arrangements, other than those properly reported in pension and other employee benefit trust funds or investment trust funds, under which both principal and income benefit individuals, private organizations, or other governments. Following are brief descriptions of private purpose trust funds.

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

The **Unclaimed Property Fund** accounts for unclaimed money and properties held in trust by the State.

Other private purpose trust funds account for other assets held in a trustee capacity when both principal and income benefit individuals, private organizations, or other governments.

Combining Statement of Fiduciary Net Position

Private Purpose Trust Funds

June 30, 2023

(amounts in thousands)

	Scholarshare Program Trust	Unclaimed Property	Other Private Purpose Trust	Total
ASSETS				
Cash and pooled investments	\$ 4,812	\$ 61,005	\$ 22,490	\$ 88,307
Investments, at fair value:				
Short-term	451,985	—	—	451,985
Equity securities	7,319,927	—	42,942	7,362,869
Debt securities	3,182,160	—	24,874	3,207,034
Real estate	369,889	—	—	369,889
Other	2,351,285	—	609,723	2,961,008
Total investments	13,675,246	—	677,539	14,352,785
Receivables (net)	1,834	660	423	2,917
Due from other funds	—	—	4	4
Other assets	—	259,547	25	259,572
Total assets	13,681,892	321,212	700,481	14,703,585
LIABILITIES				
Accounts payable	6,959	2,653	18,965	28,577
Revenues received in advance	—	—	8,445	8,445
Deposits	—	259,547	—	259,547
Total liabilities	6,959	262,200	27,410	296,569
NET POSITION				
Restricted for individuals, organizations, or other governments	\$ 13,674,933	\$ 59,012	\$ 673,071	\$ 14,407,016

Combining Statement of Changes in Fiduciary Net Position

Private Purpose Trust Funds

Year Ended June 30, 2023

(amounts in thousands)

	Scholarshare Program Trust	Unclaimed Property	Other Private Purpose Trust	Total
ADDITIONS				
Investment income:				
Net appreciation (depreciation) in fair value of investments	\$ —	\$ —	\$ 46,115	\$ 46,115
Interest, dividends, and other investment income	1,158,761	—	8,658	1,167,419
Less: investment expense	(3,046)	—	(2,574)	(5,620)
Net investment income (loss)	1,155,715	—	52,199	1,207,914
Receipts from depositors	1,925,966	1,053,950	431,634	3,411,550
Total additions	3,081,681	1,053,950	483,833	4,619,464
DEDUCTIONS				
Administrative expenses	—	—	246	246
Payments to and for depositors	1,666,934	1,058,519	106,577	2,832,030
Total deductions	1,666,934	1,058,519	106,823	2,832,276
Change in net position	1,414,747	(4,569)	377,010	1,787,188
Net position – beginning	12,260,186	63,581	296,061	12,619,828
Net position – ending	\$ 13,674,933	\$ 59,012	\$ 673,071	\$ 14,407,016

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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, 2023

(amounts in thousands)

	Local Agency Investment	California Employers' Pension Prefunding Trust	Total
ASSETS			
Cash and pooled investments.....	\$ 25,664,992	\$ 16	\$ 25,665,008
Investments, at fair value:			
Short-term.....	—	282	282
Equity securities.....	—	64,017	64,017
Debt securities.....	—	76,072	76,072
Total investments.....	—	140,371	140,371
Receivables (net).....	220,773	5	220,778
Total assets	25,885,765	140,392	26,026,157
DEFERRED OUTFLOWS OF RESOURCES			
Total assets and deferred outflows of resources	—	37	37
LIABILITIES			
Accounts payable.....	34	12	46
Due to other governments.....	208,402	—	208,402
Other liabilities.....	—	49	49
Total liabilities	208,436	231	208,667
DEFERRED INFLOWS OF RESOURCES			
Total liabilities and deferred inflows of resources	—	75	75
NET POSITION			
Restricted:			
Pension and other postemployment benefits.....	—	140,123	140,123
Pool participants.....	25,677,329	—	25,677,329
Total net position	\$ 25,677,329	\$ 140,123	\$ 25,817,452

Combining Statement of Changes in Fiduciary Net Position

Investment Trust Funds

Year Ended June 30, 2023

(amounts in thousands)

	Local Agency Investment	California Employers' Pension Prefunding Trust	Total
ADDITIONS			
Contributions:			
Employer	\$ —	\$ 51,713	\$ 51,713
Total contributions	—	51,713	51,713
Investment income:			
Net appreciation (depreciation) in fair value of investments	—	4,861	4,861
Interest, dividends, and other investment income	653,600	36	653,636
Less: investment expense	—	(54)	(54)
Net investment income	653,600	4,843	658,443
Receipts from depositors	16,377,539	—	16,377,539
Other	—	243	243
Total additions	17,031,139	56,799	17,087,938
DEDUCTIONS			
Distributions paid and payable to participants	651,638	—	651,638
Administrative expense	1,961	64	2,025
Payments to and for depositors	26,462,306	1,681	26,463,987
Total deductions	27,115,905	1,745	27,117,650
Change in net position	(10,084,766)	55,054	(10,029,712)
Net position – beginning	35,762,095	85,069	35,847,164
Net position – ending	\$ 25,677,329	\$ 140,123	\$ 25,817,452

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Nonmajor Component Units

Nonmajor component units are legally separate entities that are discretely presented in the State's financial statements in accordance with Generally Accepted Accounting Principles (GAAP). The inclusion of component units in the State's financial statements reflects the State's financial accountability for or relationships with these organizations such that exclusion would cause the State's financial statements to be misleading. Following are brief descriptions of the nonmajor consolidated component unit segments.

Financing authorities provide financing for transportation, business development and public improvements, and coastal and inland urban waterfront restoration projects. These agencies include the California Alternative Energy and Advanced Transportation Financing Authority, the California Infrastructure and Economic Development Bank, and the California Urban Waterfront Area Restoration Financing Authority.

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

District agricultural associations were created to exhibit all of the industries, industrial enterprises, resources, and products of the State. The financial information presented is as of and for the year ended December 31, 2022.

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, 2023

(amounts in thousands)

	Financing Authorities	California State University Auxiliary Organizations
ASSETS		
Current assets:		
Cash and pooled investments	\$ 11,570	\$ 684,468
Investments	—	833,055
Restricted assets:		
Cash and pooled investments	637,676	—
Investments	16,578	—
Receivables (net)	32,593	534,486
Due from primary government	128	—
Due from other governments	—	—
Prepaid items	—	—
Other current assets	—	41,420
Total current assets	<u>698,545</u>	<u>2,093,429</u>
Noncurrent assets:		
Restricted assets:		
Cash and pooled investments	—	47,691
Investments	333,839	—
Investments	—	2,929,390
Receivables (net)	—	705,101
Loans receivable	505,760	—
Long-term prepaid charges	—	—
Capital assets:		
Land	—	145,494
Collections – nondepreciable	—	12,623
Buildings and other depreciable property	9	1,137,057
Intangible assets – amortizable	—	336,644
Less: accumulated depreciation/amortization	(9)	(709,291)
Construction/development in progress	—	116,606
Intangible assets – nonamortizable	—	2,304
Other noncurrent assets	—	42,721
Total noncurrent assets	<u>839,599</u>	<u>4,766,340</u>
Total assets	<u>1,538,144</u>	<u>6,859,769</u>
DEFERRED OUTFLOWS OF RESOURCES	18,867	76,691
Total assets and deferred outflows of resources	<u>\$ 1,557,011</u>	<u>\$ 6,936,460</u>

District Agricultural Associations	Other Component Units	Total
\$ 215,802	\$ 730,601	\$ 1,642,441
—	—	833,055
19,183	90,599	747,458
7,742	—	24,320
10,069	33,397	610,545
—	—	128
—	—	—
1,070	491	1,561
3,879	—	45,299
<u>257,745</u>	<u>855,088</u>	<u>3,904,807</u>
—	—	47,691
3,329	—	337,168
—	207,213	3,136,603
—	3,783	708,884
—	—	505,760
—	104	104
29,709	5,247	180,450
—	435	13,058
821,888	194,009	2,152,963
—	3,106	339,750
(581,963)	(58,426)	(1,349,689)
43,242	247,503	407,351
—	116	2,420
—	9,796	52,517
<u>316,205</u>	<u>612,886</u>	<u>6,535,030</u>
<u>573,950</u>	<u>1,467,974</u>	<u>10,439,837</u>
42,792	29,996	168,346
<u>\$ 616,742</u>	<u>\$ 1,497,970</u>	<u>\$ 10,608,183</u>

(continued)

Combining Statement of Net Position (continued)

Nonmajor Component Units

June 30, 2023

(amounts in thousands)

	Financing Authorities	California State University Auxiliary Organizations
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 4,308	\$ 143,558
Revenues received in advance	1,024	166,708
Deposits	—	—
Contracts and notes payable	—	13,315
Interest payable	2,571	—
Current portion of long-term obligations	18,290	161,205
Other current liabilities	15,838	132,544
Total current liabilities	42,031	617,330
Noncurrent liabilities:		
Compensated absences payable	527	5,708
Workers' compensation benefits payable	—	6,680
Loans payable	—	3,176
Commercial paper and other borrowings	211	—
Capital lease obligations	—	116,600
Subscription Liability	—	211,171
Revenue bonds payable	384,981	47,850
Net other postemployment benefits liability	6,341	80,825
Net pension liability	11,569	115,236
Revenues received in advance	—	—
Other noncurrent liabilities	86,002	581,694
Total noncurrent liabilities	489,631	1,168,940
Total liabilities	531,662	1,786,270
DEFERRED INFLOWS OF RESOURCES	2,705	458,730
Total liabilities and deferred inflows of resources	534,367	2,245,000
NET POSITION		
Net investment in capital assets	—	396,572
Restricted:		
Nonexpendable – endowments	—	1,830,118
Expendable:		
Endowments and gifts	—	—
Education	—	1,457,874
Statute	1,018,543	—
Other purposes	3,994	—
Total expendable	1,022,537	1,457,874
Unrestricted	107	1,006,896
Total net position	1,022,644	4,691,460
Total liabilities, deferred inflows of resources, and net position	\$ 1,557,011	\$ 6,936,460

District Agricultural Associations	Other Component Units	Total
\$ 16,712	\$ 715,432	\$ 880,010
8,190	2,108	178,030
1,195	24	1,219
—	—	13,315
458	—	3,029
2,550	5,099	187,144
3,180	39,261	190,823
<u>32,285</u>	<u>761,924</u>	<u>1,453,570</u>
7,520	—	13,755
—	—	6,680
11,354	—	11,565
—	—	116,600
—	21	211,192
—	379	3,555
35,751	428,505	897,087
37,260	68,478	192,904
55,083	70,185	252,073
19,405	—	19,405
27,416	16,683	711,795
<u>193,789</u>	<u>584,251</u>	<u>2,436,611</u>
<u>226,074</u>	<u>1,346,175</u>	<u>3,890,181</u>
30,337	40,769	532,541
<u>256,411</u>	<u>1,386,944</u>	<u>4,422,722</u>
272,120	76,574	745,266
—	26,512	1,856,630
—	18,763	18,763
—	(1,095)	1,456,779
—	—	1,018,543
22,503	—	26,497
<u>22,503</u>	<u>17,668</u>	<u>2,520,582</u>
<u>65,708</u>	<u>(9,728)</u>	<u>1,062,983</u>
<u>360,331</u>	<u>111,026</u>	<u>6,185,461</u>
<u>\$ 616,742</u>	<u>\$ 1,497,970</u>	<u>\$ 10,608,183</u>

(concluded)

Combining Statement of Activities

Nonmajor Component Units

Year Ended June 30, 2023

(amounts in thousands)

	Financing Authorities	California State University Auxiliary Organizations
OPERATING EXPENSES		
Personal services	\$ 2,578	\$ 433,617
Scholarships and fellowships	—	98,231
Supplies	—	—
Services and charges	12,122	1,423,490
Depreciation	—	76,614
Interest expense and fiscal charges	8,956	20,229
Other	—	83,916
Total operating expenses	23,656	2,136,097
PROGRAM REVENUES		
Charges for services	3,144	483,661
Operating grants and contributions	379,418	778,135
Capital grants and contributions	—	43,192
Total program revenues	382,562	1,304,988
Net revenues (expenses)	358,906	(831,109)
GENERAL REVENUES		
Investment and interest income (loss)	31,244	275,586
Other	2,410	929,260
Total general revenues	33,654	1,204,846
Change in net position	392,560	373,737
Net position – beginning	630,084	4,317,723 *
Net position – ending	\$ 1,022,644	\$ 4,691,460

* Restated

District Agricultural Associations	Other Component Units	Total
\$ 47,268	\$ 48,293	\$ 531,756
—	6,362	104,593
—	21,745	21,745
126,128	31,184	1,592,924
20,502	4,823	101,939
1,845	20,491	51,521
287	9,784	93,987
196,030	142,682	2,498,465
291,358	78,833	856,996
—	118,773	1,276,326
—	434	43,626
291,358	198,040	2,176,948
95,328	55,358	(321,517)
362	21,938	329,130
9,008	17,968	958,646
9,370	39,906	1,287,776
104,698	95,264	966,259
255,633	15,762	5,219,202
\$ 360,331	\$ 111,026	\$ 6,185,461

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Statistical Section

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Financial Trends

Financial trend schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time. This section includes the following financial trend schedules.

Schedule of Net Position by Component

Schedule of Changes in Net Position

Schedule of Fund Balances – Governmental Funds

Schedule of Changes in Fund Balances – Governmental Funds

Source: The information in the following schedules is derived from the State's Annual Comprehensive Financial Reports.

Schedule of Net Position by Component

For the Past Ten Fiscal Years

(accrual basis of accounting, amounts in thousands)

	<u>2014²</u>	<u>2015³</u>	<u>2016</u>	<u>2017</u>
Governmental activities				
Net investment in capital assets	\$ 94,001,659	\$ 100,694,652	\$ 104,596,917	\$ 107,042,274
Restricted – Expendable	24,950,740	26,632,502	29,060,971	33,832,232
Unrestricted ¹	<u>(116,948,128)</u>	<u>(169,744,967)</u>	<u>(168,542,861)</u>	<u>(169,499,683)</u>
Total governmental activities net position (deficit)	<u>\$ 2,004,271</u>	<u>\$ (42,417,813)</u>	<u>\$ (34,884,973)</u>	<u>\$ (28,625,177)</u>
Business-type activities				
Net investment in capital assets	\$ 2,065,550	\$ 2,278,252	\$ 2,520,621	\$ 2,295,270
Restricted – Nonexpendable	16,219	13,448	8,653	1,746
Restricted – Expendable	4,897,314	4,523,496	5,750,634	6,307,218
Unrestricted	<u>(1,661,692)</u>	<u>(5,360,817)</u>	<u>(3,707,406)</u>	<u>(1,321,132)</u>
Total business-type activities net position (deficit)	<u>\$ 5,317,391</u>	<u>\$ 1,454,379</u>	<u>\$ 4,572,502</u>	<u>\$ 7,283,102</u>
Primary government				
Net investment in capital assets	\$ 96,067,209	\$ 102,972,904	\$ 107,117,538	\$ 109,337,544
Restricted – Nonexpendable	16,219	13,448	8,653	1,746
Restricted – Expendable	29,848,054	31,155,998	34,811,605	40,139,450
Unrestricted	<u>(118,609,820)</u>	<u>(175,105,784)</u>	<u>(172,250,267)</u>	<u>(170,820,815)</u>
Total primary government net position (deficit)	<u>\$ 7,321,662</u>	<u>\$ (40,963,434)</u>	<u>\$ (30,312,471)</u>	<u>\$ (21,342,075)</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>2018^d</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 109,614,321	\$ 112,279,950	\$ 116,773,259	\$ 120,745,220	\$ 125,862,983	\$ 131,322,297
35,053,202	41,371,805	46,670,678	46,362,528	60,482,461	66,645,014
(213,316,033)	(208,377,265)	(207,968,523)	(174,427,918)	(221,863,616)	(218,243,729)
<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>	<u>\$ (20,276,418)</u>
\$ 2,469,723	\$ 2,534,257	\$ 2,907,066	\$ 2,677,917	\$ 3,340,905	\$ 3,538,034
1,708	1,693	1,677	1,663	1,641	1,595
12,083,737	12,945,567	7,722,116	7,651,874	10,639,641	9,900,307
(16,464,573)	(16,718,860)	(20,948,611)	(52,668,204)	(33,212,073)	(31,107,513)
<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>	<u>\$ (17,667,577)</u>
\$ 112,084,044	\$ 114,814,207	\$ 119,680,325	\$ 123,423,137	\$ 129,203,888	\$ 134,860,331
1,708	1,693	1,677	1,663	1,641	1,595
47,136,939	54,317,372	54,392,794	54,014,402	71,122,102	76,545,321
(229,780,606)	(225,096,125)	(228,917,134)	(227,096,122)	(255,075,689)	(249,351,242)
<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>	<u>\$ (37,943,995)</u>

Schedule of Changes in Net Position

For the Past Ten Fiscal Years

(accrual basis of accounting, amounts in thousands)

	2014 ⁴	2015	2016	2017
Governmental activities				
Expenses				
General government	\$ 14,292,179	\$ 15,804,281	\$ 16,686,037	\$ 17,400,482
Education	54,719,677	59,521,018	65,467,497	67,377,805
Health and human services	105,037,102	122,063,805	127,543,288	135,090,171
Natural resources and environmental protection	5,854,685	6,419,591	6,988,442	7,342,079
Business, consumer services, and housing	589,715	903,782	814,676	1,163,511
Transportation	13,427,229	12,897,591	12,120,820	12,947,296
Corrections and rehabilitation	11,234,705	11,483,573	11,875,294	13,086,499
Interest on long-term debt	4,699,265	4,880,625	4,231,581	4,191,283
Total expenses	209,854,557	233,974,266	245,727,635	258,599,126
Program revenues				
Charges for services:				
General government	5,994,608	6,502,363	6,525,736	5,825,533
Education	67,165	53,498	66,298	74,548
Health and human services	7,961,897	8,259,696	10,630,859	11,638,503
Natural resources and environmental protection	3,403,524	4,546,413	4,823,861	3,998,751
Business, consumer services, and housing	586,055	626,960	823,189	844,445
Transportation	4,247,258	4,382,901	4,532,300	4,611,244
Corrections and rehabilitation	13,645	18,557	19,411	17,988
Operating grants/contributions	69,861,130	84,896,237	86,628,827	89,497,290
Capital grants/contributions	1,515,890	1,319,430	1,480,351	3,027,780
Total program revenues	93,651,172	110,606,055	115,530,832	119,536,082
Total governmental activities net program expenses	(116,203,385)	(123,368,211)	(130,196,803)	(139,063,044)
General revenues and other changes in net position				
General revenues:				
Personal income taxes	68,793,292	78,098,865	80,303,076	85,712,013
Sales and use taxes	36,477,724	38,224,080	39,121,061	38,726,332
Corporation taxes	9,102,128	10,720,647	9,213,173	11,128,198
Motor vehicle excise taxes ¹	5,777,167	5,393,994	5,028,589	4,878,953
Insurance taxes	3,359,043	3,926,319	4,203,885	2,719,489
Managed care organization enrollment tax ²	—	—	—	2,282,313
Other taxes ¹	2,302,231	2,235,498	2,158,874	2,574,456
Investment and interest	80,969	58,016	131,615	149,135
Escheat	487,937	400,807	304,960	325,755
Gain (loss) on early extinguishment of debt ³	(54,537)	—	40,516	30,986
Transfers	(2,296,010)	(2,554,970)	(2,800,101)	(3,083,437)
Total general revenues and other changes in net position	124,029,944	136,503,256	137,705,648	145,444,193
Total governmental activities change in net position	\$ 7,826,559	\$ 13,135,045	\$ 7,508,845	\$ 6,381,149

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.

⁶ In fiscal year 2023, Electric Power was reclassified from a major to a nonmajor enterprise fund.

2018 ⁵	2019	2020	2021	2022	2023
\$ 18,378,216	\$ 17,900,629	\$ 23,489,012	\$ 30,604,918	\$ 38,760,471	\$ 24,946,231
70,280,444	75,643,779	75,803,990	101,569,505	108,450,558	100,496,652
137,828,737	144,936,676	192,576,208	311,925,505	216,232,017	219,032,287
8,304,162	9,774,290	10,110,777	9,923,185	12,502,619	13,314,762
1,258,104	2,133,480	2,603,823	2,946,561	7,364,028	5,641,942
14,259,461	17,022,071	18,424,746	18,119,697	15,792,836	19,100,099
14,921,295	15,153,502	16,861,994	14,185,645	16,526,318	18,204,561
4,154,485	3,995,597	3,841,351	3,505,827	3,508,229	3,705,403
269,384,904	286,560,024	343,711,901	492,780,843	419,137,076	404,441,937
5,726,900	5,755,165	5,847,276	6,583,975	6,167,925	6,992,729
37,147	78,445	49,780	69,727	65,810	111,947
12,968,379	13,874,296	13,836,881	12,664,071	11,402,121	14,195,544
6,319,879	6,644,917	5,551,029	6,592,526	8,422,029	8,488,546
957,885	1,206,126	1,378,181	1,697,687	1,671,025	1,561,023
6,053,140	7,093,122	7,244,317	7,731,094	8,479,493	8,346,084
39,887	10,993	14,753	15,776	13,563	11,403
87,812,627	94,501,862	143,670,642	268,258,265	170,662,661	147,291,889
1,882,595	1,561,483	2,107,963	1,847,263	1,895,160	1,847,186
121,798,439	130,726,409	179,700,822	305,460,384	208,779,787	188,846,351
(147,586,465)	(155,833,615)	(164,011,079)	(187,320,459)	(210,357,289)	(215,595,586)
94,460,551	100,657,551	108,308,455	132,042,516	126,058,884	114,593,854
39,784,494	41,006,121	40,703,239	45,905,984	52,328,196	53,471,988
12,608,756	14,625,724	13,180,402	32,108,028	35,850,573	36,685,982
6,680,858	7,632,365	7,876,545	7,942,519	8,453,232	8,654,176
2,754,056	2,734,068	3,161,634	3,156,992	3,516,612	3,720,620
2,397,531	2,562,919	1,031,357	2,318,011	2,584,077	3,478,815
3,573,848	3,790,987	3,789,610	3,827,360	4,402,939	3,667,941
297,782	706,637	690,169	140,329	788,612	2,596,512
378,180	447,401	614,394	640,226	660,143	876,112
—	—	—	—	11,576	22,783
(4,339,995)	(3,930,906)	(5,963,068)	(3,851,666)	(5,465,790)	(6,047,026)
158,596,061	170,232,867	173,392,737	224,230,299	229,189,054	221,721,757
\$ 11,009,596	\$ 14,399,252	\$ 9,381,658	\$ 36,909,840	\$ 18,831,765	\$ 6,126,171

(continued)

Schedule of Changes in Net Position (continued)

For the Past Ten Fiscal Years

(accrual basis of accounting, amounts in thousands)

	2014	2015	2016	2017
Business-type activities				
Expenses				
Electric Power ⁶	\$ 835,000	\$ 799,000	\$ 728,000	\$ 945,000
Water Resources	983,048	1,019,378	1,086,650	1,223,340
Public Buildings Construction ⁴	—	—	—	—
State Lottery	5,078,935	5,560,299	6,315,957	6,271,875
Unemployment Programs	13,673,403	11,390,227	11,458,966	11,907,623
California State University ³	6,544,936	6,847,789	7,199,277	8,001,396
High Technology Education	847	—	—	—
State Water Pollution Control Revolving	5,072	9,082	11,814	17,112
Safe Drinking Water State Revolving ⁵	—	—	—	—
Housing Loan	57,206	58,280	55,627	62,885
Other enterprise programs	79,641	77,475	84,188	75,397
Total expenses	27,258,088	25,761,530	26,940,479	28,504,628
Program revenues				
Charges for services:				
Electric Power ⁶	835,000	799,000	728,000	945,000
Water Resources	983,048	1,019,378	1,086,650	1,223,340
Public Buildings Construction ⁴	—	—	—	—
State Lottery	5,077,976	5,553,418	6,367,902	6,213,074
Unemployment Programs	15,167,258	13,402,902	13,866,028	14,437,094
California State University ³	3,014,030	3,113,988	3,172,154	3,224,919
High Technology Education	424	—	—	—
State Water Pollution Control Revolving	62,985	65,959	70,245	75,912
Safe Drinking Water State Revolving ⁵	—	—	—	—
Housing Loan	65,247	57,742	53,617	52,842
Other enterprise programs	77,671	78,625	82,029	93,177
Operating grants/contributions	1,491,559	1,666,292	1,764,962	1,805,406
Capital grants/contributions	80,903	107,746	66,914	61,027
Total program revenues	26,856,101	25,865,050	27,258,501	28,131,791
Total business-type activities net program revenues (expenses)	(401,987)	103,520	318,022	(372,837)
Other changes in net position				
Gain (loss) on early extinguishment of debt ²	(26,913)	—	—	—
Transfers	2,296,010	2,554,970	2,800,101	3,083,437
Total business-type activities change in net position	1,867,110	2,658,490	3,118,123	2,710,600
Total primary government change in net position	\$ 9,693,669	\$ 15,793,535	\$ 10,626,968	\$ 9,091,749

	2018 ⁵	2019	2020	2021	2022	2023 ⁶
\$	952,000	\$ 913,000	\$ 905,115	\$ 290,411	\$ 36,239	\$ —
	1,221,866	1,199,823	1,184,458	1,157,325	1,233,036	1,460,049
	—	—	—	—	—	—
	7,006,591	7,435,755	6,665,062	8,452,743	8,885,370	9,291,352
	12,133,531	13,229,332	23,622,023	55,737,215	14,965,703	15,533,539
	9,806,114	9,779,084	10,592,814	10,391,177	10,778,052	10,877,952
	—	—	—	—	—	—
	32,335	49,860	45,288	41,466	35,334	46,948
	21,994	19,371	25,007	23,570	24,608	28,052
	57,088	54,402	53,656	54,540	45,316	50,682
	96,078	109,113	148,450	88,903	165,655	152,586
	31,327,597	32,789,740	43,241,873	76,237,350	36,169,313	37,441,160
	952,000	913,000	903,000	406,588	124,467	—
	1,221,866	1,172,134	1,155,001	1,125,002	1,295,670	1,531,195
	—	—	—	—	—	—
	6,975,168	7,473,452	6,735,321	8,395,767	8,785,557	9,250,527
	15,594,045	14,039,030	12,564,665	23,903,289	16,288,566	15,303,547
	3,387,420	3,529,083	3,323,307	3,236,482	3,199,357	3,977,056
	—	—	—	—	—	—
	86,789	95,703	87,110	73,790	69,695	83,654
	22,675	25,762	29,717	26,457	27,377	30,890
	52,735	60,002	61,990	51,953	45,820	53,383
	86,911	106,687	105,874	107,929	130,837	136,636
	2,132,665	2,125,362	2,593,383	3,103,175	4,010,488	2,797,050
	—	—	—	—	—	—
	30,512,274	29,540,215	27,559,368	40,430,432	33,977,834	33,163,938
	(815,323)	(3,249,525)	(15,682,505)	(35,806,918)	(2,191,479)	(4,277,222)
	—	—	—	—	—	—
	4,339,995	3,930,906	5,963,068	3,851,666	5,465,790	6,047,026
	3,524,672	681,381	(9,719,437)	(31,955,252)	3,274,311	1,769,804
\$	14,534,268	15,080,633	(337,779)	4,954,588	22,106,076	7,895,975

(concluded)

Schedule of Fund Balances – Governmental Funds

For the Past Ten Fiscal Years

(modified accrual basis of accounting, amounts in thousands)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Fund				
Reserved	\$ —	\$ —	\$ —	\$ —
Unreserved	—	—	—	—
Nonspendable	128,609	53,431	75,939	103,903
Restricted	394,246	2,266,635	4,044,911	7,429,825
Committed	125,120	102,793	68,102	180,755
Assigned	—	—	—	—
Unassigned	(8,092,571)	(4,651,491)	(3,827,224)	(1,904,097)
Total General Fund	<u>\$ (7,444,596)</u>	<u>\$ (2,228,632)</u>	<u>\$ 361,728</u>	<u>\$ 5,810,386</u>
All other governmental funds				
Reserved	\$ —	\$ —	\$ —	\$ —
Unreserved, reported in:				
Special revenue funds	—	—	—	—
Capital projects funds	—	—	—	—
Nonspendable	27,260	5,620	11,188	20,172
Restricted	24,269,093	24,224,167	24,885,166	26,233,389
Committed	2,914,747	4,090,563	5,652,478	5,847,879
Assigned	18,857	16,767	14,622	12,033
Unassigned	(20,145)	(6,456)	(1,037)	(15,152)
Total all other governmental funds	<u>\$ 27,209,812</u>	<u>\$ 28,330,661</u>	<u>\$ 30,562,417</u>	<u>\$ 32,098,321</u>

2018	2019	2020	2021	2022	2023
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
559,644	1,180,575	2,129,227	2,878,611	2,958,319	3,950,919
9,807,729	14,834,597	16,709,782	12,928,039	23,251,079	24,830,454
171,020	1,787,142	2,965,662	668,351	4,024,689	4,210,891
—	—	3,080,372	4,938,117	7,290,655	20,714,283
1,648,511	765,568	3,616,557	52,731,990	36,522,416	10,297,141
\$ 12,186,904	\$ 18,567,882	\$ 28,501,600	\$ 74,145,108	\$ 74,047,158	\$ 64,003,688

\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
69,868	12,760	13,702	10,238	39,130	95,021
25,051,548	26,329,109	29,796,900	33,282,001	37,132,326	41,637,363
7,897,362	9,994,978	10,066,141	10,160,675	12,949,069	16,158,684
26,346	19,247	49,868	45,543	63,457	77,937
—	—	(2,474,960)	(8,822,239)	(55,655,634)	(46,430,334)
\$ 33,045,124	\$ 36,356,094	\$ 37,451,651	\$ 34,676,218	\$ (5,471,652)	\$ 11,538,671

Schedule of Changes in Fund Balances - Governmental Funds

For the Past Ten Fiscal Years

(modified accrual basis of accounting, amounts in thousands)

	2014	2015	2016	2017
Revenues				
Personal income taxes	\$ 68,771,667	\$ 78,245,616	\$ 79,934,285	\$ 85,737,905
Sales and use taxes	36,409,311	38,389,972	39,136,040	38,741,715
Corporation taxes	9,242,454	10,780,647	9,214,173	11,125,198
Motor vehicle excise taxes ¹	5,777,167	5,393,994	5,028,589	4,878,953
Insurance taxes	3,359,043	3,926,319	4,203,885	2,719,489
Managed care organization enrollment tax ²	—	—	—	2,282,313
Other taxes ¹	2,297,025	2,312,875	2,185,690	2,565,928
Intergovernmental	73,000,600	87,740,667	91,069,753	95,709,784
Licenses and permits	6,957,117	7,270,994	7,612,551	8,113,542
Charges for services	769,302	849,895	870,142	860,241
Fees and penalties	9,757,476	10,510,727	11,882,699	11,571,934
Investment and interest	137,754	119,690	232,285	318,502
Escheat	488,945	406,899	305,394	327,614
Other	2,903,335	3,975,144	4,049,789	2,934,157
Total revenues	219,871,196	249,923,439	255,725,275	267,887,275
Expenditures				
General government	14,778,214	16,202,395	16,715,892	17,250,720
Education	53,309,436	62,952,621	65,213,542	67,224,796
Health and human services	104,781,494	122,259,036	127,201,314	134,372,094
Natural resources and environmental protection	5,508,860	6,006,446	6,278,363	6,712,838
Business, consumer services, and housing	621,037	670,774	1,130,213	1,103,694
Transportation	15,721,532	15,137,217	14,814,829	15,007,639
Corrections and rehabilitation	10,395,234	11,182,926	11,450,980	12,276,391
Capital outlay	1,909,010	1,019,335	1,492,442	1,238,700
Debt service:				
Bond and commercial paper retirement	7,002,941	8,482,380	6,929,866	9,364,550
Interest and fiscal charges	4,321,040	4,473,799	4,057,907	3,986,270
Total expenditures	218,348,798	248,386,929	255,285,348	268,537,692
Excess (deficiency) of revenues over (under) expenditures	1,522,398	1,536,510	439,927	(650,417)
Other financing sources (uses)				
General obligation bonds and commercial paper issued	5,082,305	4,343,165	4,074,980	4,325,075
Revenue bonds issued	—	—	—	—
Refunding/remarketing debt issued	2,077,330	5,086,100	5,220,320	7,074,225
Payment to refund/remarket long-term debt	(328,024)	(3,865,093)	(4,378,328)	(3,038,281)
Premium on bonds issued	505,026	1,116,811	1,037,920	1,309,254
Capital leases	1,486,204	625,282	1,148,774	988,680
Transfers in	4,041,250	5,344,134	4,385,123	4,586,199
Transfers out	(6,304,047)	(7,934,754)	(7,130,142)	(7,551,627)
Total other financing sources	6,560,044	4,715,645	4,358,647	7,693,525
Total change in fund balance	\$ 8,082,442	\$ 6,252,155	\$ 4,798,574	\$ 7,043,108
Debt service as a percentage of noncapital expenditures	5.2 %	5.2 %	4.3 %	5.0 %

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.

2018	2019	2020	2021	2022	2023
\$ 94,484,443	\$ 96,801,076	\$ 111,831,167	\$ 132,095,124	\$ 125,914,865	\$ 114,439,619
39,777,069	41,085,626	40,709,462	45,906,755	52,317,376	53,469,731
12,597,928	14,038,348	13,722,735	32,122,361	35,824,715	36,662,999
6,680,858	7,632,365	7,876,545	7,942,519	8,453,232	8,654,176
2,754,056	2,734,068	3,161,634	3,156,993	3,516,612	3,720,620
2,397,531	2,562,919	1,031,357	2,318,011	2,584,077	3,478,815
3,548,182	3,688,531	3,862,045	4,007,125	4,421,355	3,690,842
92,904,469	99,867,750	148,951,650	272,691,880	175,107,421	151,498,528
8,761,620	9,186,945	9,256,454	9,999,107	10,126,549	10,733,076
975,314	956,032	972,805	1,025,167	1,028,747	1,127,528
13,548,471	14,187,698	14,322,983	15,062,529	15,461,639	15,955,991
607,418	1,321,143	1,328,956	626,478	643,594	3,610,075
382,793	448,756	615,720	644,248	661,698	915,711
5,318,739	5,594,587	4,595,386	6,802,576	7,862,830	8,378,244
284,738,891	300,105,844	362,238,899	534,400,873	443,924,710	416,335,955
18,978,389	19,263,146	27,393,107	29,908,484	44,249,597	29,427,864
69,902,627	75,071,188	76,347,719	99,964,095	111,764,166	101,582,047
138,018,275	144,543,589	191,819,998	311,093,756	216,174,091	219,002,631
7,987,878	9,069,777	9,244,813	8,862,649	12,175,743	13,125,620
1,189,365	2,013,409	2,457,248	2,824,462	7,637,467	5,644,310
17,169,040	17,893,338	20,025,848	19,623,756	19,491,005	22,118,228
14,665,524	14,055,766	14,680,705	12,598,851	15,689,740	17,279,129
612,769	287,487	401,066	886,020	682,904	905,327
8,598,856	10,444,825	10,276,581	9,594,575	13,402,490	10,243,562
3,961,704	3,971,353	3,856,390	3,650,153	4,126,022	3,756,623
281,084,427	296,613,878	356,503,475	499,006,801	445,393,225	423,085,341
3,654,464	3,491,966	5,735,424	35,394,072	(1,468,515)	(6,749,386)
5,283,365	3,626,765	5,085,590	5,051,305	4,552,690	6,822,625
—	—	500,000	450,000	1,050,000	—
6,681,855	5,683,865	4,384,895	3,657,445	10,011,411	3,701,890
(3,726,204)	(411,340)	—	(428,395)	(2,935,087)	(37,408)
1,036,320	1,003,337	1,217,615	1,218,766	1,229,185	679,529
405,930	50,506	24,082	439,180	143,759	370,731
4,266,596	4,414,250	5,776,094	6,408,853	7,121,202	8,372,233
(8,555,594)	(8,298,095)	(11,731,486)	(10,249,393)	(12,547,219)	(14,485,271)
5,392,268	6,069,288	5,256,790	6,547,761	8,625,941	5,424,329
\$ 9,046,732	\$ 9,561,254	\$ 10,992,214	\$ 41,941,833	\$ 7,157,426	\$ (1,325,057)
4.5 %	4.9 %	4.0 %	2.7 %	3.9 %	3.3 %

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Revenue Capacity

Revenue capacity schedules contain information to help the reader assess the State's capacity to raise revenue and the sources of that revenue. This section includes the following revenue capacity schedules.

Schedule of Revenue Base

Schedule of Revenue Payers by Income Level/Industry

Schedule of Personal Income Tax Rates

Schedule of Revenue Base

For the Past Ten Calendar Years

(amounts in thousands)

	2013	2014	2015	2016
Personal Income by Industry				
(items restated as footnoted) ¹				
Farm earnings	\$ 20,545,796	\$ 22,609,066	\$ 21,222,250	\$ 18,646,282
Forestry, fishing, and other natural resources	7,873,988	8,303,175	9,216,947	9,898,303
Mining	6,503,958	6,712,256	4,963,527	3,753,851
Construction and utilities	74,439,881	79,692,915	88,130,646	93,511,037
Manufacturing	126,037,578	133,035,011	139,414,534	145,528,697
Wholesale trade	61,468,734	65,805,068	70,215,535	70,149,369
Retail trade	78,268,977	81,107,100	84,898,965	84,819,197
Transportation and warehousing	39,503,640	42,142,663	45,945,185	49,332,199
Information, finance, and insurance	156,649,296	159,848,610	174,617,028	190,140,120
Real estate and rental and leasing	52,035,567	49,055,596	51,762,077	54,244,467
Services	482,396,884	516,952,464	552,135,538	574,579,377
Federal, civilian	25,771,225	26,450,856	27,477,720	28,337,175
Military	15,354,084	15,071,769	14,952,018	16,333,621
State and local government	190,360,140	200,331,079	212,528,644	223,593,750
Other ²	474,413,668	517,464,525	566,525,160	593,930,254
Total personal income	\$ 1,811,623,416	\$ 1,924,582,153	\$ 2,064,005,774	\$ 2,156,797,699
Average effective rate ³	6.1 %	5.6 %	6.1 %	6.0 %

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.

2017	2018	2019	2020	2021	2022
\$ 20,041,415	\$ 15,669,285	\$ 15,978,888	\$ 17,315,815	\$ 15,575,403	\$ 16,004,335
10,176,211	10,765,747	11,261,626	12,690,920	12,409,090	12,925,476
3,216,216	3,717,373	3,427,775	2,839,729	2,644,161	3,050,869
102,974,465	112,396,379	120,240,852	117,965,220	122,073,288	128,386,931
153,661,389	159,126,826	161,854,115	172,313,755	187,218,373	194,388,210
73,535,459	71,639,917	72,727,682	73,620,933	76,454,399	82,264,226
87,143,887	90,173,648	92,171,144	93,632,170	103,125,834	107,785,050
53,670,285	60,511,132	69,759,793	68,916,210	82,190,820	87,291,248
206,955,669	218,388,275	229,828,550	252,396,092	293,219,543	284,043,606
55,830,864	60,774,043	69,549,333	72,006,102	77,184,395	71,136,357
604,183,727	640,289,889	680,264,303	678,958,934	760,246,498	812,720,468
29,073,247	30,340,685	31,010,832	32,936,947	33,470,612	34,627,542
16,101,002	15,238,777	15,611,106	16,600,127	17,841,972	17,727,105
230,997,705	237,580,482	245,796,913	255,052,712	263,859,389	269,916,478
612,061,700	643,820,394	677,994,115	858,162,187	919,383,466	838,104,995
\$ 2,259,623,241	\$ 2,370,432,852	\$ 2,497,477,027	\$ 2,725,407,853	\$ 2,966,897,243	\$ 2,960,372,896
5.9 %	6.1 %	6.0 %	6.5 %	6.5 %	6.0 %

(continued)

Schedule of Revenue Base (continued)

For the Past Ten Calendar Years

(amounts in thousands)

	2013	2014	2015	2016
Taxable Sales by Industry				
Retail and Food Services:				
Motor vehicle and parts dealers	\$ 67,986,436	\$ 73,232,242	\$ 80,346,595	\$ 84,225,652
Furniture and home furnishings stores	10,645,523	11,408,837	12,169,888	12,790,041
Electronics and appliance stores	14,765,485	15,148,893	16,349,542	17,120,030
Building materials, garden equipment, and supplies	29,680,053	31,299,110	33,601,538	35,238,333
Food and beverage	25,289,203	26,298,414	27,134,034	27,678,056
Health and personal care stores	11,294,049	11,640,870	12,364,559	13,163,569
Gasoline stations	56,860,585	55,733,384	48,203,175	43,273,182
Clothing and clothing accessories stores	34,918,036	36,822,241	38,438,074	39,698,156
Sporting goods, hobby, book, and music stores	11,113,831	11,056,024	11,341,328	11,441,556
General merchandise stores	51,431,094	52,013,855	53,119,200	53,032,357
Miscellaneous store retailers	18,382,224	19,024,905	19,852,685	19,617,820
Nonstore retailers	7,296,839	8,292,788	9,531,606	11,717,407
Food services and drinking places	62,776,360	67,864,614	73,889,708	78,494,623
All other outlets	184,399,899	195,985,698	202,290,022	206,365,477
Total taxable sales	\$ 586,839,617	\$ 615,821,875	\$ 638,631,954	\$ 653,856,259

Direct sales tax rate ¹	6.50 %	6.50 % ²	6.50 %	6.50 %
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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>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 86,983,280	\$ 89,696,669	\$ 88,526,876	\$ 87,847,344	\$ 106,686,238	\$ 108,863,945
13,035,340	13,578,685	13,427,029	13,626,241	16,375,319	16,004,779
17,170,671	17,520,474	16,999,111	16,926,013	19,232,973	18,833,052
37,504,347	39,469,798	40,313,948	45,966,216	50,775,894	51,775,096
28,799,044	29,697,424	30,216,432	32,042,780	33,308,785	34,725,455
13,669,415	14,384,602	15,160,891	15,622,747	17,397,455	17,653,263
47,434,923	54,302,232	54,141,178	38,345,721	56,231,375	71,264,403
40,206,581	42,233,560	43,130,842	32,500,749	47,599,716	49,393,086
10,900,749	10,467,200	10,407,608	10,110,131	11,776,823	11,389,486
54,684,182	56,416,293	58,066,003	57,003,022	66,201,633	69,575,648
19,719,301	20,503,078	20,952,870	20,863,193	24,996,467	26,319,225
13,599,808	15,663,789	20,276,518	53,383,005	60,520,452	64,329,865
82,355,474	85,226,197	89,403,960	63,665,386	87,700,329	102,862,887
211,760,378	217,675,199	231,733,635	218,853,973	263,908,719	308,785,176
<u>\$ 677,823,493</u>	<u>\$ 706,835,200</u>	<u>\$ 732,756,901</u>	<u>\$ 706,756,521</u>	<u>\$ 862,712,178</u>	<u>\$ 951,775,366</u>
6.00 %	6.00 % ³	6.00 %	6.00 %	6.00 %	6.00 % (concluded)

Schedule of Revenue Payers by Income Level/Industry

For Calendar Years 2014 and 2022

Personal Income Tax Filers and Liability by Income Level ¹

		2014			
		Number	Percent	Tax	Percent
		of Filers	of Total	Liability ²	of Total
Under	\$ 50,000	9,618,850	60.6 %	\$ 1,426,734	2.2 %
50,000 to	99,999	3,344,856	21.1	5,754,882	8.8
100,000 to	149,999	1,344,009	8.5	6,527,053	10.0
150,000 to	199,999	636,171	4.0	5,566,060	8.5
200,000 to	299,999	473,588	3.0	6,834,617	10.4
300,000 to	399,999	170,913	1.1	4,015,092	6.1
400,000 to	499,999	81,703	0.5	2,706,437	4.1
500,000 to	599,999	46,780	0.3	1,985,825	3.0
600,000 to	699,999	28,648	0.2	1,497,823	2.3
700,000 to	799,999	19,264	0.1	1,219,536	1.9
800,000 to	899,999	14,760	0.1	1,090,658	1.7
900,000 to	999,999	10,783	0.1	914,837	1.4
1,000,000 to	1,999,999	41,086	0.3	5,517,828	8.4
2,000,000 to	2,999,999	10,160	0.1	2,673,193	4.1
3,000,000 to	3,999,999	4,489	—	1,749,934	2.7
4,000,000 to	4,999,999	2,531	—	1,296,972	2.0
\$ 5,000,000 and over	.....	7,429	—	14,681,417	22.4
Total	.....	15,856,020	100.0 %	\$ 65,458,898	100.0 %

		2022			
		Number	Percent	Tax	Percent
		of Filers	of Total	Liability ²	of Total
Under	\$ 50,000	8,650,724	49.5 %	\$ 1,245,811	1.3 %
50,000 to	99,999	4,188,376	24.0	6,349,726	6.5
100,000 to	149,999	1,842,623	10.5	7,992,032	8.2
150,000 to	199,999	957,226	5.5	7,609,491	7.8
200,000 to	299,999	863,454	4.9	11,663,811	11.9
300,000 to	399,999	363,932	2.1	7,935,304	8.1
400,000 to	499,999	187,236	1.1	5,599,601	5.7
500,000 to	599,999	111,779	0.6	4,319,380	4.4
600,000 to	699,999	71,353	0.4	3,338,463	3.4
700,000 to	799,999	49,023	0.3	2,711,829	2.8
800,000 to	899,999	33,943	0.3	2,163,321	2.2
900,000 to	999,999	25,250	0.1	1,833,284	1.9
1,000,000 to	1,999,999	84,919	0.5	9,186,741	9.4
2,000,000 to	2,999,999	19,144	0.1	3,956,852	4.1
3,000,000 to	3,999,999	8,243	—	2,490,345	2.6
4,000,000 to	4,999,999	4,518	—	1,751,342	1.8
\$ 5,000,000 and over	.....	13,314	0.1	17,435,423	17.9
Total	.....	17,475,057	100.0 %	\$ 97,582,756	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 2013 and 2022

Sales Tax Permits and Tax Liability by Industry

	2013			
	Number of Permits	Percent of Total	Tax Liability ¹	Percent of Total
Retail and Food Services:				
Motor vehicle and parts dealers	32,324	3.3 %	\$ 67,986,436	11.6 %
Furniture and home furnishings stores	17,102	1.7	10,645,523	1.8
Electronics and appliance stores	21,062	2.2	14,765,485	2.5
Building materials, garden equipment, and supplies	16,323	1.7	29,680,053	5.1
Food and beverage	31,132	3.2	25,289,203	4.3
Health and personal care stores	22,589	2.3	11,294,049	1.9
Gasoline stations	9,798	1.0	56,860,585	9.7
Clothing and clothing accessories stores	62,164	6.3	34,918,036	6.0
Sporting goods, hobby, book, and music stores	26,732	2.7	11,113,831	1.9
General merchandise stores	15,031	1.5	51,431,094	8.8
Miscellaneous store retailers	112,346	11.4	18,382,224	3.1
Nonstore retailers	202,082	20.6	7,296,839	1.2
Food services and drinking places	96,594	9.8	62,776,360	10.7
All other outlets	316,477	32.3	184,399,899	31.4
Total	981,756	100.0 %	\$ 586,839,617	100.0 %

	2022			
	Number of Permits	Percent of Total	Tax Liability ¹	Percent of Total
Retail and Food Services:				
Motor vehicle and parts dealers	33,530	2.5 %	\$ 108,863,945	11.4 %
Furniture and home furnishings stores	17,365	1.3	16,004,779	1.7
Electronics and appliance stores	19,130	1.4	18,833,052	2.0
Building materials, garden equipment, and supplies	16,227	1.2	51,775,096	5.4
Food and beverage	35,310	2.6	34,725,455	3.6
Health and personal care stores	46,793	3.5	17,653,263	1.9
Gasoline stations	11,204	0.8	71,264,403	7.5
Clothing and clothing accessories stores	122,678	9.2	49,393,086	5.2
Sporting goods, hobby, book, and music stores	31,553	2.3	11,389,486	1.2
General merchandise stores	28,601	2.1	69,575,648	7.3
Miscellaneous store retailers	164,250	12.2	26,319,225	2.8
Nonstore retailers	103,540	7.7	64,329,865	6.8
Food services and drinking places	128,407	9.6	102,862,887	10.8
All other outlets	585,267	43.6	308,785,176	32.4
Total	1,343,855	100.0 %	\$ 951,775,366	100.0 %

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

¹ Calculated by multiplying the taxable sales by industry shown on pages 324 and 325 by the direct sales tax rate. Amounts are in thousands.

Schedule of Personal Income Tax Rates

For Calendar Years 2013-2022

Married Filing Jointly and Surviving Spouse				
Tax Rate ¹	2013	2014	2015	2016
	Income Level	Income Level	Income Level	Income Level
1.0	Up to \$15,164	Up to \$15,498	Up to \$15,700	Up to \$16,030
2.0	15,165 – 35,952	15,499 – 36,742	15,701 – 37,220	16,031 – 38,002
4.0	35,953 – 56,742	36,743 – 57,990	37,221 – 58,744	38,003 – 59,978
6.0	56,743 – 78,768	57,991 – 80,500	58,745 – 81,546	59,979 – 83,258
8.0	78,769 – 99,548	80,501 – 101,738	81,547 – 103,060	83,259 – 105,224
9.3	99,549 – 508,500	101,739 – 519,688	103,061 – 526,444	105,225 – 537,500
10.3	508,501 – 610,200	519,689 – 623,624	526,445 – 631,732	537,501 – 644,998
11.3	610,201 – 1,000,000	623,625 – 1,000,000	631,733 – 1,000,000	644,999 – 1,000,000
12.3	1,000,001 – 1,017,000	1,000,001 – 1,039,374	1,000,001 – 1,052,886	1,000,001 – 1,074,996
13.3	\$1,017,001 and over	\$1,039,375 and over	\$1,052,887 and over	\$1,074,997 and over

Single and Married Filing Separately				
Tax Rate ¹	2013	2014	2015	2016
	Income Level	Income Level	Income Level	Income Level
1.0	Up to \$7,582	Up to \$7,749	Up to \$7,850	Up to \$8,015
2.0	7,583 – 17,976	7,750 – 18,371	7,851 – 18,610	8,016 – 19,001
4.0	17,977 – 28,371	18,372 – 28,995	18,611 – 29,372	19,002 – 29,989
6.0	28,372 – 39,384	28,996 – 40,250	29,373 – 40,773	29,990 – 41,629
8.0	39,385 – 49,774	40,251 – 50,869	40,774 – 51,530	41,630 – 52,612
9.3	49,775 – 254,250	50,870 – 259,844	51,531 – 263,222	52,613 – 268,750
10.3	254,251 – 305,100	259,845 – 311,812	263,223 – 315,866	268,751 – 322,499
11.3	305,101 – 508,500	311,813 – 519,687	315,867 – 526,443	322,500 – 537,498
12.3	508,501 – 1,000,000	519,688 – 1,000,000	526,444 – 1,000,000	537,499 – 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				
Tax Rate ¹	2013	2014	2015	2016
	Income Level	Income Level	Income Level	Income Level
1.0	Up to \$15,174	Up to \$15,508	Up to \$15,710	Up to \$16,040
2.0	15,175 – 35,952	15,509 – 36,743	15,711 – 37,221	16,041 – 38,003
4.0	35,953 – 46,346	36,744 – 47,366	37,222 – 47,982	38,004 – 48,990
6.0	46,347 – 57,359	47,367 – 58,621	47,983 – 59,383	48,991 – 60,630
8.0	57,360 – 67,751	58,622 – 69,242	59,384 – 70,142	60,631 – 71,615
9.3	67,752 – 345,780	69,243 – 353,387	70,143 – 357,981	71,616 – 365,499
10.3	345,781 – 414,936	353,388 – 424,065	357,982 – 429,578	365,500 – 438,599
11.3	414,937 – 691,560	424,066 – 706,774	429,579 – 715,962	438,600 – 730,997
12.3	691,561 – 1,000,000	706,775 – 1,000,000	715,963 – 1,000,000	730,998 – 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)

	2013	2014	2015	2016
Personal income tax revenue ¹	\$ 66,220,132	\$ 67,584,256	\$ 76,879,115	\$ 78,510,777
Adjusted gross income ²	\$ 1,091,080,300	\$ 1,216,002,700	\$ 1,265,341,200	\$ 1,318,362,700
Average effective rate ³	6.1 %	5.6 %	6.1 %	6.0 %

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					
2017	2018	2019	2020	2021	2022
Income Level	Income Level	Income Level	Income Level	Income Level	Income Level
Up to \$16,446	Up to \$17,088	Up to \$17,618	Up to \$17,864	Up to \$18,650	Up to \$20,198
16,447 – 38,990	17,089 – 40,510	17,619 – 41,766	17,865 – 42,350	18,651 – 44,214	20,199 – 47,884
38,991 – 61,538	40,511 – 63,938	41,767 – 65,920	42,351 – 66,842	44,215 – 69,784	47,885 – 75,576
61,539 – 85,422	63,939 – 88,754	65,921 – 91,506	66,843 – 92,788	69,785 – 96,870	75,577 – 104,910
85,423 – 107,960	88,755 – 112,170	91,507 – 115,648	92,789 – 117,268	96,871 – 122,428	104,911 – 132,590
107,961 – 551,476	112,171 – 572,984	115,649 – 590,746	117,269 – 599,016	122,429 – 625,372	132,591 – 677,278
551,477 – 661,768	572,985 – 687,576	590,747 – 708,890	599,017 – 718,814	625,373 – 750,442	677,279 – 812,728
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	812,729 – 1,000,000
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	1,000,001 to 1,354,550
\$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	1,354,551 and over

Single and Married Filing Separately					
2017	2018	2019	2020	2021	2022
Income Level	Income Level	Income Level	Income Level	Income Level	Income Level
Up to \$8,223	Up to \$8,544	Up to \$8,809	Up to \$8,932	Up to \$9,325	Up to \$10,099
8,224 – 19,495	8,545 – 20,255	8,810 – 20,883	8,933 – 21,175	9,326 – 22,107	10,099 – 23,942
19,496 – 30,769	20,256 – 31,969	20,884 – 32,960	21,176 – 33,421	22,108 – 34,892	23,943 – 37,788
30,770 – 42,711	31,970 – 44,377	32,961 – 45,753	33,422 – 46,394	34,893 – 48,435	37,789 – 52,455
42,712 – 53,980	44,378 – 56,085	45,754 – 57,824	46,395 – 58,634	48,436 – 61,214	52,456 – 66,295
53,981 – 275,738	56,086 – 286,492	57,825 – 295,373	58,635 – 295,508	61,215 – 312,686	66,296 – 338,639
275,739 – 330,884	286,493 – 343,788	295,374 – 354,445	295,509 – 359,407	312,687 – 375,221	338,640 – 406,364
330,885 – 551,473	343,789 – 572,980	354,446 – 590,742	359,408 – 599,012	375,222 – 625,369	406,365 – 677,275
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	677,276 – 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					
2017	2018	2019	2020	2021	2022
Income Level	Income Level	Income Level	Income Level	Income Level	Income Level
Up to \$16,457	Up to \$17,099	Up to \$17,629	Up to \$17,876	Up to \$18,663	Up to \$20,212
16,458 – 38,991	17,099 – 40,512	17,630 – 41,768	17,877 – 42,353	18,664 – 44,217	20,213 – 47,887
38,992 – 50,264	40,512 – 52,224	41,769 – 53,843	42,354 – 54,597	44,218 – 56,999	47,888 – 61,730
50,265 – 62,206	52,224 – 64,632	53,844 – 66,636	54,598 – 67,569	57,000 – 70,542	61,731 – 76,397
62,207 – 73,477	64,632 – 76,343	66,637 – 78,710	67,570 – 79,812	70,543 – 83,324	76,398 – 90,240
73,478 – 375,002	76,343 – 389,627	78,711 – 401,705	79,813 – 407,329	83,325 – 425,251	90,241 – 460,547
375,003 – 450,003	389,627 – 467,553	401,706 – 482,047	407,330 – 488,796	425,252 – 510,303	460,548 – 552,658
450,004 – 750,003	467,553 – 779,253	482,048 – 803,410	488,797 – 814,658	510,304 – 850,503	552,659 – 921,095
750,004 – 1,000,000	779,253 – 1,000,000	803,411 – 1,000,000	814,659 – 1,000,000	850,504 – 1,000,000	921,096 – 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

2017	2018	2019	2020	2021	2022
\$ 84,253,851	\$ 92,808,996	\$ 95,026,913	\$ 110,352,220	\$ 129,514,535	\$ 112,736,701
\$ 1,430,332,000	\$ 1,531,670,000	\$ 1,596,322,000	\$ 1,693,751,000	\$ 1,991,347,000	\$ 1,883,047,000
5.9 %	6.1 %	6.0 %	6.5 %	6.5 %	6.0 %

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Debt Capacity

Debt capacity schedules contain information to help the reader understand the State's outstanding debt, the capacity to repay that debt, and the ability to issue additional debt in the future. This section includes the following debt capacity schedules.

Schedule of Ratios of Outstanding Debt by Type

Schedule of Ratios of General Bonded Debt Outstanding

Schedule of General Obligation Bonds Outstanding

Schedule of Pledged Revenue Coverage

Sources: Unless otherwise noted, the information in the following schedules is derived from the State's Annual Comprehensive Financial Reports.

Schedule of Ratios of Outstanding Debt by Type

For the Past Ten Fiscal Years

(amounts in thousands, except per capita)

	2014	2015	2016	2017
Governmental activities				
General obligation bonds ¹	\$ 83,276,347	\$ 80,509,802	\$ 79,043,295	\$ 79,503,871
Revenue bonds ²	18,917,443	18,409,971	17,210,499	16,879,900
Certificates of participation and commercial paper ³	598,094	493,770	771,215	1,158,080
Capital lease obligations ^{4,7}	260,088	274,760	370,182	416,468
Lease Liability	—	—	—	—
Subscription Liability	—	—	—	—
Total governmental activities	103,051,972	99,688,303	97,395,191	97,958,319
Business-type activities				
General obligation bonds ¹	674,394	650,133	794,369	703,754
Revenue bonds ²	12,991,827	12,670,619	13,928,374	14,955,858
Commercial paper	204,647	237,186	47,416	147,765
Capital lease obligations ⁷	1,250,274	1,210,409	389,385	353,453
Lease Liability	—	—	—	—
Subscription Liability	—	—	—	—
Total business-type activities	15,121,142	14,768,347	15,159,544	16,160,830
Total primary government	\$ 118,173,114	\$ 114,456,650	\$ 112,554,735	\$ 114,119,149
Debt as a percentage of personal income ⁵	6.3%	5.7%	5.2%	5.0%
Amount of debt per capita ⁶	\$ 3,089	\$ 2,965	\$ 2,892	\$ 2,914

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 342 and 343 for the prior calendar year.

⁶ Amount calculated using population data shown on pages 342 and 343 for the prior calendar year.

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

2018	2019	2020	2021	2022	2023
\$ 79,663,028	\$ 78,772,850	\$ 78,883,746	\$ 78,481,408	\$ 77,346,130	\$ 78,693,097
16,364,255	15,711,660	15,905,264	15,998,239	17,157,391	16,097,912
859,695	1,032,760	1,108,720	1,176,235	1,448,725	1,327,110
481,261	434,876	393,089	359,812	—	—
—	—	—	—	2,659,291	2,513,875
—	—	—	—	160,866	136,463
97,368,239	95,952,146	96,290,819	96,015,694	98,772,403	98,768,457
694,100	850,762	788,052	598,384	536,352	675,362
14,319,372	14,521,460	14,277,362	14,806,645	14,421,501	14,605,513
749,877	799,643	1,049,226	401,219	323,313	401,804
309,928	315,322	357,072	336,081	—	—
—	—	—	—	332,851	358,448
—	—	—	—	95,145	66,804
16,073,277	16,487,187	16,471,712	16,142,329	15,709,162	16,107,931
\$ 113,441,516	\$ 112,439,333	\$ 112,762,531	\$ 112,158,023	\$ 114,481,565	\$ 114,876,388
4.8%	4.5%	4.3%	4.1%	3.8%	3.8%
\$ 2,882	\$ 2,849	\$ 2,859	\$ 2,839	\$ 2,925	\$ 2,935

Schedule of Ratios of General Bonded Debt Outstanding

For the Past Ten Fiscal Years

(amounts in thousands, except per capita)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Net general bonded debt				
General obligation bonds ¹	\$ 79,368,794	\$ 80,215,650	\$ 79,837,664	\$ 79,503,871
Economic Recovery bonds	4,581,745	944,285	—	—
Less: restricted debt service fund	318,171	818,321	—	—
Net Economic Recovery bonds ²	4,263,574	125,964	—	—
Net general bonded debt	\$ 83,632,368	\$ 80,341,614	\$ 79,837,664	\$ 79,503,871
Net general bonded debt as a percentage of personal income ³	4.4%	4.0%	3.7%	3.5%
Amount of net general bonded debt per capita ⁴	\$ 2,186	\$ 2,082	\$ 2,051	\$ 2,030

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 [342](#) and [343](#) for the prior calendar year.

⁴ Amount calculated using population data shown on pages [342](#) and [343](#) for the prior calendar year.

2018	2019	2020	2021	2022	2023
\$ 80,357,128	\$ 79,623,612	\$ 79,671,798	\$ 79,079,792	\$ 77,882,481	\$ 79,368,459
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
\$ 80,357,128	\$ 79,623,612	\$ 79,671,798	\$ 79,079,792	\$ 77,882,481	\$ 79,368,459
3.4%	3.2%	3.0%	2.9%	2.6%	2.6%
\$ 2,042	\$ 2,018	\$ 2,020	\$ 2,002	\$ 1,990	\$ 2,033

Schedule of General Obligation Bonds Outstanding

June 30, 2023

(amounts in thousands)

Governmental activity

California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection	\$ 1,521,500
California Drought, Water, Parks, Climate, Coastal Protection, and Out Door Access For All	983,285
California Library Construction and Renovation	194,100
California Park and Recreational Facilities	2,350
California Parklands	100
California Safe Drinking Water	16,850
California Stem Cell Research and Cures	1,346,285
California Wildlife, Coastal, and Park Land Conservation	26,040
Children's Hospital	1,423,210
Class-Size Reduction Public Education Facilities	3,233,970
Clean Air and Transportation Improvement	241,990
Clean Water	350
Clean Water and Water Conservation	1,150
Clean Water and Water Reclamation	3,625
County Correctional Facility Capital Expenditure and Youth Facility	9,760
Disaster Preparedness and Flood Prevention	2,783,095
Earthquake Safety and Public Buildings Rehabilitation	2,865
Fish and Wildlife Habitat Enhancement	2,245
Higher Education Facilities	72,500
Highway Safety, Traffic Reduction, Air Quality, and Port Security	13,589,570
Housing and Emergency Shelter	918,070
Kindergarten-University Public Education Facilities	28,502,485
New Prison Construction	3,430
Public Education Facilities	575,870
Safe, Clean, Reliable Water Supply	310,995
Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection	984,855
Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection	3,167,690
Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection	920,760
Safe, Reliable High-Speed Passenger Train	4,105,360
School Building and Earthquake	3,990
School Facilities	112,745
Seismic Retrofit	610,295
State, Urban, and Coastal Park	840
Veterans and Affordable Housing	391,635
Veterans Homes	29,455
Veterans Housing and Homeless Prevention	209,010
Voting Modernization	44,420
Water Conservation	5,605
Water Conservation and Water Quality	6,900
Water Quality, Supply, and Infrastructure Improvement	2,126,545
Water Security, Clean Drinking Water, Coastal and Beach Protection	2,180,280
Total governmental activity	70,666,075

Business-type activity

California Water Resources Development	120
Veterans' Farm and Home Purchase	662,665
Total business-type activity	662,785

Total outstanding general obligation bonds **71,328,860**

Unamortized bond premiums/discounts

Total general obligation bonds payable **\$ 79,368,459**

Source: California State Treasurer's Office, except for SCO calculated amount denoted by *

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Schedule of Pledged Revenue Coverage

For the Past Ten Fiscal Years

(amounts in thousands)

	June 30	Gross Revenue ¹	Operating Expenses ²	Net Revenue Available for Debt Service	Debt Service Requirements ³			Coverage
					Principal	Interest	Total	
Housing Loans	2014	\$ 65,247	\$ 19,452	\$ 45,795	\$ 47,620	\$ 14,926	\$ 62,546	0.73
	2015	57,742	24,413	33,329	12,960	14,095	27,055	1.23
	2016	53,428	21,916	31,512	381,175	21,525	402,700	0.08
	2017	52,117	30,926	21,191	131,010	11,368	142,378	0.15
	2016	52,480	25,943	26,537	14,000	10,380	24,380	1.09
	2017	59,743	20,248	39,495	6,435	11,401	17,836	2.21
	2018	61,588	15,463	46,125	17,980	11,392	29,372	1.57
	2019	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
	2023	53,383	18,358	35,025	25,145	11,130	36,275	0.97
Water Resources	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
	2023	1,531,195	908,463	622,732	217,147	8,051	225,198	2.77
Water Pollution Control	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
	2023	71,514	2,265	69,249	92,820	39,140	131,960	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	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	—	—	—	—
	2023	1,000	(1)	1,001	—	1,001	1,001	1.00
Public Buildings Construction	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
	2023	383,331	3,936	379,395	1,294,870	307,543	1,602,413	0.24
High Technology Education ⁴	2014	\$ 424	\$ —	\$ 424	\$ 24,771	\$ 847	\$ 25,618	0.02
California State University	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)
	2023	6,622,233	9,990,465	(3,368,232)	603,600	339,531	943,131	(3.57)

(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	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
	2023	1,971	—	1,971	10,650	268	10,918	0.18
Golden State Tobacco Securitization Corporation	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
	2023	476,351	1,191	475,160	644,351	55,867	700,218	0.68
Grant Anticipation Revenue Vehicles ^{4,5}	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

	2013	2014	2015	2016
Population (in thousands) ¹				
California	38,291	38,636	38,966	39,223
% Change	0.8%	0.9%	0.9%	0.7%
United States	316,735	319,270	321,829	324,368
% Change	0.8%	0.8%	0.8%	0.8%
Total personal income (in millions) ¹				
California	\$ 1,840,885	\$ 1,955,718	\$ 2,097,050	\$ 2,191,138
% Change	1.4%	6.2%	7.2%	4.5%
United States	\$ 14,063,283	\$ 14,778,160	\$ 15,467,113	\$ 15,884,741
% Change	1.1%	5.1%	4.7%	2.7%
Per capita personal income ^{1,2}				
California	\$ 48,076	\$ 50,619	\$ 53,817	\$ 55,863
% Change	0.6%	5.3%	6.3%	3.8%
United States	\$ 44,401	\$ 46,287	\$ 48,060	\$ 48,971
% Change	0.4%	4.2%	3.8%	1.9%
Labor force and employment (in thousands)				
California				
Civilian labor force	18,573	18,941	18,996	19,099
Employed	17,044	17,600	17,894	18,141
Unemployed	1,530	1,341	1,102	957
Unemployment rate	8.2%	7.1%	5.8%	5.0%
United States unemployment rate	7.4%	6.2%	5.3%	4.9%

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 August 2024.

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

² Calculated by dividing total personal income by population.

2017	2018	2019	2020	2021	2022
39,424	39,536	39,548	39,502	39,143	39,041
0.5%	0.3%	—	-0.1%	-0.9%	-0.3%
326,623	328,542	330,233	331,527	332,049	333,271
0.7%	0.6%	0.5%	0.4%	0.2%	0.4%
\$ 2,295,049	\$ 2,411,055	\$ 2,537,951	\$ 2,767,521	\$ 3,013,677	\$ 3,006,647
4.7%	5.1%	5.3%	9.0%	8.9%	-0.2%
\$ 16,658,962	\$ 17,514,402	\$ 18,343,601	\$ 19,609,985	\$ 21,392,812	\$ 21,820,248
4.9%	5.1%	4.7%	6.9%	9.1%	2.0%
\$ 58,214	\$ 60,984	\$ 64,174	\$ 70,061	\$ 76,991	\$ 77,013
4.2%	4.8%	5.2%	9.2%	9.9%	—
\$ 51,004	\$ 53,309	\$ 55,547	\$ 59,151	\$ 64,427	\$ 65,473
4.2%	4.5%	4.2%	6.5%	8.9%	1.6%
19,319	19,534	18,743	18,920	19,234	19,240
18,515	18,740	16,104	17,367	18,445	18,326
804	794	2,640	1,553	789	914
4.2%	4.1%	14.1%	8.2%	4.1%	4.7%
4.4%	3.9%	3.7%	8.1%	5.3%	3.6%

Schedule of Employment by Industry

For Calendar Years 2013 and 2022

Industry	2013		2022	
	Employees	Percent of Total State Employment	Employees	Percent of Total State Employment
Services	6,847,700	44.0 %	8,281,700	45.8 %
Government				
Federal	185,400	1.2	185,900	1.0
Military	60,100	0.4	61,900	0.3
State and Local	2,128,800	13.7	2,285,800	12.6
Retail trade	1,583,000	10.2	1,614,000	8.9
Manufacturing	1,264,400	8.1	1,338,300	7.4
Information, finance, and insurance	978,100	6.3	1,150,800	6.4
Construction and utilities	697,100	4.5	974,800	5.4
Wholesale trade	672,400	4.3	665,800	3.7
Transportation and warehousing	446,600	2.9	786,700	4.4
Farming	412,800	2.6	418,200	2.3
Real estate	259,300	1.6	305,500	1.7
Natural resources and mining	28,400	0.2	19,600	0.1
Total	15,564,100	100.0 %	18,089,000	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
2023	52,052	176,300	50,670	33,210	7,749	42,477	64,828	427,286

Source: Annual Governor’s Budget Summary, California Department of Finance

Note: The number of full-time equivalent employees is calculated by counting each person who works full time as one full-time equivalent and those who work part time as fractional equivalents based on time worked.

¹ Effective July 1, 2013, under the Governor’s 2012 Reorganization Plan No. 2, a significant reorganization took place that impacted previously reported functions. The Government Operations Agency, including but not limited to Franchise Tax Board, Department of General Services, and the Public Employees’ Retirement System, was created and added to the General Government function. Also, the business and housing components under the previously reported Business, Transportation, and Housing function merged with the State and Consumer Services function and the remaining transportation components now comprise the Transportation Agency. Information reported under the new functions are not comparable to that of prior years.

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Schedule of Operating Indicators by Function

For the Past Ten Fiscal Years

	2014	2015	2016	2017
General Government				
State Lottery				
Total revenue ¹	\$ 5,035	\$ 5,525	\$ 6,276	\$ 6,233
Allocation to Education Fund ¹	\$ 1,328	\$ 1,364	\$ 1,563	\$ 1,499
Judicial Council of California				
Supreme Court ^{2,9}				
Cases filed	7,911	7,871	8,090	7,325
Cases disposed	7,773	7,554	7,953	6,993
Courts of Appeal ⁹				
Notices of appeal filed ³				
Civil	5,983	6,062	5,935	5,975
Criminal	6,373	7,113	6,714	5,593
Juvenile	2,857	3,036	3,025	3,029
Trial Courts ⁹				
Total civil cases ⁴				
Filings	1,264,983	1,145,892	1,148,205	1,198,076
Dispositions	1,216,185	1,118,443	1,031,105	1,039,092
Department of Food and Agriculture				
Milk production (million lbs.) ^{5,9}	42,339	40,897	40,469	39,798
Farm land (thousand acres) ⁵	25,200	24,900	24,800	24,500
Education				
Public Colleges and Universities				
Fall enrollment ⁹				
Community Colleges	1,664,174	1,674,652	1,674,798	1,681,195
California State University	460,200	474,571	478,638	484,297
University of California	252,263	257,438	270,112	278,996
K-12 Schools				
Fall enrollment ⁹				
Public	6,236,672	6,235,520	6,226,737	6,228,235
Private	511,286	503,295	500,543	490,966

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 2024.

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 2023 is projected.

N/A = Not Available

2018		2019		2020		2021		2022		2023	
\$	6,966	\$	7,388	\$	6,622	\$	8,418	\$	8,853	\$	9,239
\$	1,665	\$	1,825	\$	1,437	\$	1,863	\$	2,020	\$	2,257
	6,825		6,896		6,485		6,542		5,680		5,490
	6,726		7,048		6,354		6,314		5,776		5,764
	6,002		5,697		5,144		4,769		5,390		5,904
	5,221		5,577		6,286		4,546		4,321		6,665
	3,068		3,332		2,818		3,223		3,916		3,689
	1,235,568		1,289,017		1,112,225		989,249		1,019,879		1,114,331
	985,039		1,110,908		996,977		572,540		602,481		605,058
	40,404		40,595		41,311		41,861		41,800		40,902
	24,300		24,300		24,300		24,300		24,200		23,800
	1,681,514		1,659,399		1,459,960		1,355,658		1,386,854		1,517,943
	481,210		481,929		485,550		477,466		457,992		454,640
	286,271		285,216		285,862		294,662		294,309		295,573
	6,220,413		6,186,278		6,163,001		6,002,523		5,852,544		5,837,690
	488,854		495,693		488,984		471,653		498,486		516,571

(continued)

Schedule of Operating Indicators by Function (continued)

For the Past Ten Fiscal Years

	2014	2015	2016	2017
Health and Human Services				
Department of Public Health				
Vital statistics				
Live births ^{5,10}	502,973	491,789	488,925	471,806
Department of Social Services				
Calfresh programs households (avg. per month).....	2,004,016	2,102,031	2,130,583	2,032,818
Employment Development Department				
Number of employed ^{5,6,9}	15,992,500	16,474,300	16,905,700	17,249,500
Resources				
Department of Fish and Wildlife				
Sport fishing licenses sold ^{5,9}	2,491,578	2,485,400	2,508,490	2,502,863
Hunting licenses sold ^{5,9}	1,980,655	2,131,655	2,143,146	2,143,026
California Energy Commission				
Electrical energy generation plus net imports (gigawatt hours) ⁹	296,147	295,878	290,797	292,115
Business, Consumer Services, and Housing				
Franchise Tax Board				
Personal Income Tax ^{5,9}				
Number of tax returns filed.....	15,856,019	16,293,947	16,586,622	16,888,470
Taxable income ¹	\$ 1,057,520	\$ 1,127,700	\$ 1,159,688	\$ 1,259,819
Total tax liability ¹	\$ 65,459	\$ 70,677	\$ 71,558	\$ 79,999
Corporation Tax ^{5,9}				
Number of tax returns filed.....	828,080	865,593	900,358	936,211
Income reported for taxation ¹	\$ 122,976	\$ 140,534	\$ 129,452	\$ 127,290
Total tax liability ¹	\$ 8,593	\$ 9,235	\$ 9,276	\$ 8,822
Transportation				
California Highway Patrol				
Total number of DUI arrests ⁵	75,871	65,016	63,210	58,894
Department of Motor Vehicles				
Motor vehicle registration ^{5,9}	32,980,355	34,346,325	34,721,195	35,391,347
License issued by age ^{5,7,9}				
Under age 18	223,024	221,250	225,569	219,572
Between 18-80	24,195,705	25,089,910	25,639,270	26,078,773
Over age 80	595,739	603,691	619,807	659,530
Department of Transportation				
Highway center-line miles – rural ^{5,8,9}	10,312	10,407	10,259	10,259
Highway center-line miles – urban ^{5,8,9}	4,788	4,686	4,833	4,833
Correctional Programs				
Department of Corrections and Rehabilitation				
Division of Adult Institutions				
Institution population at December 31 each year ...	134,431	127,815	129,415	130,263
Division of Juvenile Justice				
Institution population at June 30 each year	675	681	690	638

2018	2019	2020	2021	2022	2023
454,244	446,548	448,758	436,883	437,326	435,328
1,979,526	1,782,500	2,249,323	2,446,529	2,618,623	2,963,047
17,593,600	17,583,000	16,593,800	17,162,300	18,089,000	18,231,700
2,498,077	2,371,800	2,780,352	2,713,545	2,430,559	2,477,182
2,113,888	2,043,323	2,404,425	2,387,932	2,066,134	2,129,959
285,884	278,177	274,254	281,001	288,010	N/A
17,101,753	17,530,141	18,381,491	17,978,845	17,475,057	N/A
\$ 1,357,636	\$ 1,412,083	\$ 1,519,003	\$ 1,842,709	\$ 1,690,306	N/A
\$ 87,168	\$ 90,071	\$ 103,753	\$ 125,851	\$ 97,583	N/A
974,652	1,003,389	1,048,599	1,063,592	1,109,201	N/A
\$ 172,954	\$ 191,621	\$ 168,413	\$ 264,189	\$ 255,955	N/A
\$ 11,625	\$ 13,861	\$ 15,174	\$ 27,754	\$ 26,430	N/A
59,708	66,059	55,692	60,271	57,244	58,764
35,707,821	36,423,657	35,820,417	36,229,205	35,656,590	35,727,841
213,402	215,084	182,187	205,668	207,465	208,109
26,275,559	26,439,138	26,063,084	26,560,379	26,763,045	26,802,930
647,831	650,998	624,254	696,062	750,908	754,339
10,259	10,511	10,458	10,430	N/A	N/A
4,833	4,547	4,564	4,597	N/A	N/A
127,709	124,027	95,432	99,729	91,385	94,188
629	720	782	677	558	N/A
					(concluded)

Schedule of Capital Asset Statistics by Function

For the Past Ten Fiscal Years

	2014	2015	2016	2017
General Government				
Department of Food and Agriculture				
Vehicles and mobile equipment	747	747	752	677
Square footage of structures (in thousands)	455	455	455	462
Department of Justice				
Vehicles and mobile equipment	520	520	484	511
Department of Military				
Vehicles and mobile equipment	211	211	217	218
Square footage of structures (in thousands)	4,019	3,977	3,965	3,954
Department of Veterans Affairs				
Veterans homes	8	8	8	8
Vehicles and mobile equipment	285	285	235	280
Square footage of structures (in thousands)	2,543	2,541	2,541	2,552
Education				
California State University				
Vehicles and mobile equipment	4,555	4,619	4,945	4,838
Campuses	23	23	23	23
Square footage of structures (in thousands)	73,316	73,988	75,292	75,786
Health and Human Services				
Department of Developmental Services				
Vehicles and mobile equipment	424	571	640	559
Developmental centers	4	3	3	3
Square footage of structures (in thousands)	5,308	4,699	3,664	3,664
Department of State Hospitals				
Vehicles and mobile equipment	886	752	678	674
State hospitals	7	7	8	5
Square footage of structures (in thousands)	6,460	6,445	6,445	5,944

Source: California Department of General Services (DGS).

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

2018	2019	2020	2021	2022	2023
823	633	780	752	672	672
384	384	384	394	394	394
509	495	485	549	536	536
261	221	241	212	212	212
3,770	3,268	3,254	3,253	3,217	3,191
8	8	8	8	8	8
292	247	276	279	278	278
2,552	2,536	2,541	2,541	2,541	2,524
5,216	5,246	5,397	5,447	5,434	5,467
23	23	23	23	23	23
76,227	76,969	78,447	79,572	80,271	81,973
616	600	490	418	392	392
3	2	2	2	2	2
3,595	3,578	2,321	2,321	2,321	2,321
728	820	969	900	973	973
5	5	5	5	5	5
5,944	6,425	6,433	6,478	6,485	6,485

(continued)

Schedule of Capital Asset Statistics by Function (continued)

For the Past Ten Fiscal Years

	2014	2015	2016	2017
Resources				
Department of Fish and Wildlife				
Vehicles and mobile equipment	2,954	2,954	3,104	3,126
Square footage of structures (in thousands)	1,311	1,311	1,297	1,322
Department of Forestry and Fire Protection				
Vehicles and mobile equipment	2,748	2,748	3,151	3,073
Square footage of structures (in thousands)	3,632	3,664	3,666	3,677
Department of Parks and Recreation				
Vehicles and mobile equipment	3,489	3,489	3,538	3,542
State Parks	279	280	280	280
Acres of state park land (in thousands)	1,590	1,605	1,605	1,617
Square footage of structures (in thousands)	6,751	6,761	6,790	7,363
State Lands Commission				
Vehicles and mobile equipment	41	41	41	43
Acres of land (in thousands)	4,489	4,482	4,480	4,480
Business, Consumer Services, and Housing				
Department of Consumer Affairs				
Vehicles and mobile equipment	554	554	588	596
Department of General Services				
Vehicles and mobile equipment	5,053	5,053	4,697	4,476
Square footage of structures (in thousands)	19,367	19,448	19,311	19,487
Transportation				
California Highway Patrol				
Vehicles and mobile equipment	5,170	5,170	5,167	5,336
Square footage of structures (in thousands)	1,166	1,169	1,211	1,191
Department of Motor Vehicles				
Vehicles and mobile equipment	295	295	287	276
Square footage of structures (in thousands)	1,845	1,786	1,780	1,777
Department of Transportation				
Vehicles and mobile equipment	11,596	11,596	11,776	11,585
Square footage of structures (in thousands)	7,960	7,965	7,968	7,960
Correctional Programs				
Department of Corrections and Rehabilitation				
Vehicles and mobile equipment	5,137	5,968	5,291	8,079
Prisons and juvenile facilities	37	39	39	40
Square footage of structures (in thousands)	40,726	40,590	40,485	42,198

2018	2019	2020	2021	2022	2023
2,970	3,266	3,334	3,392	3,167	3,167
1,322	1,333	1,333	1,333	1,334	1,333
3,115	3,144	3,090	3,681	3,608	3,608
3,640	3,626	3,654	3,765	3,762	3,775
3,804	3,571	3,794	3,835	3,878	3,878
280	280	280	279	280	280
1,619	1,618	1,641	1,360	1,643	1,643
7,360	7,544	7,554	7,558	7,429	7,224
48	42	43	44	43	43
4,480	4,480	4,480	4,480	4,480	4,480
600	622	671	614	612	612
4,465	4,552	4,664	4,838	4,838	4,876
19,565	19,490	20,267	20,285	22,017	22,031
4,912	4,946	4,807	5,656	5,362	5,362
1,182	1,199	1,301	1,302	1,308	1,308
283	266	314	308	314	314
1,785	1,785	1,785	1,785	1,785	1,785
11,494	11,483	11,449	11,416	11,303	11,303
7,933	8,074	8,096	8,365	8,402	8,783
7,571	7,139	7,312	7,632	8,356	8,356
39	39	39	38	37	33
42,209	42,605	42,936	42,932	42,932	42,940
					(concluded)

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CALIFORNIA STATE CONTROLLER

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